

political affairs

What's Happening in Poland?
Gus Hall



ECONOMIC OUTLOOK for the '80s

PD 59 and the Nuclear Menace

Herbert Aptheker

**Economic Prospects for
the '80s**

Victor Perlo

**Reindustrialization and the
Social Contract**

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'Reindustrialization'?

Gil Green

**Foreign Trade:
Problems and Prospects**

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**Milton Friedman's Freedom
... for Capital**

Henry Morris

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<i>Gus Hall</i> What's Happening in Poland?	1
<i>Herbert Aptheker</i> Presidential Directive 59 and the Nuclear Menace	8
<i>Victor Perlo</i> Economic Prospects for the '80s	15
<i>Ernest DeMaio</i> Reindustrialization and the Social Contract	20
<i>Gil Green</i> 'Reindustrialization'?	25
<i>Edward Boorstein</i> Foreign Trade: Problems and Prospects	31
BOOK REVIEWS	
<i>Henry Morris</i> Milton Friedman's Freedom ...for Capital	38

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In lieu of our usual column, we have the distinct pleasure of noting in this space the seventieth birthday of our editor, Gus Hall, which occurs this month.

Of course, we can not pretend here to make an assessment of an intensely active and unbroken career as a working-class revolutionary which spans more than half a century. Such a task is made even more difficult by the fact that, like other outstanding personalities of the workers' and Communist movement, Gus' (as coworkers unfailingly refer to him) life is threaded among events of such scope that they comprise the principal patterns of the history of our time. Suffice it to mention—though this list is far from complete—Gus' role as chairman of the strike committee in Warren-Youngstown in the landmark "Little Steel" strike of 1937; his enlistment in the Navy in World War II to aid in the crusade against fascism; his stand in the front-line defense of democratic rights for our people as defendant in the Smith Act trials; and, for twenty-one years now, his untiring labors as general secretary of the CPUSA. And not least, he is standing now for the third time as candidate for president of the United States.

How the world has changed! Then—when Gus was born in 1910—not a square foot of the Earth was free from the domination of capital; the majority of humanity lived as colonial subjects of a few "Great Powers" who were preparing to war, at the expense of tens of millions of lives, over the redivision of their privileged areas of plunder. Then, there was no recognition of workers' right to organize, and lynch law and Klan terror were everyday realities for Black Americans. To spend one's life, at the cost of great self-sacrifice, fighting to change all that; to achieve so much toward mankind's real freedom in a historically short period; and to know, as a Marxist-Leninist, the original springs which feed the working-class and people's movements for peace, democracy and socialism—these are the causes for the unbounded optimism which Gus displays with such vigor that it can not but infect all who know and work with him.

The knowledge and qualities acquired in a full lifetime of struggle Gus now also brings to his work as editor of PA. They are most fitting qualifications, beginning with Gus' insistence that theory—our theory—is first of all an instrument for changing the world for the better, for sweeping away the state monopoly capitalist system, based on the parasitic rule of the few, and substituting the free and self-conscious rule of the many under socialism.

And so, on behalf of all your colleagues in various capacities on the magazine, Gus, we wish you many more happy and productive birthdays.

Credit for our September cover was inadvertently omitted; the design was by Susan Ortega.

What's Happening in Poland?

GUS HALL

Before beginning, I would like to suggest that we all keep in mind that we are viewing the recent developments in Poland from afar and that this may color our judgments. Not having the experience or responsibility of building socialism, our observations, therefore, must be considered in a sense as partisan observations from the sidelines.

It is necessary and important to discuss these developments because of the unprecedented efforts of U.S. and world capitalism to exploit these developments. The recent developments in Poland have become a focal point for all the anti-socialist forces in the United States and, for that matter, in the whole world.

These reactionary, anti-socialist elements are working overtime to convince people that the developments in Poland are proof positive that socialism does not and can not work. They have seized upon the difficulties in Poland to "prove" that the socialist system has failed. And they are using every tactic, every variation of the Big Lie and every public outlet to peddle their vicious slander.

We are interested in Polish developments for the very opposite reasons. We know that the truth and the real facts are proof that the problem does not lie in the socialist system itself. Rather, the problems are a result of some mistakes and weaknesses of the leadership, mistakes which are in a sense contrary to some of the principles of socialist development. The weaknesses and errors made by the Polish leadership are not weaknesses and errors which are inevitable in socialism. They are products of conditions unique to the construction of socialism in Poland.

A Historic Framework

To understand what happened in Poland it is necessary to first place the current developments in their proper perspective within a historic framework. No measurement of the quality of life

Gus Hall is General Secretary and 1980 presidential candidate of the CPUSA. Text of talk at PA forum, September 17.

in any society is possible without a consideration of the basic human rights enjoyed by the people.

In Poland, there is no unemployment. Every Polish citizen is constitutionally guaranteed a job of his or her own choosing, without fear of ever being jobless.

In Poland, there is equal pay for equal work and guaranteed equality of opportunity. This is one of the results of the elimination of the racism and especially anti-Semitism left from pre-socialist Poland.

Every Polish citizen is entitled to an old-age pension, to disability benefits, fully paid for by the government. Men can retire at 60, women at 55.

Every Polish citizen has the right to an education, to complete medical and health care, fully paid for by the government.

Every Polish citizen has the right to housing costing no more than about 5 per cent of his or her income. There is no hunger, no poverty, no real slums.

These achievements must be seen within the framework that Poland was one of the countries almost completely destroyed during the Second World War. When the Nazis were defeated and driven out by the Soviet Red Army, Poland's industries, cities, towns and villages, hospitals, schools, farms and livestock had been devastated and their land lay in ruins.

After the war, the Polish people—minus the millions who were murdered and maimed by the Nazis—began heroically and resolutely to rebuild their country on a socialist foundation.

They began to build a modern socialist society in a backward, industrially retarded country inherited from capitalism and the remnants of feudalism.

Restricted by limited natural resources and burdened by the devastation of war, within a short span of 36 years the Polish people—with massive assistance from the Soviet Union—succeeded in building a developed socialist society.

Today Poland is a modern society with a highly

productive material and technical base. Today's Poland has surpassed most of the old capitalist countries of the world in production and overall quality of life. It has built modern cities and towns, huge apartment complexes and industrial enterprises, schools, hospitals, roads, bridges and dams. It has a modern power base and transport industry.

The problems and weaknesses in today's Poland—as in all socialist countries—must be viewed in the context that mature socialism has not yet reached its final stage. It is a social system in the process of development. In the building of a new socio-economic system there are always some elements of trial and error.

However, socialism in Poland has unique features, including unique weaknesses.

Socialism in Poland still faces severe problems, such as the collectivization of its agriculture. It must still resolve the question of church-state relations. And at its own level, Poland faces unique problems in the development of a higher level of socialist consciousness.

We shall discuss these in more detail later.

Thus, although a critical assessment is appropriate and necessary at this time, we should keep in mind that sometimes criticisms of specific weaknesses eclipse the great and unquestionable achievements in the course of socialist construction. To permit this to occur would be to aid the enemies of socialism, the enemies of socialist Poland.

A Strike Against Whom?

In discussing the strikes in Poland it is necessary to keep in mind that while the number of strikers was large and the strikes did create serious problems, the fact remains that the great majority of the 15-million-member Polish working class did not go on strike. The majority of Polish workers remained at their jobs, which tremendously limited the amount of economic damage and served to maintain internal peace.

We should note here that in a real sense any strike in a socialist society is a contradiction. Under normal circumstances a strike is not necessary because management and workers are on the same side. The means of production are publicly owned. They are the property of all the workers

and people. All production is for the common good and for the well-being of all. There are no private corporations and no private profits. There is no class contradiction between management and workers. All profits, all wealth produced, go to advance the living standards and to satisfy the cultural and spiritual requirements of all the people.

So when there is a strike, in a sense workers are striking against themselves, against their own self-interests. When settlements are negotiated, the negotiations are not between adversaries but are discussions about mutual problems, mutual interests, mutual benefits and, therefore, mutual solutions.

When a strike does take place the basic cause is either a lack of understanding in management or a lack of socialist consciousness by the workers. In the Polish situation, it seems there was a lack of understanding by both sides.

What made the situation even more explosive was the lack of contact, the lack of communication with the workers on the part of the people in management, the Party and trade union leaders. Because of this missing link corrective measures were not taken in time to prevent the explosions. Tensions and resentment had evidently built up for a period of time until—rightly or wrongly—the workers felt they had no other alternative but to take drastic and dramatic measures to call attention to their grievances.

The demand for independent trade unions must be seen in the context of the workers' frustration and loss of confidence in the established trade union leaders. It must also be seen in the context that they are not asking for trade unions independent of the socialist structure of Polish society. It is most important to take note of the fact that the strikers and strike leaders made it absolutely clear that they were not striking against the character and foundation of the socialist state. They were not denying or challenging in any way the leading role of the Polish United Workers Party (PUWP). They were asking for redress of grievances within the existing socialist structure of Poland.

This was so despite the fact that anti-socialist elements, both internally and externally, were very busy indeed. These anti-socialist elements included the subversive activities of the CIA and

the counter-revolutionary forces throughout the world, and especially those working out of West Germany.

These reactionary forces have a long-term strategy for destabilizing the socialist world, for pushing individual socialist countries off the socialist path and out of the socialist orbit. They have not given up on Poland or any of the socialist countries. But they now think they have a foot inside Poland's door. So the counter-revolutionary, subversive efforts will continue and even escalate.

This is not to deny or in any way diminish the very real internal weaknesses and errors of the Polish leadership, and especially the trade union leadership, including the fact that the union leadership itself was often selected through undemocratic methods. However, we want to take note at this point that all the propaganda, the slander and falsehoods being spewed out in media headlines, by monopoly circles and their ideologues and by the AFL-CIO leadership can not negate the progressive role of unions in Poland.

Hypocritical 'Friends of Poland'

It is difficult to compare unions and trade union rights in socialist countries with those in capitalist countries because American workers do not even dream of such extensive social rights. They could not even imagine their rights being upheld by laws.

As we know, workers in the United States must wage war with the monopoly corporations for even small benefits, for every improvement in their working conditions, for every advance in living standards, for every wage increase. American workers would not even entertain the thought of getting paid full wages while on strike, as the Polish workers were. U.S. workers are blocked, restricted and hamstrung by such anti-labor laws as the Taft-Hartley and Landrum-Griffin Acts, a multitude of right-to-work laws and every conceivable obstacle to union organizing and the right to strike.

The support of Polish strikers by monopoly circles, Carter and Reagan and the top union leadership is nothing but the height of hypocrisy. They have never supported strikes in the United States, or in any other capitalist country for that matter. But when strikes occur—as they rarely do—in

socialist countries, they are the first to pick up the picket signs.

The anti-socialist forces cover up their real motives with hypocritical rhetoric about concern for the human and trade union rights of Polish workers. It is interesting that even the most reactionary forces find it necessary to hide their anti-socialist aims. It is a back-door admission that open anti-socialist criticism would not be welcomed by Polish workers.

Even Lane Kirkland, president of the AFL-CIO, in his appeal to the AFL-CIO unions to set up a "Polish Workers Aid Fund," felt compelled to defend the statements and actions of the AFL-CIO leadership: "The AFL-CIO was not involved...in the strike by Polish workers." And to cover up the anti-socialist aims of his appeal he even felt forced to disclaim any attack on Poland's socialist system:

We are not interested in attacking, undermining or calling into question the economic system that prevails in any other country in this world, including Poland...whether it be capitalist, communist or whatever. And our quarrel, insofar as the AFL-CIO is concerned...does not relate in any way to such matters as who owns the tools and means of production. To us that is really irrelevant.

Kirkland claims that his only interest is in the "humanization of the system" which would "serve the cause of peace...detente...of normal, constructive relations between nations."

If this is so, why then has the AFL-CIO leadership never in a generation supported any strikes in capitalist countries, including the United States? Why didn't they appeal for strike funds for the workers of South Africa and Chile and, as a matter of fact, for workers right here, where workers have frequently been involved in long, hard strike battles—often without the help of strike funds? And since when has Lane Kirkland, one of the most outspoken advocates of bloated military budgets, war production and military superiority over the Soviet Union, become the spokesman for "peace, detente and normal, constructive relations between nations"? Support for policies of U.S. imperialist aggression can not lead to "constructive relations between nations."

The truth is that monopoly capital and its labor stooges will exploit every problem, every weak-

ness, every mistake to undermine Poland's socio-economic system, the political and social basis of Polish society.

The Sources of the Mistakes

What then is the truth about the real, underlying causes of the strikes and disturbances in Poland?

The fact is that there is no single cause. Each element in and of itself would not have caused the explosion. What brought it to a head was the coming together—the convergence—of a number of factors.

The causes are mostly internal domestic problems, but there are also some external factors. While there is no question that foreign counter-revolutionary forces were at work, basically the causes are internal.

The weaknesses and mistakes are not the product of any evil intent. In fact, the mistakes of Poland's leadership flow from the very best of intentions. And interestingly enough, they are weaknesses that have appeared in a number of socialist countries in the past.

The intent of the Polish leadership was and is to build a modern industrial economic base as fast as possible in order to raise the living standards and overall well-being of the people accordingly. There is nothing wrong with this motivation. It is most admirable. In fact, it is the ultimate and loftiest goal of every socialist society and every Communist Party.

However, such an approach and the accompanying policies and practices must not attempt to skip stages of reality, to ignore what is economically and socially realistic and possible. It does not matter how good the intentions are if they lead to policies that create instability and imbalances.

When the subjective factors override and dominate the estimate of objective reality, imbalances will necessarily follow. As a result of an unrealistic approach in Poland imbalance occurred between the rapidly increasing aspirations and expectations of the workers and people and the ability of the society's productive capacities to satisfy them. A distortion developed between the plans, designs and economic decisions and the ability of the economy to implement them.

An imbalance arose between the forced accel-

ation of economic growth and sweeping modernization of industry and the resources, funds and capabilities of the existing economic, scientific and technological base to carry them out. Concretely, how did these imbalances develop in Poland?

Especially after 1970, the Polish leadership instituted a massive drive for accelerated industrialization. This was based mainly on loans. Loans from the Soviet Union are granted at very low interest rates. But the loans from the banks in the United States, West Germany, Great Britain and France are short-term loans, with much higher interest rates.

The total debt owed to capitalist countries rose to over \$20 billion dollars. Just the interest on these loans was \$2 billion per year. Over one-third of Poland's income from exports went to pay interest on past loans. To get an idea of how the capitalist banks viewed and used these loans, let me quote from a recent *New York Times* article:

In a far-reaching action early last year [1979] the Polish government agreed to supply the Western banks with more economic data, and to provide it more rapidly, under confidence-building arrangements designed to keep the money flowing to insure repayment of loans. The more active monitoring has given the banks the opportunity to press their case for changes in the mix of Polish economic policy. Banks have been concerned for some time over the stress of the Poles on policies such as food subsidies that lead toward higher consumption instead of increasing foreign exchange reserves....It could have been pressure from Western banks in the latest credit negotiations that led to the Polish decision to increase meat prices which in turn triggered the strikes.

It seems the stacking of loan on top of loan had a point of diminishing returns. An increasing percentage of the new loans went to pay for the interest on old loans.

Much of the loan money went for the import of grain and other food products and as payment for new industrial plants, tools, machinery and other means of production. It was intended that the huge new enterprises and industries would largely pay off these loans. However, many of these plants were not yet producing when payments became due.

Within a five-year period, from 1970 to 1975,

Poland's investment in plants and machinery increased two and one-half times. It is now obvious that such a rapid pace of development was not a true reflection of the realities, the real possibilities and potentials of Poland.

One of the measures taken by the Polish government to help correct this situation was to withdraw government subsidies for meat products, which resulted in a rise in consumer prices. This was the immediate factor that triggered the strikes.

Within a 10-year period the wages of basic workers were increased by 109 per cent, while the productivity of the workers increased by 58 per cent. This increase in productivity was excellent. But it was not good enough to match the 109 per cent wage increase. Also, the wage increases were outpacing the consumer goods available at the market. Here again, good intentions were clearly the motivating force.

The wage increases were seen as material incentives. A socialist society needs a well-balanced mix of material and moral incentives. As the socialist personality develops the part played by moral incentives becomes an increasingly greater motivating force.

Balance Between Objective and Subjective

It is now clear that a socialist economy can not function normally and efficiently for long with such imbalances. Wages and production, loans and production must be in balance. There can not be a large discrepancy between consumer demand and the actual supply of goods. There must be a stable ratio between the accumulation fund—a fund that is necessary for payment of debts, expansion and modernization of industry, new construction and accumulation of necessary reserves—and the consumption fund, the resources available to satisfy the material and cultural needs of the people in a given year.

In other words, there needs to be a rational way—based on a realistic, objective assessment—of combining the goal of improving living standards today with the goals of tomorrow, of balancing the supreme goal of satisfying more fully people's material and cultural requirements not only in the current fiscal year, but in the future. Thus, under socialism the supreme goal of

social production must form an organic unit with the means available for its achievement.

At all times there need to be adequate methods of assuring that the subjective factors do not override the objective economic conditions, those arising in the economy irrespective of human will.

Economic planning and management need to be based on an analysis of objective processes, trends and available possibilities for growth and expansion.

In order to accomplish this a socialist society needs mass participation in planning, management, administration and implementation at all levels. There must be constant discussion, consultation and exchanges, and above all there must be active participation of the workers at the factory level in the process of decision making. The workers must be deeply involved in deciding matters pertaining to management, improvement of working and living conditions, use of funds for both developing production and for social and cultural purposes and financial incentives. This is the deepest meaning of socialist democracy, of democratic centralism. This vital link was weak in Poland.

Some people ask: why did good intentions and the drive for maximum industrialization get out of touch with reality? One reason is lack of good, sound planning. Another is some wishful thinking translated into economic planning and decisions that could not be realistically implemented. In other words, subjective wishes outstripped objective possibilities. And much of the unrealistic good intentions were fed by feelings of unrealistic nationalism.

Additional factors that added to the negative developments in Poland were: severe droughts which led to lower than usual harvest yields; the problems in the import of raw materials and grain and the rise in prices for these items; the increasing price of oil Poland buys from the OPEC countries. The economic crises in the capitalist countries had a negative effect on Poland's export sales. These were all factors that converged to create the crisis in Poland.

The Need for Socialist Consciousness

These developments in turn brought to the surface many other bothersome questions which the

leadership of the Polish United Workers' Party is now looking into and discussing. This includes the problem of an over-reliance on material incentives and a tendency to leave advancement in the ideological arena to spontaneity.

It is true that the socialist economic system creates the material basis for how people will think. But socialist thinking does not then develop completely automatically or spontaneously. And of course ideological developments, in this case socialist consciousness, always lags behind developments in the economic arena.

In the period of building socialism material incentives necessarily play an important role. But they do not and can not replace the need for constant and consistent education, the struggle in the ideological and political areas of life. Appeals to national pride are also not enough.

The experience of 60 years of building real socialism is witness to the fact that with the process of building the economic structure of socialism there must be some necessary parallel processes taking place. One of the most fundamental of these processes is the need for a constant struggle to draw ever greater numbers of the people into the planning, management and especially the governing and decision-making processes.

This must be done by way of constantly increasing the role and responsibilities of people's organizations, including and especially the trade unions. People in ever greater numbers must be drawn into the process of finding solutions to the problems in every area of life. They must be drawn in not merely for discussions, consultations and exchanges of opinion. They must become full partners, an integral component in the actual decision-making process. They must become part of the power structure and governing apparatus. It is a process of expanding the mass base of socialist democracy.

It seems there were some real weaknesses in this area in Poland. When there is an overemphasis on material incentives and weaknesses in the ideological struggle it will result in a lag in development of socialist consciousness.

The people must fully and deeply understand the difficulties and problems, and how and why they arise. They must know what the limits are in

each stage of development. Only then will they be prepared and motivated to wholeheartedly fight for solutions and their implementation.

The development of socialist personality, based on socialist consciousness, takes place only as a result of continuing stubborn and relentless struggle. At no stage of socialism does such a personality emerge without an ideological struggle. Naturally, the socialist way of life, socialist consciousness, does not take shape overnight. Establishing a new way of life, new ways of thinking, involves a complex and lengthy struggle against old habits and traditions and the mentality inherited from the past.

The new society—the new socio-economic system based on public ownership and the social relations arising on this base (which eliminate the antagonism based on the irreconcilable interests of opposing, hostile classes)—lays the objective basis for socialist consciousness. It stimulates the birth of new ideas, new socialist relations.

Socialism lays the basis for new attitudes to labor and new moral ideals and goals. But these do not grow and develop without constant struggle, without cultivation on many levels.

The fact that some 70 per cent of the farms in Poland are still privately operated is not only a drag on agricultural production. It is also a drag on the development of socialist personality.

It seems obvious that material incentives, without a political and ideological struggle, will continue the very slow transition to collective and state farms, which is the only basis for modernization of a large-scale socialist agriculture.

Weaknesses in the ideological sphere create a vacuum which other ideologies rush to fill. This creates fertile soil for anti-socialist elements.

In Poland, the Catholic Church remains not only a religious, but also an ideological force. Its ideological influence will not diminish without a conscious struggle. The statement that the Party in Poland must reestablish a relationship of confidence in the PUWP is a most serious self-criticism. And of course there is the important question of why the people lost confidence in the first place. It will help, but a change in the leading personalities in and of itself will not result in reestablishing that confidence.

A socialist society has a distinct advantage in

that it has the means and the structure to correct mistakes and recover from weaknesses. This is because the relationships among the workers, the Party, the trade unions and the government are not based on inherent contradictions, because they are not relationships between a worker and a boss and because their mutual self-interests are served by the continued building of socialist society.

What Next?

So the capitalist ideologues are whistling in the

corporate graveyard if they think the workers and people of Poland are going to veer from the socialist path. Poland will make changes and correct many mistakes. But the one mistake it will never make is to reverse its socialist path of development.

There is no question that the strikes in Poland were negative developments. But they are being transformed into their opposite because the Party, the trade union leaders and the government are drawing the necessary conclusions.

Socialism will come out the winner!

Foreign Trade...

Continued from page 37

per cent. The economies of many other countries have also grown to be far more dependent on foreign trade.

Foreign trade is, therefore, of central importance. What happens in foreign trade will help determine the general movement of events, both economic and political. How, then, does the perspective in foreign trade fit in with the overall perspective for the 1980s?

The answer can be offered that the foreign trade perspective is essentially in line with the overall perspective. The capitalist-imperialist system is involved in a developing crisis and is growing relatively weaker. The socialist community has problems, but aside from transitory setbacks is laying the basis for solving these problems, and is getting stronger.

Imperialism has no real answer to the foreign trade problems of the underdeveloped countries—wildly fluctuating prices, the opening of markets for their industrial goods, the establishment of trade relations that will permit them to develop diversified, strong economies. The foreign trade crisis of the underdeveloped countries is a key element in the overall crisis of neo-colonialism, helping propel the national liberation movement, deepening its content and its natural

alliance with the socialist countries.

Imperialism also has no answer to the problem of inter-imperialist rivalries. We have not nearly seen the full force of the problem posed by Japanese auto and steel sales in the United States and Western Europe or of the conflict over how to divide Middle East oil among the major imperialist powers. The growth in inter-imperialist rivalries obviously has great political implications. Already the United States is not in a position to force on other countries the same tight restrictions on trade with the Soviet Union that it did in the 1950s, or even the same sort of tightly-knit anti-Soviet political alliance.

The growing economic strength and trading capacity of the socialist countries also has great political implications. It helps build trade ties with the main capitalist countries and strengthens the struggle for peace. It helps build trade ties with the underdeveloped countries and this, too, strengthens the struggle for peace, besides aiding national liberation and socialism.

In sum, as we enter the 1980s we find ourselves in the midst of a world-wide revolutionary process—a process that, if anything, has been accelerating over the last few years. Developments in the world's foreign trade will be an integral part of the forces propelling this process further.

Presidential Directive 59 and the Nuclear Menace

HERBERT APTHEKER

The full text of Presidential Directive 59 has not been made public (as of this writing at the end of August). Its essential content, however, seems to be that published with a Washington dateline in the *New York Times* on August 6, 1980—thirty five years to the day after the A-bomb was dropped on Hiroshima and instantly annihilated 130,000 people. This page-one story began by declaring: "The Carter Administration has adopted a new strategy for nuclear war that gives priority to attacking military targets in the Soviet Union rather than to destroying cities and industrial complexes, Government officials said today."

This officially-inspired story went on to declare that this policy "contrasts with the policy adopted in the 1960s, which relied on the threat of the destruction of Soviet cities to deter a major war." An unnamed government official—in all probability Brzezinski—added: "There is no question that we need the capacity to destroy Soviet cities and industry." The point, however, was that the new policy offered the president "greater flexibility." The *Times'* summary continued that PD 59 "asserts that the best way to prevent a major conflict with Moscow is to be capable of waging a prolonged but limited nuclear war."

The *Times* reminded its readers that the Republican Party platform, adopted in July 1980, had demanded a "clear capability to destroy military targets" in the Soviet Union; it was suggested that in this campaign period the disclosure of PD 59 at this moment was meant at least as much for domestic consumption as for the edification of the government of the USSR.

Note was taken, in this same story, of the fact that President Carter, in his State of the Union message in January 1979, had boasted that "our deterrent is overwhelming" and had added that one Poseidon submarine—which constituted, he

said, less than two per cent of the total U.S. nuclear weapons arsenal—"carries enough warheads to destroy every large and medium-sized city in the Soviet Union." (This means, in plainer English, the capacity to kill very nearly every man, woman and child in the USSR—but then bourgeois politicians are not noted for plain-speaking.)

But, this report went on, the United States "needed to be able to fight a small-scale nuclear war"—hence the change in policy and hence the "need" for the MX missile system and "other newer weapons." The story ended by repeating, as if for emphasis: "The possibility of fighting a prolonged nuclear war, lasting weeks and even months, is envisaged."

Further elucidation of this policy came from Defense Secretary Brown; this must be considered authoritative, given its source. In a message sent from Washington on August 10 to his counterparts of NATO, Brown stated: "It is crucial that the Soviet leadership recognize that by aggression they would risk not only a general U.S. retaliation on the full range of targets; they must also understand that if they choose some intermediate level of escalation, the United States could by more limited responses impose on the Soviets an unacceptably high cost of what the Soviet leadership values most—political and military control, military power both nuclear and conventional, and the industrial capacity to sustain military operations."

Never mind Brown's presumption in telling the world what the Soviet leaders "value most" (there is little doubt as to what he and Brzezinski value most). The key point in his statement is that U.S. policy is to respond to Soviet "aggression" of whatever "level" with the employment of nuclear weapons, either on a "general" or a "more limited" scale as chosen by the United States. Well-buried in the *New York Times* of August 15, at the tag end of a dispatch filed by its Moscow corre-

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spondent, was this statement from TASS: "All the efforts of the Soviet Union in the international arena are aimed at insuring that there should be neither a first nor a second nuclear strike, that there should be no nuclear war."

The ominousness of PD 59 is intensified when certain additional actions of the Carter Administration are kept in mind. Among these are the following: PD 59 follows, of course, PD 58, but the latter has received very little notice in the public media. PD 58 was a directive adding new safeguards and priority provisions for the security of key governmental figures—such as top executive, legislative, military and judicial personnel—to be put into effect upon the outbreak of war.

PD 59 follows Carter's plans to deploy 108 Pershing II missiles and 464 cruise missiles in Western Europe starting in 1983; it follows the buildup of U.S. naval, air and military forces in the Persian Gulf and eastern Mediterranean areas; registration for the draft; the request to Norway that it permit the United States the use of certain of its territory in the north—quite near the USSR—for the storage of military equipment in case of emergency "need" by Marine forces; the activation and reinforcement of "quick-strike" contingents; the conclusion of very significant military and naval agreements with Egypt and Somalia and Oman; the sabotaging of SALT II; and the unleashing of an anti-Soviet propaganda campaign not seen since the Hitler-Goebbels team was in its prime. The foregoing is merely illustrative and not meant at all to be exhaustive in terms of the fantastic war-mongering carried on by the U.S. government and by U.S. ruling-class forces during the past year or two.

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Readers must exercise great attention to discern a central point in PD 59, in the official "leak" of its contents and in Brown's NATO message. The attention is needed because what has been published recently obscures a fundamental point in U.S. policy—a point which has remained constant since 1945. This is the fact that the government of the United States now pursues and has pursued for thirty five years the policy of employing atomic and nuclear weapons against the Soviet Union

even though the USSR does *not* employ them.

This is the meaning of the TASS statement also. The USSR, ever since the atomic bomb came into being, has called first for the destruction of all such weapons and the pledge by all nations that it not be produced. When the United States rejected this proposal and after the USSR developed an atomic bomb, it proposed that both powers announce that neither would ever be the first to use the weapon. This was rejected. The H-bomb was developed by the U.S. despite repeated urgings from the USSR that this not be done. After it was done, the USSR developed the same weapon and again proposed that both powers announce that neither would be the first to employ either A- or H-bombs. This proposal of the USSR, expanded in 1976 and again in 1979, with the concurrence of all members of the Warsaw Pact, urged that the United States and the NATO powers enter into a solemn mutual treaty agreeing that no member of either group would ever first employ such weapons. Again, the United States taking the lead, this proposal was summarily and insultingly and immediately rejected on both occasions as "mere propaganda."

The reportage of this series of facts has been so meagre and mean in the U.S. commercial press that it is likely that not ten out of a hundred Americans know anything at all about it. To understand PD 59 and the *most serious* nature of the present danger of a global holocaust it is necessary to briefly sketch the history relating to atomic (fission) and hydrogen (fusion) bombs and later "refinements" on such weapons which further increase their colossal destructiveness.

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Despite the urging of several of the key scientists responsible for developing the original A-bomb, Truman chose to use the two then on hand against living targets in a Japan that was actively seeking peace terms through diplomatic channels. Those slaughtered were Asians, but the main purpose was to intimidate the USSR—a purpose pursued by others, without success, ever since 1917.

President Truman spelled out the U.S. policy that has persisted to the present in his message to

Congress on October 23, 1945. This speech was delivered when only the United States possessed the A-bomb and four years before the USSR had it. On that occasion Truman said: "No matter what the cost, we can not afford to fall behind in any of the new techniques of war or in the development of new weapons of destruction." He added:

Until we are sure that our [our!] peace machinery is functioning adequately, we must relentlessly preserve our superiority on land and sea and in the air. Until that time, we must also make sure that by planning—and by actual production—we have on hand at all times sufficient weapons of the latest nature and design with which to repel any sudden attack, and with which to launch an effective counter-attack.

That is to say, the president of the United States was affirming that the government was determined to use atomic weapons in any future war in which it might be involved, if it chose to do so. That this policy was affirmed without any pretense that it was one which was to counter prior use of atomic weapons by an opponent is clear because at that time no other nation in the world possessed such a weapon. The only change in this policy since 1945 lies in the fact that now several other nations—including the USSR—have atomic and nuclear weapons; but since that time, though the USSR repeatedly has affirmed that it would in no case and at no time first use such weapons in war and has repeatedly invited the United States to make a similar promise, the U.S. government has consistently refused to do so. On the contrary, that government has not only refused to make such a promise; it has made clear its intention to use such weapons even though they had not been used by an opponent. Here is some of the record:

In 1946 the United States tested atomic weapons by exploding them at the Pacific island of Bikini. The Joint Chiefs of Staff then appointed a board to evaluate the results of that bombing. This board presented its final report to President Truman in July 1947; the official summary was made by (then) Major General Curtis E. LeMay—Deputy Chief of Air Staff for Research and Development. This summary asserted that atomic bombs, in a quantity held to be easily attainable, could "nullify any nation's military effort and demolish its social and

economic structures." It was concluded that this weapon—then held only by the United States—in conjunction with other "mass destruction weapons" (not specified) could—and the summary used italics: "*depopulate vast areas of the earth's surface, leaving only vestigial remnants of man's material works.*" The recommendation was to develop quickly "the most effective means of delivery" of these weapons. And, again in italics: "*In being there must be the most effective atomic bomb striking force possible.*"

As a result of this study the Joint Chiefs of Staff urged improving atomic weaponry, initiating the "continuing selection of atomic bomb targets," intensifying civil defense measures, escalating the intelligence apparatus, and redefining "aggressive acts" so as—and now the italics are mine: "*...to prepare for the possibility that a presumptive strike by the United States might be necessary to defend against a nuclear armed enemy*"—this in the summer of 1947, two years before the Soviet Union first successfully tested an atomic bomb.*

All proposals, except the final one, were consummated. Helping to restrain Truman was his belief, expressed in May 1948, "that the American people would not tolerate the use of atomic weapons for 'aggressive purposes'"—the internal quotation marks were Truman's. Nevertheless, by September 1948 he assured the pathological warhawk, Secretary of Defense Forrestal, that "if it became necessary" he would employ atomic weapons. On September 16, 1948, the president endorsed National Security Council Document 30, which was concerned with the need to plan for the use of atomic weaponry in war.

A result of NSC-30 was the appointment of a committee by the JCS—headed by the then senior Air Force General, Hubert R. Harmon—to investigate the realities of atomic weaponry used in war. The Harmon Committee reported in May 1949 that an atomic attack upon seventy carefully selected Soviet cities would be devastating but

*See, David Alan Rosenberg, "American Atomic Strategy and the Hydrogen Bomb Decision" in *Journal of American History*, June 1979. The *Journal* identifies the author as a consultant to the Naval Research Advisory Committee of the Office of Secretary of the Navy. The main sources for the article are stated to be recently-declassified documents from the JCS, papers hitherto restricted in the offices of Army, Navy and Air Force, some of the files of the National Security Council and components of the Confidential File of Truman.

probably would *not* "bring about capitulation," would not "destroy the roots of Communism"[!] and would not demolish the leadership ability of those in charge of the USSR. It might very well, on the contrary, concluded this report, "for the majority of the Soviet people," confirm the reality of their view of the world, "unify the people, and increase their will to fight."

The author of the cited article observes that there were "two strains of conflicting thought" in this Harmon report—namely that the bombing of major Soviet cities, at least with the means available in 1949, would not bring "victory" and might rather diminish the overall effectiveness of the U.S. war effort! Ever since that Harmon report, with its troubling conclusion, the U.S. government has sought to develop not only weapons of greater and greater destructive capacity but also weapons of greater and greater accuracy and ease of delivery—Dulles' "clean bomb," the N-bomb, smaller bombs capable of being launched from conventional artillery weapons—as well as bacteriological and chemical weaponry.*

These "contradictions" in the Harmon report will make clearer the origins and the significance of PD 59, wherein a government official stated that of course the United States retained the capacity to destroy all Soviet cities of large or moderate size but that now, *in addition*, it had adopted the strategy of developing the capacity to pinpoint particular atomic and nuclear weaponry so that weapon emplacements and strategic command centers of the USSR might be destroyed. This is supposed to resolve the Harmon problem and to make possible a "flexible" choice of weapons and thus make conceivable the waging of a nuclear war on a "limited" basis for a protracted length of time!

In the spring of 1949, as David Alan Rosenberg reports in the cited article, Truman decided "that the atomic bomb would be the centerpiece of future American strategic planning"; on April 6, 1949, he publicly stated that he might again use the atomic bomb in war. This expert consultant for the U.S. Navy, on the basis of his examination of

*For a good brief recent account of U.S. government activity in chemical weaponry see Peter Hall, "Nerve Gas Politics," *Progressive*, September 1980. Another factor of importance in U.S. concern with "clean" bombs, N-bombs, high-accuracy atomic weapons and poison gas is their possible use against national liberation movements and for "urban control" purposes.

recently opened documents, then concludes that with this the United States had been launched "on a one-sided strategic arms race *before* the Soviet atomic test of August 1949" [italics added—H.A.].

A logical consequence of this policy was the decision by the United States to go ahead with the development of the fusion or H-bomb, whose capacity for destruction is to the A-bomb what the A-bomb is to conventional high explosive bombs. The USSR and the peace forces of the world urged and pleaded with the United States not to go ahead with this—as earlier they had conducted the Stockholm Peace pledge campaign to ban the A-bomb. But the H-bomb was developed, and once more when that was done the USSR went ahead to produce that weapon and did so, about five years before U.S. "experts" had said the Soviet Union could possibly do so.

Rosenberg concludes his study by remarking that for the years up to 1953, "many of the military's basic assumptions about the situation the United States was confronting in the immediate post-war period were inaccurate." He remarks that the U.S. military suffered from "poor intelligence" and that its planners "tended to overemphasize" the so-called Soviet threat. He concludes: "In retrospect, it is clear that there was merit in the arguments of critics of American atomic strategy and policy during this period."

There is some satisfaction in having this kind of expert confess that those of us who made these points *at the time* were correct; the problem is that the world may not be able to recover from further instances of faulty U.S. military intelligence and overemphasis on the mythical Soviet "threat."

In may be added that it was at that period—1949-1951—when the Harmon Report had been made and the decision to go ahead with the H-bomb had been taken that some Soviet military figures, notably Marshal Vasily Sokolovsky, then Chief of Staff, projected the possibility of developing a successful *defense* against U.S. atomic plans of attack. Neither he nor any other Soviet military figure—not to speak of leading figures in the Soviet government—*ever* put forth the idea of the Soviet's first use of such weaponry. On the contrary, always and repeatedly all Soviet officials, civil and military, supported the banning of such weaponry and, at least, a mutual agreement by the

atomic powers never to be the first to use such weapons.*

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Let us return to a chronological account. The staff of the National Security Council presented a draft report on March 30, 1949, which made several proposals: "To counter the threats to our national security and well-being posed by the USSR and to achieve our general objectives with respect to Russia." The proposals included: "curtailing" the activities of "communists and other subversive groups, whether party members or not"; securing "access and use" of areas throughout the world "considered strategically essential to U.S. security"; developing "dissension within the USSR and disagreement among the USSR and Soviet orbit nations"; and other such "free world" missions. But directly relevant to our subject was proposal number 4 in this draft report, which advocated, in the case of conflict, "To conduct, at the earliest practicable date, a *strategic air offensive* against the vital elements of the Soviet war-making capacity, and other air offensive operations as are required for the prosecution of the war."[†] The words I have italicized in this quotation meant the employment of atomic bombs.

A special committee of the National Security Council already had reported to Truman, March 2, 1949: "Although no explicit decision has been made as to whether the United States would use the bomb in war, the fact that our military establishment is being built around it makes the nature of the decision almost a foregone conclusion."

A special committee of the National Security Council consisting of the secretary of state, the secretary of defense and the chairman of the Atomic Energy Committee was appointed in 1949

*After writing the above paragraph, the author—who lives in California—read the interview with Lt. Gen. Mikhail Milshstein of the USSR, published in the *New York Times*, August 25, 1980, where the above point was made and where the general conclusion: "The abandonment of the old war-preventing concept is defended by allegations that Soviet military doctrine proclaims the acceptability of nuclear war, calls for efforts to achieve victory in such a war, prepares for delivery of the first strike. *All this is simply not true.*" (Italics added.—H.A.)

[†]Official texts, some published for the first time, will be found in the very useful and huge volume edited by A. G. Theoharis, *The Truman Presidency*... (Earl M. Coleman, publisher, Stanfordville, New York, 1979).

by Truman to advise him as to whether or not the H-bomb should be built. This committee on January 31, 1950, stated its belief that the USSR knew of the work going forward on the H-bomb and thought the U.S. would build it and so perhaps was itself going ahead with research on the device and that therefore the United States *should* go ahead with work on the H-bomb. In this report to Truman, however, there is a key paragraph:

There is evidence which leads to the belief that the Soviet Union prefers to put its chief reliance on winning the cold war rather than precipitating a hot war. There is also ground for belief that the Soviet Union would prefer not to use weapons of mass destruction except in the event of prior use by others. (Italics added.—H.A.)

On the very day this report was made, Truman issued the following public statement: "I have directed the Atomic Energy Commission to continue its work on all forms of atomic weapons, including the so-called hydrogen or superbomb."

On April 7, 1950, the National Security Council adopted Directive 68. This directive included the suggestion that "covert measures in the fields of economic warfare and political and psychological warfare" be intensified in order to "foment and support unrest and revolt in strategic selected satellite countries" and that "dynamic steps to reduce the power and influence of the Kremlin inside the Soviet Union" be taken which would, at the least, "help force an increased expenditure of Soviet resources." The main body of this directive, however, concerned the use of atomic weapons against the Soviet Union in war "either in retaliation for their prior use by the USSR or because there is no alternative method by which we can attain our objectives" (italics added—H.A.). This directive also insisted that the United States must *not* issue a statement or take a position promising it would *not* be the first to use atomic weapons.

The records of the NSC show that on September 3, 1950: "The President has this date approved the Conclusions of NSC 68 as a statement of policy to be followed over the next four or five years and directed their implementation by all appropriate executive departments and agencies of the United States Government."

In the 1950s and 1960s, under Truman,

Eisenhower and Kennedy several times, in Laos, in Vietnam, in China, in Cuba, serious contemplation was given on the highest levels to the employment of atomic weapons. Sometimes these were made public, as by President Truman at the time of the Korean conflict, by Vice President Nixon at the time the French were on the verge of defeat in Vietnam and, of course, by Kennedy at the time of the Cuban "missile crisis." In each case world public opinion and the pressure from Western European powers (in the 1950s the prime minister of Great Britain and the premier of France personally warned the president of the U.S. against such usage) and the diplomatic and political activities of the USSR prevented catastrophe. But the will to use these monstrous weapons existed throughout this period in the United States, reaching into the Oval Office at the White House. In that sense it is not really surprising to learn that Truman, in a personal diary that he kept locked in his own desk, spun this wishful fantasy for himself on January 27, 1952, in a memo in his own hand:*

It seems to me that the proper approach now would be an ultimatum with a ten-day expiration limit, informing Moscow that we intend to blockade the China coast from the Korean border to Indo-China, and that we intend to destroy every military base in Manchuria, including submarine bases, by means now in our control—and if there is further interference we shall eliminate any ports or cities necessary to accomplish our peaceful[!] purposes.

And the same memo concluded this way:

This means all-out war. It means that Moscow, St. Petersburg[!], Mukden, Vladivostock, Peking, Shanghai, Port Arthur, Dairen, Odessa, Stalingrad and every manufacturing plant in China and the Soviet Union will be eliminated.

This is the final chance for the Soviet government to decide whether it desires to survive or not.

Professor Sidney Drell of Stanford—chairman of the high energy physics advisory panel of the Department of Energy—in a moving and conse-

*Found by Professor F. L. Loewenheim of Rice University and reported August 3, 1980, from Houston, Texas, in an Associated Press story—*San Francisco Chronicle*.

quential speech marking the retirement of Dr. Jerome Wiesner as president of Massachusetts Institute of Technology, concluded by insisting that it is "crucial" that "reasonable self-restraint" be exercised in the area of nuclear weapons and that the world requires "genuine progress in controlling and reducing nuclear weapons."* Drell recalled that Enrico Fermi and Isador Rabi, key developers of nuclear weaponry, had stated in 1949 in a report to the Atomic Energy Commission: "It is clear that the use of such a weapon can not be justified on any ethical ground which gives a human being a certain individuality and dignity even if he happens to be a resident of an enemy country."

But what has been the position of the U.S. government on this matter of ethics and dignity—not to speak of "human rights"? The Senate Subcommittee on Disarmament of the Foreign Relations Committee, headed by Hubert Humphrey, sent some questions to and received some replies from the State Department in November 1958 which answer this inquiry. Here it is:

Q. Is it against the United States' interests that outlawry of nuclear weapons should occur?

A. A ban on the use of nuclear weapons, taken alone, would be clearly inimical to present United States interests...

Q. Is it our interest to show that the use of nuclear weapons is no different from the use of other types of weapons in terms of international morality?

A. Yes, it is the interest of the United States to have a general public awareness of the fact that nuclear weapons in themselves are no different from other types of weapons in terms of international morality. Since the end of World War II, our military have been reshaped around nuclear weapons. †

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The reader will recall that it was pointed out that in 1949 the National Security Council itself af-

*Published in *San Jose Mercury*, August 17, 1980—to appear in full in the September 1980 issue of *Daedalus*.

†Fred J. Cook, *The War-Fare State*, Macmillan, New York, 1962, p. 206. This appeared for the first time in a secondary source in J. P. Morray's splendid pioneering work, *From Yalta to Disarmament*, 1961 (reprinted by Greenwood Press, 1974).

firmed its understanding that the Soviet Union did not want war and that it was opposed to the use of weapons of mass annihilation. This fact has been officially reported repeatedly in the most authoritative terms to the highest figures in the U.S. government. Thus, Charles Bohlen (1904-1974)—in the U.S. Foreign Service beginning in 1929 and special adviser to Roosevelt at Yalta and to Truman at Potsdam, U.S. ambassador to the USSR (1953-1957) and to France (1962-1968)—in his autobiography *Witness to History: 1929-1969* (Norton, New York, 1973) affirms the "determination to have peace" of the Soviet government. "The Soviets," he wrote in that book, "are very serious about disarmament. I don't think it is a propaganda stunt...they genuinely believe that an uncontrolled arms race is almost certain to end up in war, sooner or later." While Bohlen was intensely anti-Soviet, he nevertheless insisted in this volume: "I do not see any circumstance under which the Soviets would deliberately embark on World War III."

George F. Kennan (1904-)—whose service in the State Department began in 1927 and who served as both U.S. ambassador to the USSR and to Yugoslavia and is now at the Institute for Advanced Study in Princeton—in his most recent book, *The Cloud of Danger: Current Realities of American Foreign Policy* (Little, Brown, Boston, 1977) ridicules U.S. press and government tales of growing Soviet military expenditures and shows them to be false and to have transparent political motivation. He insists "that the general thesis of a new and heightened danger to this country from recent Soviet military preparations is not supported by the available evidence." On the contrary, the thesis "has to be rejected."

Those who raise alarms about a "surprise Soviet attack against Western Europe...are living in a dream world of their own." Kennan insists that "The Soviet leaders themselves, and outstandingly Brezhnev personally, do not want" a war between the United States and the Soviet Union.

He states that in 1950 he had urged upon the secretary of state that the United States should abandon "the whole principle of 'first use' of atomic weapons or any other weapons of mass destruction." And he goes on:

Today, twenty seven years later, *although the commitment to first use is now far more deeply imbedded in the theory and practice of ourselves and our allies, than it was then, I see no reason to go back on this judgment* (italics added—H.A.).

This "first-use" idea, states Kennan, is at the heart of the arms race; he notes that in 1977 the USSR had again proposed a general pact to assure that no signatory would be first to use such weapons and that this proposal was dismissed out of hand by the United States and its NATO allies.

In a splendid paragraph towards the close of his book (p. 207) Kennan states:

We can not get away from it: either we approve of mass destruction as a means of warfare regardless of the disasters it holds for much of humanity, our own civilization included, and in implementation of this approval we cling to the principle of first use of these weapons, whether or not they are used against us; or we disapprove of it, in which case we should have the manliness to take the consequence of our feelings and to resolve that we shall not be the first to inaugurate this means of warfare—that we will find other means to assure our defense.

Finally, writes Kennan: "With relation to the Soviet government, our task is not to destroy it or make it into something else but to find means of living side by side with it and dealing with it which serve to diminish rather than to increase the dangers that now confront us all."

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The present policy is the opposite and that is the meaning of the mealy-mouthed and demagogic phraseology of President Carter's speech at the United Nations, October 4, 1977: "I hereby solemnly declare on behalf of the United States that we will not use nuclear weapons except in self-defense, that is, in circumstances of an actual nuclear or conventional attack on the United States, our territories or armed forces, or such an attack upon our allies."

This is a reiteration of the policy that has existed for a generation: here Carter is saying the United States will use nuclear weapons in war whether or not these are first used against the United States;

Continued on page 19

Economic Prospects for the '80s

VICTOR PERLO

The nineteen seventies were another bad decade for world capitalism. Economic growth was about half that expected by government and business leaders at the beginning of the decade, as the worst cyclical crisis since World War II occupied the middle 1970s and a doubled rate of inflation impeded growth. The post-World War II rise in real wages in the developed capitalist countries came to an end, and a declining trend set in in the United States and some other countries. Capitalism lost more ground in economic competition with socialism.

The capitalist world shrank geographically as several more countries moved into the socialist camp, or into building towards socialism—united Vietnam, Laos and Kampuchea, Mozambique, South Yemen, Afghanistan, Ethiopia and Angola, Nicaragua and Grenada.

The position of imperialism in the "third world" was drastically weakened. Additional countries in Africa and the Caribbean won freedom from colonial bondage, and a number of these as well as others under semicolonial rule turned towards a socialist orientation and cooperation with socialist countries.

The striving for economic independence from imperialism took many forms. The struggle went on on the diplomatic front in the United Nations with the adoption of the resolution for a New International Economic Order and a series of actions by developing countries in the direction of enforcing that.

The most momentous, of course, was the action of the OPEC countries nationalizing in large part

Victor Perlo is chairman of the Economics Commission of the CPUSA. This article, and the following one by Ernest De Maio, are the text of talks given at the Political Affairs forum, "Economic Outlook for the Eighties and its Consequences," September 26, New York City. We have also included in this issue of PA several other papers on this general theme and plan to publish additional contributions in future issues. We believe that it is highly important to examine the general trends of economic life in order, as Marxist theory emphasizes, to know what *underlies* daily events. Readers' discussion of these articles is invited.

the oil holdings of the transnationals in their countries, setting the price and directing the supply of most of the world's international oil trade.

The revolution in Iran is still in a transitional stage. But clearly the old position of imperialism has been shattered and is unlikely to be fully restored.

However, one must be objective. As against these losses, capitalism had one major gain. The rapid, decisive movement of China into the camp of imperialism provides world capitalism with a huge new economic reserve. How well this can be exploited in view of the serious contradictions within China and the conflicts between the objectives of the Chinese ruling clique and those of their new-found allies remains to be seen.

Also, imperialism won unquestioned economic domination over Egypt—a domination which may prove not so profitable for very long because of the extreme poverty of the country and the opposition of the masses to Sadat's policy of betrayal of Egypt to the very imperialist countries which for so long colonized, oppressed and humiliated it. Finally, mention must be made of the successful CIA-sponsored fascist coup in Chile, which is now again a happy hunting ground for the great U.S. banks and mining companies.

These offsets prove that a bitter struggle continues. Imperialism is far from finished. But the balance is definitely against it.

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What about the 1980s? All indications are that the decline of world capitalism will accelerate.

The twenty-fifth annual economic forum of high capitalist officials and bankers was recently held at Alpbach, Austria. It considered the question: "Will there be a world economic crisis in the 1980s?" The responses of the speakers, reported the *New York Journal of Commerce*, were "mostly gloomy and cheerless."

Among the causes for pessimism cited by speakers were the shift from growth to uncertainty and tension which occurred in the mid-1970s; the chronic oil shortage; unstable monetary conditions; the vast overhanging debt of developing countries; increasing protectionism.

The gloom may have been accentuated by the fact that world capitalism is now in the throes of another cyclical crisis of overproduction, but this does not account for the overall negative outlook. The fact is that in all major capitalist countries there is now a rising unemployment trend—going beyond the cyclical increase—and in most of them there is a declining trend in real wages. In all of them the pace of economic growth has slowed appreciably.

But there is a particular feature of the gloom that must be mentioned. At the Austrian conference, the officials and experts were more pessimistic, the bankers and capitalists more confident.

The capitalists, in one sense, are crying all the way to the bank. The profits of monopoly capital, in the U.S. and most other imperialist countries, are soaring more rapidly than ever.

It is a period in which monopoly capital in the industrialized countries has been very successful in the class struggle, in increasing the rate of exploitation of labor, in putting the full cost and more of the global losses of capitalism on the shoulders of the working class and peoples of developing countries.

But these "successes" of capital occupy a key place among the factors that are undermining world capitalism, that make its future so gloomy.

Capitalism is sitting on a financial and political Mt. St. Helens.

The underlying economic problems facing world capitalism have three major components:

1. The increasing instability of the internal economies of the imperialist states.
2. The increasing economic weight of the socialist countries.
3. The increasing economic independence of the developing countries.

There are two trends within world imperialism for dealing with their international problems.

One is to attempt to accommodate to the changes, deriving certain advantages from the process and minimizing losses. This is the course

of detente. By and large, the leading groups of capitalists of most Western European countries favor this approach. They have little short-term fear of internal revolution. They are doing well with increasing trade with the expanding socialist countries.

Accommodation to the increasing economic independence of the developing countries is a more complicated process. It includes, for example, getting huge orders for industrialization projects from OPEC countries; using the IMF and other international banking mechanisms for "recycling" the OPEC surplus, and containing the indebtedness of the non-oil developing countries. It includes constructive relationships with developing countries that take a socialist course.

The other response of monopoly capital to its international problems is to attempt to reverse the course of world development by force. That is the course of militarization of the economy; of preparing for a first strike nuclear war against the USSR; of preparing for armed intervention against the oil-producing countries of the Middle East; of all-out support for puppet dictatorships in Latin America and for the apartheid regime of South Africa.

This is the course currently being followed by the currently dominant circles in the United States, and which they attempt to impose, and to some extent succeed in imposing, on their NATO allies.

If this course is not defeated, it will give a very specific character to the economic pattern of the 1980s. Military spending will become the fulcrum around which the U.S. economy will turn. U.S. military spending will total \$3,000 billion dollars in the decade, compared with \$950 billion in the previous decade and \$2,400 billion in the entire prior history of the United States through 1980.

This will not be a stimulating factor for the general economy, as the U.S. no longer enjoys the special advantages it had during World War II. It will mean a continuation of the rapid decline in mass living standards, a rapid worsening of the U.S. position in world markets.

It could hardly last ten years without involving the U.S. in some kind of military action, which could then completely change the whole outlook in ways that can not now be predicted.

The leaders of world capitalism have no real program to improve the gloomy economic outlook. They merely have new arguments for their old class demands: more tax breaks and subsidies; less government regulation of monopoly; more state assistance to monopolies in international competition; subordination of labor to capital in a "social contract." This largely old package has a new label: "reindustrialization."

U.S. monopoly capital is engaged in a very determined, brazen offensive against the working class. The U.S. Commerce Department publication, *1980 U.S. Industrial Outlook*, gives this projection for annual growth rates for the period 1980-1984: personal consumption expenditures, 2.3 per cent; fixed capital investment, 7.1 per cent; federal purchases of goods and services, 1.9 per cent; state and local purchases, 1.6 per cent.

This means a tremendous priority of profits over wages to finance the three-fold priority of investment over consumption. With military spending scheduled to rise at a rate of 5 per cent per year or more, the low rate for overall federal expenditures signifies a sharp cut in public service and welfare expenditures.

These projections were made before the onset and therefore did not take into account the cyclical crisis which erupted in 1980. Moreover, the unbalanced growth that is contemplated and desired by monopoly capital will intensify inner economic contradictions, slow overall growth, increase unemployment and lead to more serious crises of overproduction.

This corresponds to so-called "supply-side economics" which—discarding economists' jargon—is a program of increasing profits at the expense of wages, holding down social expenditures and increasing unemployment to limit jobs to the most productive workers and increase competition among workers.

This is the coordinated policy of the monopoly capitalists and their governments. A similar outlook, on a global scale, is set forth in the July 1980 *Economic Outlook* published by the OECD, the organization of all of the capitalist countries of North America, Europe, Oceania and Japan.

It is not believable that ten years will go by without the eruption of major mass struggles, organized or not, against the mounting tide of ra-

cism, attacks on labor, political repression, the drafting of youth, etc., which will be the inevitable consequence of such a course.

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Among the developing countries, there is no doubt that additional ones will succeed in making the break from imperialist domination, in turning towards the building of socialism, of gradually shifting the emphasis of their international ties from the capitalist to the socialist world. In every such case, as in the past, there will be overt or covert attempts of U.S. imperialism and other imperialist countries to prevent this and to attempt to reverse the revolutionary changes which take place.

Unless there is a shift from the extreme aggressiveness of U.S. foreign policy, the danger of war arising out of U.S. interventionism against the revolutionary processes will be very great.

One trend of the past decade that will continue and take on added importance is the faster growth of the economies of the developing countries as a group than the developed capitalist countries. Countries such as Mexico and Brazil, at the "medium level of development," will come closer to the status of developed capitalist countries, but with special contradictions arising from the lateness of their development and neo-colonial dependence on imperialism. They combine a rising level of industrial development with superexploitation of labor characteristic of underdevelopment, presenting the perspective of very intense class struggles.

These trends have important implications for the development of the U.S. economy. They signify intensified competition in world markets for steel, electronic components, certain types of machine tools and many other types of manufactured goods in which the developing countries will specialize. Moreover, the pressures of these countries for the opening of markets in the U.S., Western Europe, etc., under the principles of the New International Economic Order, will mount. In the mix of production by developing states, the share which is owned by private or state companies of those countries will increase in comparison with the share owned by the transnational corpora-

tions.

A special place in world economy relates to China. World imperialism, especially U.S. imperialism, is interested in the very rapid development of China's economic-military potential as a source of pressure against the USSR, Vietnam and other socialist countries and as a source of profits through trade and investment.

With massive investment capital available from the imperialist centers, the pace of Chinese development tends to be determined by the absorptive capacity of the still generally backward economy, with its lack of skilled managerial and technical cadres, its huge and poverty-stricken rural population, etc. The present Chinese leadership appears to be cautious about avoiding the extravagant leaps of the Mao period. The perspective, then, is for rapid growth of the Chinese economy, with an increasing and more intimate role for U.S. and other imperialist capital, with increasing reversion to capitalist internal institutions.

Sharpened contradictions between the Chinese working class and peasantry and the Chinese ruling circles and between China and the U.S. and other capitalists over the division of markets will develop.

The socialist community of the Council for Mutual Economic Assistance (CMEA) will continue to develop at a considerably faster pace than the capitalist countries. Within that generality, an increasing part will be played by the economic, scientific and technical integration of the CMEA countries, which becomes more profound, extensive and effective each year. It is likely that additional countries will join CMEA, as occurred during the 1970s.

The pace of improvement in living standards will depend in considerable degree on the extent to which imperialism is able to force the socialist countries to devote additional resources to defense. *However, nothing short of war itself can prevent overall progress, and hence a growing contrast with the deteriorating conditions of the working people in capitalist countries.*

The scale of East-West trade, to the mutual advantage of socialist countries and the participating capitalist countries, will continue to increase, regardless of economic warfare attempts of U.S. imperialism. While the plan of U.S. imperialism to

introduce first strike weapons into Western Europe has led to strains within the NATO alliance, there is no sign yet of a decisive break on the part of another major country, such as the partial break of France from NATO.

A serious break in the NATO alliance would open up possibilities for a major qualitative advance in the economic relationship between East and West in Europe. In any event, U.S. monopoly capital may become increasingly restive at being largely excluded from this development owing to the cold war policies of the government.

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Within the United States, the question of energy may take a new turn. Hitherto the oil companies have been sitting on their hands with respect to many aspects of domestic energy development, to take advantage for as long as possible of their favored access to Middle Eastern oil. Now that favored access is rapidly dwindling. There is a perspective of serious efforts to achieve an increase in domestic oil and gas production, of inauguration of shale oil and liquefied coal production during the 1980s, of a determined effort on the part of the energy monopolies to overcome resistance to the rapid development of nuclear energy.

On the one hand, this course of development will lead to a reduction in the import of oil and a certain improvement in the U.S. balance of payments. On the other hand, it is being done in a way which involves unrestrained monopoly plundering of the country's resources, of price gouging of the public on a tremendous scale. The process will increase further the already tremendously powerful role of the oil companies, especially, and other energy monopolies, in the country's economic and political life.

It is a way of solving the energy crisis of the monopolies while intensifying the energy crisis of the working people.

One must anticipate the continuation of the increased economic weight of the technologically most advanced industries such as data processing, electronics, communications, instrumentation, avionics. These industries all have a military orientation, and their growth tends to increase the

power of the military-industrial complex within the country.

With the development of automation and computerization of production, the improvement of communications and methods of centralized control and the increased cost of transportation, we may anticipate a rapid growth of the tendency within giant corporations to reduce the number of plants employing many thousands of workers, to disperse production in smaller plants with fewer than 500 workers, geographically less concentrated in old industrial areas.

This tendency, plus specific characteristics of the newer industries, with their relative steadiness of employment and high percentage of engineering and technical employees, handicap trade union organization.

On the other hand, the industrialization of processes in distribution, in many trade and service industries, reduces the objective gap between in-

dustrial and non-industrial workers, increases the potential for trade union and working-class political organization among the latter groups.

The role of Black, Chicano and Puerto Rican people in the working class will also continue to increase, despite racist barriers.

A crucial task for the working-class movement is to work out the strategy and tactics of organization and mobilization for struggle under these changing directions in economic development.

The role of the military budget as a crucial element in the worsening of conditions of the working people, as the barrier to social gains, as the strongpoint of reactionary anti-labor forces, is becoming ever more clear. The dual nature of the peace struggle, as necessary for the survival of humanity, and necessary for the vital everyday interests of the working people, can and must be made clear to the millions as the political key to turning our country onto a positive course.

Presidential Directive 59...

Continued from page 14

and that the United States will use such weapons not only where they have not been used by an opponent in combat with the United States but also against such an opponent when the United States decides that one of its sixty treaty allies or one of its over four hundred bases on foreign soil have been "attacked"—with any kind of weapon. This "solemn" declaration, then, is a statement of bellicosity and one which threatens the destruction of humanity.

With all this behind us it is possible to grasp the full horrendousness of Presidential Directive 59. This policy scuttles SALT efforts, promises to turn the arms race into an arms marathon and carries within its logic a global holocaust.

It must be reversed and no "lesser evil" nonsense will reverse it. On this life and death issue Carter-Reagan-Anderson compete in terms of who is the most fierce mass-destruction warrior. Not only the clear day-to-day and bread-and-

butter requirements of the vast majority of the people of the United States require a fundamental break with monopoly-dominated politics; the fact is that in a quite literal sense the survival of humanity demands a fundamental breaking-away from that politics.

The overall task is the creation of a viable, labor-based and principled anti-racist people's coalition which will begin the process of taking power from the profiteers and placing it in the hands of the masses. As a basic part of that accomplishment and as the most potent single blow against the course of monopoly politics and above all the course towards renewed arms races and a greatly intensified danger of global conflict is the Communist vote in 1980.

Every vote for Comrades Gus Hall and Angela Davis this November will help make the ruling class of the United States pause and every such vote will bring joy and hope to the peoples of the world.

Reindustrialization and the Social Contract

ERNEST DE MAIO

In one of his drearier TV performances President Carter recited the ills besetting the nation and bemoaned the malaise afflicting the people. Despite his well-advertised compassion, it seems that the human impact of inflation, unemployment, high taxes and war psychosis is beyond his comprehension.

While duly recording such mundane matters, the media, in a coordinated propaganda blitz, disclose the incubus of the malady. In the executive offices of corporate America there is widespread despair. The monopolists, they reiterate, lack the incentives to invigorate the economy. There is no balm on the golf courses and no solace in three-martini lunches. The only tonic for this dejection, we are told, is tax incentives. Tensions related to regulations that restrain them from polluting the environment, lowering product quality and requiring minimum standards of health and safety in the workplaces demand that such regulations must be relaxed. Reginald Jones, chairman of the board at General Electric, asserts that "regulatory pollution by government is clogging the streams of investment."

Periodically, the *New York Times* editorially rehashes the complaint about workers grabbing a larger share of the social product than they are entitled to because of falling productivity. The high wages of unproductive labor, it repeats, are fueling the flames of inflation.

There are real problems, but unfortunately they are largely ignored: the deteriorating quality of life; large-scale permanent unemployment; vast unmet social needs and a government that lacks the wit and the will to employ the former to resolve the latter. Crime, corruption, drug traffic, pornography and gambling thrive while cities rot,

morals decay and hope submits to despair. Prices, debts and joblessness rise as wealth accumulates and concentrates in the coffers of corporate finance.

The prescription for this assortment of ailments, we are told, is sacrifice—a little blood-letting now to assure a sounder, healthier economy with stable prices, wages and jobs in the future. The convalescence will be prolonged. However, there are sharp class differences regarding who should sacrifice and how much.

Considering the welter of conflicting claims, what are the facts? In the ten-year period ending with 1979, inflation as measured by the Consumer Price Index rose 86.9 per cent. Corporate profits after taxes soared 290.8 per cent—more than triple the rate of inflation. Corporations also benefitted from the enormous rise in cash flow resulting from accelerated depreciation programs and the capital investment tax credit, which was hiked from 7 to 10 per cent. Cash flow—profits plus writeoffs for depreciation—leaped from \$70.6 billion in 1970 to \$236.1 billion in 1979.

At the same time, average gross weekly earnings for workers rose 83.5 per cent, an increase less than the increase in prices. Moreover, wages raised to offset inflation creep into higher tax brackets, resulting in higher tax rates. The net effect is a sharp drop in the take-home buying power of workers. Gross weekly wages after taxes, in 1967 dollars, fell from \$104.38 in 1969 to \$101.02 in 1979. On the other hand the tax liability on corporate profits fell from 48 per cent to 39 per cent—a decline in the rate of taxation of corporate profits of almost one-fifth. Shifting taxes from the monopolies and the rich to the workers is called broadening the tax base.

Industrial production during this period rose 39.6 per cent and total manufacturing employment edged up 8.4 per cent. While physical volume of output per worker increased, real wages

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went down. There is nothing new or strange about this. It is the normal operating procedure of the capitalist system. Workers are not paid for eight hours work; they are paid for working eight hours. For every dollar in wages the workers got, the employers took \$3.70 in added value in 1976, up from \$3.26 in 1970.

Not bad, but not enough. The name of the game is maximized profits as reported on the bottom line. Factories are not institutions for producing goods, they are profit centers. Workers are regarded as profit-bearing animals. They are granted only the care that promotes profitability. Commodities, autos for example, are not produced to meet the needs of the consumers; auto plants are profit centers that make cars that are sold for profit. When planned levels of profit are not attained, regardless of the degree of worker cooperation, the plants are closed. If Japanese and European cars can be kept out of the U.S. market, maximized profits are assured.

As the workers' share of the wealth they create shrinks, so does their buying power. To meet their needs, they buy on credit. But when this debt reaches the point where there is a danger of mass default, the Federal Reserve Board (FRB) cuts credit until a determined amount of debt is liquidated. Consumer debt soared 187.4 per cent in the 1970s—more than twice the rise in nominal wages.

The credit crunch imposed by the FRB last year cut retail sales, leading to production cutbacks and layoffs. It was a safety valve venting pressures building up for a major economic crash. A deeper depression has been temporarily averted. The Titanic has hit an iceberg. The pumps are operating and passengers are dancing in the ballroom of the unsinkable luxury liner.

It is an established axiom of bourgeois economics that great fortunes are made in times of crisis. If the workers can be panicked into making extraordinary concessions, the silver lining of this dark cloud can be realized. To create the proper atmosphere, corporate think tanks, prestigious professors and corporate officials currently running the government arrive at a consensus regarding the nature of the malady and the bitter medicine to cure it. Old ideas are dusted off; words and phrases shelved after the last recession are part of

the new rhetoric:

In these hard times, we must think the unthinkable. There must be belt tightening, austerity, sacrifices and increased productivity. Tax reform that "broadens the tax base" and provides incentives to encourage employers to produce is the prescription that will rout the malaise and restore youthful vigor to the body politic. The new slogan is "Reindustrialize America."

The objectives assured, implementation is delayed because of disputes over division of the loot. Some want the 10 per cent investment credit, which yielded over \$17 billion in 1979, sweetened to 12 or 15 per cent. However, this poses a problem. There are so many other tax deductions, many corporations pay little or no taxes and therefore can not fully utilize the tax credit. U.S. Steel and other corporations are lobbying for cash payments by the government for unused tax credits.

Depreciation schedules, which have been accelerated several times, are now 20 years for buildings, 10 for machinery and 4 for trucks and automobiles. In the Congressional hopper is a bill sponsored by Republicans and Democrats to reduce this to 10, 5 and 3 years.

Sweet as it is, there are misgivings. In 1972 the British government enacted legislation that provided for 100 per cent depreciation immediately. Despite this generous concession, plus other tax concessions, England's production facilities are the most antiquated in Western Europe. Production is down, as are living standards, and unemployment is rising to depression levels.

Britain's free enterprisers refuse to invest in their own country because they do not see a market for expanding production there. They are taking their loot and investing it in more profitable havens, such as South Africa.

There are other proposals to revitalize the economy. *Business Week* editorialized: "Federal credit programs should be ruthlessly restructured to strengthen industry and promote exports. In past recessions, the government has spooned credit and guarantees into the housing industry; economists think it generates large numbers of jobs, and politicians count on it for an equal number of votes...this time, priorities must be changed. Loans and guarantees to promote in-

vestment, spending on research and development, and export activities must come ahead of housing loans...an institution comparable to the Reconstruction Finance Corp. of the 1930s should be set up to channel credit into reindustrialization."

The specifics for the hard-pressed rich are lower capital gains taxes, elimination of taxes on dividends and raising the interest rate on savings.

In other words, forget about jobs and housing—that is relief for the needy. What is needed is the invigorating incentive of enriching the rich. As for the RFC, it did not lift us out of the Depression. It took World War II to do that. Could that be the reason why the military buildup is the only clear, consistent line of the major political parties?

Reagan proposes a massive military budget over and above the \$160 billion approved for 1981. Carter criticizes this as irresponsible, while boasting that he has increased spending by 10 per cent in real terms, i.e., above the rate of inflation. In current dollars he has boosted military spending from \$97.5 billion in 1977 to \$159 billion in 1981. Yet he rejected the \$12 billion plank of the Democratic Party platform that would create 800,000 jobs.

Military spending causes budget deficits. Printing paper money to defray this expenditure and creating buying power without producing an equivalent amount of useful goods are the main generators of inflation. To justify this waste—so profitable to the war industries—and to mute opposition a non-existent Soviet threat to security is proclaimed and orchestrated by the media.

The stated objective of the revitalization of our production facilities is to regain world markets lost to more efficient competitors. In 1979, despite the upsurge of imported automobiles, the U.S. exported \$4.4 billion more factory-made goods than it imported. From where will markets for expanded exports come? Western Europe is sliding into a deep recession. The glitter is gone from the Japanese miracle. South Korea is in a depression aggravated by political chaos. It is estimated that the non-oil exporting developing countries will have a \$68 billion trade deficit this year.

The fierce struggle for world markets, now in its early stages, is already exposing cracks in NATO,

the International Monetary Fund and the World Bank. These markets are drained and relations strained by U.S. repatriation of profits from foreign investment—this year estimated to be more than \$40 billion net. The biggest untapped market, the Soviet Union, is off limits for political reasons.

Reindustrialization means, among other things, equipping plants with robot technology. For more than a quarter of a century industry has been developing and testing in use numerically-controlled machines. Up to now they have been hardly more than pilot operations. Less than 3 per cent of all machine tools are automated. The big obstacles to large-scale introduction of computerized equipment are the initial cost, which can adversely affect short-term profits, and worker resistance. The current trend is computer numerical control, or CNC, where instead of large systems, smaller computers are interfaced with individual machines. Cathode ray tubes are attached to allow operators to communicate with the machines. However, the assurance of further depreciation acceleration for tax purposes, increases in government credits and the indispensable cooperation of the trade union bureaucracy are removing the obstacles to the widespread use of computerized production.

These systems will not eliminate all workers, but they will drastically reduce the workforce. However, they aggravate basic contradictions. Labor, not machines, is exploited. As the capital content of industry is intensified and labor minimized, the rate of profit tends to decline. This has been offset by administered prices, which create additional contradictions in the marketplace. The other problem which is aggravated is social. What is to be done with the labor that is "saved," that is, laid off to join the unwanted army of unemployed, which increases the social burden at a time when corporate taxes are falling?

To achieve its objectives Big Business has employed three tactics:

First, it has created hundreds of corporate political action committees which have spent millions to buy a compliant president and Congress. This has paid off in big dividends in tax concessions, government credits, subsidies, fat military cost-

plus contracts and huge padded losses that can be carried forward to offset future profits.

Second, it has wielded the big stick aimed at labor. The "Committee for a Union Free Environment" was used to further soften the resistance of the trade union bureaucracy and lend credence to their rationale for collaboration. The Committee has been quietly moved to the back burner to be kept warm for immediate use if additional prodding is needed.

Third, the carrot for labor compliance is a vague tripartite social contract, a partnership of government, industry and the labor bureaucracy. It is offered at a time when labor's influence in government is waning and industry's is waxing. Pilot tripartite arrangements are in effect in the steel and auto industries. The Economic Revitalization Board headed by Lane Kirkland, president of the AFL-CIO, and Irving S. Shapiro, chairman of DuPont, institutionalizes and legitimizes class collaboration. Shapiro is a leading member of the Business Council, which together with the U.S. Chamber of Commerce and the National Association of Manufacturers spawned the Committee for a Union Free Environment. The role of the Economic Revitalization Board will be to devitalize the labor movement.

Amitai W. Etzioni, who modestly claims to be the father of the reindustrialization plan, is working in the White House as an adviser to President Carter. He foresees "ten years of belt tightening" as a result of reindustrialization. He doesn't say, but there is no doubt about whose bellies will be squeezed. Frank P. Doyle, vice president for employee relations at General Electric, thinks "the workforce today is better educated and there is a deep understanding that we are in economic difficulty." Douglas Fraser, president of the UAW, who isn't opposed to sacrifice, provided it is equally shared, adds, "things have to get sufficiently bad before we address the problem, and maybe we're reaching that point."

In return for their sacrifices, the workers will be assured by the government and corporations that in the long run there will be jobs at decent wages. In the long run, we'll all be dead. It sounds more like pie in the sky than meat and potatoes on the table.

Some union presidents are so eager for the new era, like "sooners" they have jumped the gun. Pete Bommarito, president of the rubber workers, has just negotiated a 12.9 per cent wage cut at Uniroyal for this year and another 6.5 per cent cut in 1981. Last year the workers fought and won a 40-day strike against Uniroyal. What was won in struggle was bartered away in a cozy symbiosis of union and company presidents. Lloyd McBride, president of the steelworkers, gave union support to U.S. Steel's demand to cut wages in the fabricating plants. The unprecedented concessions made by Fraser to Chrysler has encouraged employers in all industries to seek and get similar concessions.

None of these companies are bankrupt. Prices have not been reduced because of lower labor costs—they have been raised. The consumers lose, the workers take a beating and the corporations pay off the bankers. Kenneth Young, executive assistant to Lane Kirkland, says that top level cooperation is possible only if management recognizes that "organized labor has a role to play in American society. We still feel it as a gut issue that management is trying to knock us out of the box at every opportunity." True enough! So why collaborate in the process?

The policy manuals of the trade union movement are studded with resolutions providing guidelines for the reconstruction and renewal of the nation. Carter and Reagan talk of jobs but unemployment continues to rise. Increased military spending obviously isn't generating the jobs needed. To achieve their stated objectives for jobs and increased production of socially useful goods and services, there are no viable alternatives to labor's program:

1. Organize the unorganized.

- (a) Repeal the Taft-Hartley Act—re-enact the Wagner Act.
- (b) Launch a coordinated organizing drive, add muscle to labor's demands.

2. Massive reconstruction programs.

- (a) Low-cost housing.
- (b) Tear down the slums—rebuild the cities.
- (c) Modernize and maintain the railway system. Provide mass public transportation. Replace 50,000 dangerously unsafe bridges.

3 Clean up the environment.

(a) Restore the healthful use of rivers, lakes and aquifers.

(b) Reclaim land ravaged by mining, quarrying, overcropping and erosion.

(c) Reforest areas laid waste by over-cutting—a renewable resource.

(d) Build new parks, recreational areas and wild life refuges.

4. Water management.

(a) Build dams, levees and reservoirs for conservation, flood control and power. Another renewable resource.

5. Education—equip our youth for a useful future.

(a) Train, educate and prepare our youth, the nation's most valuable resource, for the jobs this program will create.

(b) Smaller classes for more intensive instruction and jobs for unemployed teachers.

(c) Upgrade facilities and teacher qualifications.

(d) Retrain workers displaced by new technology.

6. Health—end the shameful exploitation of the sick.

(a) A comprehensive health and preventive medicine program that protects the public.

(b) Free hospitalization, medical care and drugs.

(c) Improve on-the-job health and safety.

7. Waste disposal.

(a) Clean up old dumping sites that are hazardous to health and safety.

(b) Safe disposal of toxic wastes.

(c) Recycle usable metal, paper, rubber, etc.

(d) Convert biodegradable waste into fertilizers, mulch or burn to generate energy.

8. Shorter work week with no cut in pay.

(a) A federal plan for phasing in a shorter work week until full employment is achieved and maintained.

9. Reorder the nation's priorities.

(a) Slash the military budget. Transfer funds thus made available to the civilian programs outlined above.

These resolutions are still on the books. They represent the hopes and aspirations of the mem-

bers. The efforts to achieve them are the yardstick by which every leader will be measured. They can be realized, but only if the leaders work and fight for and with their members. It won't be easy. Anything worthwhile never is. But it will require a level of inspired leadership that has been missing since the days of John L. Lewis in his prime.

It is not nostalgia to contrast the fighting determination of an era that organized millions, lifted labor to its greatest size and most magnificent achievements with the aimless drift, cheap rhetoric and class collaboration that characterize much of the current crop of top union officials.

However worthy the mergers of unions may be, they can not obscure the decline in trade union strength and prestige. When labor leaders speak today, with a few notable exceptions, they do so not to rally the membership in defense of their interests but to accommodate them to the demands of the employers who are oppressing them and threatening their future.

The Business Round Table, the Chamber of Commerce and the National Association of Manufacturers have never championed the rights of labor. They have always been in the forefront of every effort to suppress the working class. The offer of partnership in a social compact is a ploy making the trade union leaders accessories in a grand design to raid the public treasury, impose austerity on the workers and convert the trade union movement into a labor front. If sacrifice is the order of the day a skeptical nation is waiting for the corporations to give leadership by example.

But don't hold your breath waiting. Reindustrialization is needed. The point is, who will pay for it and who will benefit? The predatory nature of U.S. capitalism hasn't changed. The contradictions tearing it apart will be exacerbated by these policies.

Meanwhile the workers will suffer prolonged agony relieved only by their resistance. An aroused, determined and active rank and file is what some leaders are waiting for. There is no other force that can move them or remove them if they don't respond.

'Reindustrialization'?

GIL GREEN

"Reindustrialization" has suddenly emerged as a major issue. The general admission that this is needed, in what not-so-long-ago was considered the country with the very highest level of industrial technology in the world, says a great deal about the crisis of U.S. capitalism.

Reindustrialization is now advocated as the cure-all for the nation's stagnant economy. Big business sees in it a way to lower taxes and raise profits for itself, while enforcing austerity on the rest of us. Sections of the labor movement, on the other hand, have greeted it as a promise of more jobs and better times—somewhere up ahead.

Different versions of reindustrialization make the rounds, and there is dispute over the industries in which it should take place as well as how it is to be brought about. But there is general big business agreement on the basic premise: American industry, it holds, has ceased being competitive because of lack of investment capital. Emergency measures are needed, therefore, to increase corporate profits and thus induce greater investment. What this requires, it is argued, is a substantial cut in taxes, less government interference with business, more government aid for research and development and a substantial rise in labor productivity by holding wages down and getting workers to produce more for less.

An editorial in the *New York Times* of August 25 stresses that "reindustrialization is apt to be much more painful than its proponents are willing to admit. For," it continues, "the aim can not be the simple political one of protecting industries like autos and steel. The economy can not be renewed by clinging to the past, to dying industries, crippled companies or existing jobs." It winds up, "The tougher the politics, the better the economics."

That industrialization will be painful and will require political toughness is even more explicitly

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indicated by a feature article in the *New York Times Magazine* of Sunday, August 10. Lester C. Thurow, professor at the Massachusetts Institute of Technology, writes that "There are solutions to our economic problems." Those he proposes are grim indeed:

For the foreseeable future, Americans must face up to the unpleasant fact that only by means of a temporary reduction of individual income can we turn our faltering economy around. And if that sacrifice is to have any permanent value, our political system is going to have to undergo some major revisions so that it can respond efficiently and fairly to economic change.

The New Hooverism

Behind the alluring slogan of reindustrialization there lurks a conscious policy to turn the country around in its basic economic thinking. Ever since the experiences of the Great Depression, more than four decades ago, the answer to hard times and mass unemployment has been an increase in government spending to help create more jobs and to boost mass purchasing power. Now, however, an opposite course is being advocated. We are asked to accept mass unemployment and lowered living conditions as necessary evils that will enable us to reach the golden Eldorado of prosperity in the sweet bye and bye. It is little wonder that this has been labeled as "New Hooverism."

What is particularly ominous in this is that it is no longer the gospel of just the extreme Right. It is now embraced by many "liberals" as well. This is true despite the significant battle which erupted at the Democratic Convention around the proposal for a \$12 billion appropriation to create more jobs. To hold on to his constituency, President Carter double-talked his way out of an outright rejection of this plank, but his basic economic policies are not too different from those of Ronald Reagan.

The influence of the New Hooverism was evi-

dent even in the \$12 billion proposal, for no one claimed it could provide more than 850,000 jobs. Yet even government statistics, which notoriously understate the number of unemployed, admit to some 8 million jobless.

An even more graphic example of the same trend is to be seen in the recent declaration of the Joint Economic Committee of Congress (August 28). The *New York Times* referred to it as "the strongest bipartisan economic statement from Congress in decades." The statement declares that government is helpless to either prevent depressions or to soften their effects. Instead of proposing aid to the unemployed, the Congressional committee advocated a tax cut to "increase productivity by stimulating corporate investment in new plant and equipment."

All but one of the committee's twelve Democratic members, and all the Republicans, voted for the statement. Included among them was Senator Edward Kennedy. The single honorable exception was Rep. Parren Mitchell of Maryland. He refused to support the statement because it failed to include a request for "immediate fiscal stimulus to help the nation's 8 million unemployed workers, including 2.5 million Blacks."

A Look at the Facts

That U.S. industry is no longer as competitive as formerly is certainly true. It lost 16 per cent of its share of the world market in the 1960s and 23 per cent more in the 1970s. Worse, it lost huge chunks of the U.S. internal market as well. One need but mention such industries as steel, auto, shoes, clothing, radios, televisions and a host of other products. The losses have been to Japan and West Germany in the first place, but also to other developed and semi-developed lands, South Korea and Taiwan for example.

It is likewise true that the U.S. rate of investment in new production facilities and technology lags behind that of other capitalist countries. We reinvest about 10 per cent of our gross national product, but in West Germany it is about 15 per cent and in Japan 20 per cent.

Labor productivity has also lagged. Output per hour for the period 1960 to 1977 rose by 61 per cent in the United States compared to 151 per cent in

West Germany and an astounding 293 per cent in Japan. The average increase for the ten most developed capitalist states was 141 per cent.

This trailing far behind others is not the fault of the American workers. They are among the most proficient in the world, with speedup in U.S. plants second to none. Nor does the fault lie in high wages. The bitter fact is that the much-vaunted "high American standard of living" has slipped badly. Five other capitalist countries now have a higher standard of living than we.

How rapidly living standards in this country have fallen behind others can be seen by comparing real hourly earnings for the period 1967 to 1973. Taking the year 1967 as 100, the increases were as follows: Austria, 31; Belgium, 48; Britain, 30; Canada, 23; Denmark, 45; France, 47; West Germany, 35; Italy, 65; Sweden, 27; Switzerland, 30; *but the United States only 8.*

Since then the situation has even worsened. U.S. workers' real wages have fallen steadily since the depression of 1974-5. Yet from 1970 to 1978, real wages in Japan rose by 47 per cent and in West Germany by 49 per cent. Thus, real wages in Japan and West Germany have climbed rapidly, although these are the two countries with the highest ratio of capital investment. These facts explode the hollow corporate claim that higher wages are a cause of the lower rate of U.S. capital investment and of labor productivity.

What about profits? Is it true that these have been low or have been eaten away by high taxes? Quite the contrary. Profits *after taxes* for manufacturing industry in 1960 were \$15.2 billion. This zoomed to \$81.3 billion in 1978—a rise of over 400 per cent. Profits in durable goods manufacture jumped over 500 per cent. Net after-tax profits for all U.S. corporations reached a staggering \$121.5 billion for 1978. This exceedingly rapid rise in *real* profits has therefore made available a sizable sum for renewal of plant and technology. Why hasn't it taken place?

Why Low Capital Investment?

It is necessary to recall what V. I. Lenin wrote about uneven development under capitalism, of both nations and industries. Newer capitalist formations, if they are to compete successfully with

older ones, must base their production on the very highest level of industrial technology. It is also easier for them to do so—given the means—for older industrial powers can not so easily divest themselves of their investments in relatively outdated technology.

A second facet of this same phenomenon pointed to by Lenin is the tendency toward parasitism in the countries with the greatest accumulation of capital. In his book *Imperialism*, Lenin explains:

More and more prominently there emerges, as one of the tendencies of imperialism, the creation of the "rentier state," the usurer state, in which the bourgeoisie to an ever-increasing degree lives on the proceeds of capital exports and by "clipping coupons."...In the epoch of imperialism, certain branches of industry, certain strata of the bourgeoisie and certain countries betray, to a greater or lesser degree, now one and now another of these tendencies. On the whole capitalism is growing far more rapidly than before; but this growth is not only becoming more and more uneven in general, its unevenness also manifests itself, in particular, in the decay of the countries which are richest in capital (Britain). (*Collected Works*, Vol. 22, p. 300.)

What Lenin wrote about England in 1916 largely holds for the United States today. But there is an additional twist not present in Lenin's time. It is conglomeration. Exorbitant profits are made by means of financial sorcery, the wholesale buying and selling of corporations and their merger into huge conglomerates. But the fabulous superprofits accruing from conglomeration do not arise from a more efficient production of values, only from a parasitic shuffling and reshuffling of ownership papers and stock market tapes.

Stagnation also arises from still another source—the tendency toward monopoly price fixing. Capitalist monopoly, stressed Lenin, "like all monopoly...inevitably engenders a tendency to stagnation and decay. Since monopoly prices are established, even temporarily, the motive cause of technical and, consequently, of all progress, disappears to a certain extent and, further, the economic possibility arises of deliberately retarding technical progress." (*Ibid.*, p. 276. Emphasis in original.)

Price fixing is a pronounced feature of U.S. monopoly capital. Competition between auto manufacturers, for example, is no longer in price, only in advertising and gimmickry. Conglomeration has further encouraged this, as has the vast size of the U.S. internal market. Unlike Japan and West Germany, the U.S. has never been geared primarily to the export of goods. Hence so long as other capitalist states were in no position to successfully penetrate the American market, the tendency toward monopolistic price fixing was able to temporarily conceal the stagnation and decay that underlay it.

U.S. monopolies have been extremely adept, however, at the export of capital. But here, too, there is a new feature barely discernible in Lenin's day. It is the export of capital to developed countries and the growth of what have become known as multinational corporations. This is where U.S. wealth has been and is being invested on an immense scale. Already in January 1958 *Fortune* noted that "the value of private investment abroad is actually growing several times faster than U.S. domestic investment." The U.S. Department of Commerce reports that capital exports "to add to, acquire or improve majority owned foreign affiliates of U.S. multinational corporations" rose steadily in the 1970s. In 1970 it was \$14 billion; in 1978, \$30 billion; in a period of six years, \$155 billion. This, mind you, is only in foreign enterprises which are *majority owned* by U.S. interests.

Seventy five per cent of these investments have been going to the developed countries, where U.S.-built plants often compete successfully with plants of the very same corporations located in the United States. These foreign plants are newer, more modern and have a higher level of manufacturing technology than those at home. This enables them to compete successfully even within the United States. It is not the wage differential that makes the difference, for as we have seen, wages are rising ever more rapidly abroad. It is the difference in technology.

The wage differential is, of course, extremely meaningful in underdeveloped countries. U.S. investments in these still bring the highest returns of all. Thus, at the very same time that Ford plants are closing their doors in this country, the Ford Motor Company has been building a huge, ex-

tremely modern plant in Mexico.

Thus U.S. monopoly corporations *have* been investing in high-level technology, but more so in other lands than in the United States.

The Arms Factor

There is one major exception to this. Huge amounts of resources have been poured into high-technology production for the military. This country spends more per year on armaments than the sum total of all corporate after-tax profits. It has now reached \$160 billion a year and is expected to reach \$250 billion by 1985. Since World War II more than three trillion dollars—yes, three thousand billion (3,000,000,000,000)—have been spent on so-called national defense. This sum is the equivalent of the dollar value of all existing material wealth (tangible assets) of the United States—all its land, structures, equipment and inventories combined. The entire country could be reconstructed from scratch with what has been spent on means of destruction.

It is this huge waste of human and material resources, on a scale unheard of, which is bringing about the gradual impoverishment of the nation. The United States has spent about 30 per cent of its federal budget for military purposes. Japan, on the other hand, has spent only about 6 per cent and West Germany 5 per cent.

Professor Seymour Melman of Columbia University has for years warned the nation against this disgraceful carnage of human and material resources. He has shown how it is rapidly transforming the United States into an underdeveloped country, falling behind others in meeting human needs and industrial technology. Unfortunately, his warnings have been proven correct. As long as this drain on American wealth continues, there is no hope for *real* renewal, or for plugging the inflation dike. Inflation can not be subdued while immense national resources continue to be consumed in the fires of militarism.

This truth seems obvious. Yet a strange paradox exists. Many of the loudest big-business exponents of reindustrialization also clamor for ever-greater military expenditures. They seem blind to the fact that this is the very course which led to the country's economic decline. How can this astigmatism be explained? Only by the fact that the

interests of empire are placed even higher than those of economic redevelopment. Or, put another way, because greater military power is seen as the ultimate answer to both declining economic power and a world in constant revolutionary change.

The logical extension of this insane view is now a matter of public record. It is Presidential Directive 59—the mad dream of a “limited” nuclear war against the Soviet Union in which U.S. imperialism picks up the remains, if there are any, in a world turned to ashes. Only an aroused nation can put an end to this madness.

Who Is to Pay?

With even greater military expenditures in the works, where is the money to come from for reindustrialization? From only one source—the living standards of the American people. This is what the *New York Times* meant by its phrase that tough politics make good economics. It is spelled out at considerable length in a special issue of *Business Week* on reindustrialization.

BW not only favors tax cuts for the corporate rich, but also calls for lavish federal handouts to big business in the form of billions for research and development, for bailing out “needy” corporations and for subsidizing exports.

It is adamantly opposed, however, to spending for job creation or for labor-intensive industries, such as housing. Reindustrialization, it makes clear, is not meant to help sick industries or needy people, or to redress racial grievances, provide jobs for Black and Hispanic youth or to rebuild the crumbling inner-cities. Its sole purpose is to make industry competitive internationally, which requires high-technology renovation and high profitability.

BW further proposes that the federal budget be divided into two parts: one for “current accounts”; the other for helping reindustrialization. Nor is it opposed to deficit spending and an unbalanced federal budget, as long as expenditures are for capital investment and not for social needs.

To win organized labor's cooperation for a program essentially directed at the standard of living of working people, it dangles the lure of a “new social contract” between capital and labor. If organized labor is “reasonable” in its demands and

if it cooperates in getting workers to produce more for less, then capital is prepared to recognize it as a "partner" in this noble venture. But should sections of organized labor become obstreperous, *BW* warns, they will be given their lumps, for with more and more of the workforce unorganized, the labor movement is in no position to fight back. The promise it holds out is for greater employment and prosperity once U.S. industry is competitive again—something, it admits, that is a considerable way off.

This form of "social contract" is already in the works. President Carter had announced the formation of a national council for redevelopment to be co-chaired by Irving Shapiro, president of the Dupont Corporation, the most vicious anti-labor company in the United States, and by Lane Kirkland, the pro-corporation president of the AFL-CIO. That both of these characters are willing bed fellows in this cynical venture is something to be pondered. For what is being proposed is nothing less than a massive redistribution of national income and wealth in the interests of the corporate monopolies.

Difficult, Delicate and Dangerous

From what has been said, it should be clear that we can not favor a reindustrialization whose aim it is to make the rich richer and the poor poorer. But our response is more than a negative one. We recognize that the talk of reindustrialization is prompted by a real crisis such as this country has never faced before.

That the United States is now slipping badly as a world power, that is no longer number one in standard of living, that the once mighty dollar is now worth only pennies abroad, that our cities are decaying, our streets unsafe, our quality of life deteriorating and that the prospects are for more of the same, and worse, are facts exceedingly difficult for the American people to accept.

Our whole national psychology and outlook were built on the belief that "our" capitalism was somehow different and better, that it was more progressive, more upbeat, always advancing to higher levels of social well-being. It was admitted, of course, that we had had devastating economic depressions, a shameful history of chattel slavery, continuing racism and large pockets of abject pov-

erty, but it was believed that the trend was toward ever-greater equality, toward making America an America for all.

This was the myth and the dream. To see the dream being shattered, to be compelled by life to accept another perspective, is indeed traumatic to the national psychology. The present moment is therefore difficult, delicate and dangerous.

At a loss to explain what has happened, groping for an answer, sensing the inanity of politics as it is now practiced, without a background of class or socialist understanding, there is the danger of a blind, irrational striking out at false images, whether the Soviet Union abroad or racial minorities at home. Jingoism and racism, we should note, are rooted in the very supremacist, imperialist ideology that viewed this country as morally superior to all others.

How We See It

These are some of the things that must be taken into account in developing a progressive approach to the proposed reindustrialization. We are not opposed to reindustrialization *per se*, only to a plan to place the burden of it on the backs of the workers and the people generally. We see reindustrialization as only one aspect of a much broader plan needed for national renewal and reconstruction.

We, too, want this country to be strong and great, both in the eyes of its people and of the world. The American people are among the most energetic, industrious and innovative, embodying in their unique national character the traditions and cultures of multiple races and nationalities. It is this which makes us great.

We, too, want this country to stand out, but not for its military might, not as the arms merchant of the world, not as the keeper of empire oppressing weaker nations. We want it to be an example of what a nation should be in providing *all* its people with a decent, healthful life, with ever greater equality and democracy, and at peace with all nations irrespective of their social system or form of government.

We, too, are for technological renewal, but not to increase the already swollen profits of the monster conglomerates and multinational corporations. We, too, are for computerized work processes and mechanical robots on assembly lines,

but not at the expense of workers' jobs. High-level technology should be used to take the toil out of labor, reduce the hours of work and ensure that all have gainful, creative work, but none are over-worked.

These are a few principles that guide our approach to the proposed reindustrialization. We are aware, of course, that we can go only so far in realizing them under capitalism and its corporate-monopoly rule. But we must strive to attain them, recognizing that there is no way forward except in the direction of a socialist society. For socialism in the United States will be the end goal of the struggle to extend democracy in all directions.

Faced, however, with the New Hooverism, there is great need for the unity of all who refuse to give up the gains won in the struggle of the past forty years, and who strive to win greater gains. Some of the immediate issues of struggle, as we see them, are:

- No giveaways or takebacks of any kind! No tax cuts for the corporate rich; no government handouts to the corporations for any reason whatsoever, and no cuts—but increases—in all social benefits and services.

- No nestling of labor up to capital; no cooperation with management to cut real wages or increase speedup. What is needed is a massive labor counter-offensive, including an all-out drive to organize the unorganized.

- Reindustrialization costs must come from corporate profits, from halting the export of capital to multinational foreign affiliates and from a steady and accelerated reduction in arms spending through bilateral agreement with the Soviet Union. An emphatic "no" must be given to the MX missile and to Directive 59, and mass support mobilized for the passage of SALT II.

- Industrial plant owners should not be permitted to pull up stakes without severe financial penalties in the form of adequate compensation to the workers and to the community. Workers should be permitted to run shut-down plants with financial and other assistance from the government and to reconvert them to useful production.

- The energy industry—oil, gas, coal and electricity, the most profitable of all—should be nationalized and its immense windfall profits

used for the public good.

- Priority in all reindustrialization plans must go to the rebuilding of our inner cities. It is here that a massive housing program can provide hundreds of thousands of jobs where they are most needed, in the ghettos.

- No industry which can serve human needs should be considered "sick" or ready for the junk pile. We are opposed to scrapping such industries as steel and auto in the name of concentration on high technology industries such as computers and weaponry. The older industrial regions of the country must not be turned into industrial wastelands.

- In all industrial planning there must be the strictest regard for environmental protection and for the health and safety of workers. Penalties, up to the point of confiscation, should be imposed on companies which continue to flagrantly pollute the air, water and land with industrial wastes.

- We favor government and labor intervention in company investment policies. Investment needs to be channeled where it can serve the nation best, not where profits are highest. Had this been imposed on the auto corporations years ago, we would not now be facing so large a loss of the auto market and the need to reconvert from the production of monstrous gas guzzlers to more economically run vehicles.

- Larger foreign markets for U.S. goods can be obtained by satisfying the needs of a world still steeped in hunger, misery and underdevelopment. There is great need for both our industrial and agricultural products. There is also an immense potential market available in socialist countries. Granting most favored nation treatment and credits to all socialist and "third world" countries can greatly expand the U.S. share of the world market.

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These are but a few of the issues around which the struggle will rage. The offensive of capital against living standards will sharpen the class struggle to a point not seen in years. Out of it must come a reversal of the course of the nation and an end to the politics of choosing between evils. The New Hooverism will pass, as did the old. Only struggle can bring about a renovation and reconstruction in the people's interest.

Foreign Trade: Problems and Prospects

EDWARD BOORSTEIN

The main capitalist theory of foreign trade was first enunciated over 150 years ago by the British bourgeois economist David Ricardo. It is referred to as the theory of *comparative advantage*, and runs as follows:

Suppose England and Portugal find that they can trade cloth and wine, England providing the cloth and Portugal the wine. England can produce the cloth with 100 laborers, while it would take 120 to produce the wine it gets in exchange. Portugal can produce the wine with 80 people, while it would take 90 to produce the cloth. For each country there is a comparative advantage. England can get more wine by trading cloth for it than by producing it herself. Portugal can get more cloth by trading wine for it than by producing it herself. The trading of cloth for wine is beneficial to both countries.

Ricardo waxes lyrical in explaining how his principle works: "Under a system of perfectly free commerce, each country naturally devotes its capital and labor to such employments as are most beneficial to each. This pursuit of individual advantage is admirably connected with the universal good of the whole. By...using most efficaciously the peculiar powers bestowed by nature, it distributes labor...most economically. It is this principle which determines that wine shall be made in France and Portugal, that corn shall be grown in America and Poland, and that hardware and other goods shall be manufactured in England."

This theory is still to be found in the economics textbooks of universities in capitalist countries. But applied to the capitalist world, it is an unreal theory. Trade under capitalism simply does not work out in the interest of "the universal good of the whole" the way Ricardo foresaw.

This was true even in Ricardo's day. It is no accident that he used the case of England and Portugal as his main example. Portugal, as Lenin pointed out in his book *Imperialism*, was even then

an economic colony of Britain. The international division of labor defended by Ricardo helped keep Portugal an economically underdeveloped producer of raw materials while Britain produced the manufactured goods.

But Ricardo's theory is even further removed from today's reality. Economic relations of the type that existed between Britain and Portugal were exceptional in Ricardo's day. Now they are part of a general system—imperialism.

Ricardo's theory of trade is an abstract one, presented as though it had universal application, regardless of the economic system under which the trade took place. But trade clearly has to reflect the economic system. Trade under capitalism reflects the anarchy of capitalism. Trade under imperialism reflects the unequal relations that exist between the imperialist countries and the neo-colonies, the competition and rivalries that rage among the imperialist countries themselves.

Yet there is a core of truth in Ricardo's theory of comparative advantage. There *are* potential advantages in foreign trade, in an international division of labor. Further, the progress of technology and related developments have given rise to a powerful tendency for foreign trade to grow rapidly, regardless of what anyone might wish.

But it is only under socialism—with the elimination of imperialism and its economic anarchy, with equality among countries, with economic planning—that the international division of labor can come into its own and trade can truly contribute to the good of all concerned.

Trade Between Imperialist and Neo-colonial Countries

The basic pattern of trade between the imperialist powers and the underdeveloped countries of Latin America, Africa and Asia can best be shown by a few examples. Here are the main exports of a number of underdeveloped countries: Ecuador—oil, bananas, coffee and cocoa; Peru—copper, fish meal, lead and zinc; Egypt—cotton;

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Ghana—cocoa and wood; Indonesia—oil, wood and rubber; the Philippines—wood, copper, copra and sugar.

The underdeveloped countries supply agricultural and mineral products, while the imperialist powers supply manufactured goods. This pattern has been shifting a little in recent years. Corporations have been transferring certain manufacturing operations from the United States to underdeveloped countries where labor is cheaper. So we now have imports of textiles, electronic goods, auto parts and other manufactured items from Mexico, Taiwan, South Korea and Hong Kong into the United States. But taking the trade of the underdeveloped countries as a whole, the pattern of exporting raw materials in exchange for manufactured goods is by far the predominant one.

What creates this pattern? Does it arise spontaneously because the comparative advantage of the two sets of countries inherently runs to different types of goods? The answer is "no." It arises through the operations of the giant corporations from the developed capitalist countries—from monopoly capitalism, which, as Lenin pointed out, is the essence of imperialism.

It was the giant monopolies which—pursuing their goal of private profits—gave the economies of the underdeveloped world a deformed and distorted structure, made them dependent on the export of one or two main crops or mineral products, turned them into appendages of the economies of the developed capitalist countries.

Who turned pre-revolutionary Cuba into a sugar plantation for the United States, dependent for 75 per cent of its export earnings on this one crop? It was the United Fruit Co., the Cuban American Sugar Co. and other such companies. These monopolies acquired the best land in Cuba and turned it to the production of cane, to be refined into sugar for export. Who made Chile dependent for the bulk of its export proceeds on copper? Anaconda and Kennecott.

Besides taking over the main resources of the underdeveloped countries, the monopolies also dominate their internal markets and stunt their industrial growth. The monopolies pump in manufactured goods from the developed capitalist countries and this in itself is enough to prevent or hold back the growth of industry in the under-

developed ones. How can infant industries in such countries prosper in the face of competition from the giant monopolies?

On top of this are the actions of the imperialist governments dominated by the monopolies. These governments use their power to help the monopolies penetrate the markets of the underdeveloped countries and, at the same time, to protect the position of the monopolies in their home markets. Thus even when underdeveloped countries do obtain some industries, for example, textiles, clothing and electronics, they find it very difficult—unless it happens to suit monopoly interests—to obtain entry for the products of these industries to the markets of the developed capitalist countries.

The colonial economic structure and trade pattern inflicted on the underdeveloped countries subject them to grave difficulties and ills. Generally in a weak position vis a vis the giant monopolies and the imperialist countries, they have to sell cheap and buy dear. One of the oldest complaints of these countries is that the terms of trade—the relationship of the prices of the goods they sell to the prices of those they buy—keep moving against them. Inflation in the industrialized capitalist countries keeps jacking up the prices of the goods the underdeveloped countries buy. The prices of the goods they sell can not keep up.

Another difficulty arises from the special instability of the capitalist markets for raw materials. The prices of sugar, copper, coffee, etc. are subject to wild swings, which means that the foreign earnings of the countries which depend on exporting them are also subject to such swings. The problem goes beyond ups and downs in foreign exchange earnings. Often a good part of government revenue comes from taxes on exports, so that when the value of exports drops, not only do foreign exchange earnings plummet, but so also do government revenues. It is almost impossible to maintain stable, non-inflationary economies under such circumstances.

Finally, the deformation of the underdeveloped economies—their concentration on one or two export products and the low degree of industrial development—condemns their people to heavy unemployment and miserable levels of income.

Where, if there is no adequate industrial development, are the jobs for the people going to be produced? With the growth of population and the introduction of modern techniques in agriculture, people are pushed off the land, forced to migrate to the cities. But without growing industry, the cities can not provide jobs either. So the cities of the underdeveloped countries are filled with tremendous shantytowns of unemployed.

The existence of heavy unemployment and other unutilized resources in the underdeveloped countries is the main thing that makes Ricardo's theory of comparative advantage inapplicable to them. In a country whose resources, including labor force, are fully employed, it makes sense—leaving out military considerations—not to produce anything that can be obtained more cheaply elsewhere. But in a country with heavy unemployment and other unused resources, the calculation is not the same. Buying industrial products abroad, even if they can be obtained more cheaply this way, means foregoing an opportunity to create employment and additional income within one's country, to help set the country on the road to development.

The underdeveloped countries are fighting against the imperialist domination of their economies. The fight assumes several different forms. One is that taken by the Organization of Petroleum Exporting Countries (OPEC). After decades of receiving ridiculously low prices for their immensely valuable resource, these countries have been using their combined power to raise the price of oil.

Another form is the demand, pressed by the underdeveloped countries in the United Nations and related international organizations, for a New International Economic Order. Among the specific demands are "stable and remunerative" prices for the commodities exported by these countries, the removal of tariff and other barriers which prevent them from exporting industrial products to the developed countries, massive financial transfers for development, and the transfer of scientific and technological knowledge to themselves.

Finally, there are moves by the underdeveloped countries to break away from the grip of the foreign monopolies. In some countries key indus-

tries have been nationalized. In others, for example Cuba, a thoroughgoing anti-imperialist, socialist revolution has been carried out.

The efforts of the underdeveloped countries to escape from the colonial pattern of trade imposed on them can not be understood if looked at only from a narrowly economic point of view—they form part of the world revolutionary process.

Trade Among the Imperialist Countries

To understand the present trade situation among the imperialist countries, one has to go back to what happened during the Great Depression of the 'thirties. In the face of disastrous economic decline and soaring unemployment, the major capitalist countries erected import barriers to protect their home economic activity. Hit not only by the Depression, but also by the wave of protectionism that it called forth, international trade collapsed.

World War II added to the impediments to the flow of trade. Most countries imposed controls on foreign exchange expenditures which lasted into the postwar period. The supposed purpose of these controls was to save scarce foreign exchange, but they were often used as a substitute for tariffs to protect home industry and agriculture from imports.

The major capitalist countries thus faced the following problems in the realm of international trade at the end of World War II—to reduce trade barriers and to set up accepted rules for international trade that would keep it orderly, that would above all prevent a recurrence of the disastrous scramble toward protectionism that occurred in the 'thirties. To do this the capitalist countries undertook a series of measures that can be loosely described as international state monopoly capitalism—an attempt by the monopoly-dominated governments to regulate international trade.

The first of these measures was to create a new international capitalist monetary system through which foreign trade would take place. This was done at an international monetary conference in Bretton Woods, New Hampshire, in 1944. Under the Bretton Woods system, the dollar was to be maintained at a fixed relation to and be convertible into gold, and the other main capitalist currencies

were to be maintained at a fixed relation to the dollar. A new organization, the International Monetary Fund (IMF), was set up to administer the new system. The rules of the Bretton Woods system were geared to doing away with foreign exchange controls.

Another measure was the setting up of a mechanism, known as the General Agreement on Tariffs and Trade (GATT), to serve as a forum for systematic multinational trade negotiations, with the aim of liberalizing trade—that is, lowering trade barriers. A number of multinational trade negotiations have since been held, beginning in 1948.

These negotiations have resulted in the formulation of rules as to what constitutes fair and unfair trade practices. For example, the rules define what constitutes dumping. The negotiations have also resulted in a lowering of tariffs.

The United States was initially the principal leader in the movement toward trade liberalization. This reflected the position of economic predominance in which it emerged from World War II. Just as the interest of Britain when she was the leading economic power lay in free trade, so now the interest of the United States lay in liberalization. However, unlike Britain in its industrial heyday, the United States did not support full free trade, just selective liberalization. There were a number of home products, both agricultural and industrial, for which it wanted tariff protection.

Giving impetus to the movement toward liberalization was the fact that it got under way in a very favorable period. Between World War II and the early 1970s world capitalism enjoyed the biggest growth in its history. This growth helped ease the shocks that the removal of trade barriers inevitably involved. In a growing market imports were less likely to cause a loss in jobs to workers in home industries, and to the extent that jobs were lost, new jobs could more easily be found in other areas of the economy.

But the effects of the anarchy of capitalism and contradictions of imperialism were bound to assert themselves. The situation has changed greatly from the early postwar period when trade liberalization got under way.

To begin with, the United States—as was inevitable given Lenin's law of the uneven devel-

opment of capitalism—has lost the economic predominance it once enjoyed. One consequence of this is that the dollar, on whose strength the Bretton Woods monetary system was based, has grown progressively weaker. Beginning in the late 1950s, a number of crises shook the dollar and through it the whole international monetary mechanism of capitalism, until with the crises of 1971 and 1973 the Bretton Woods system collapsed completely. The United States will no longer give gold for dollars and the currencies of the other main capitalist countries are no longer tied to the dollar at a fixed rate—they fluctuate or "float."

Bourgeois monetary economists have tried to play down the significance of the breakdown of the Bretton Woods system, to say that the new system has proven that it works reasonably well. But the breakdown of the Bretton Woods system has grave implications for international trade. Fluctuating exchange rates mean instability and this can create all sorts of problems. The rate of a country's currency goes up and this, by increasing the price of its exports, creates difficulties for its exporters; the rate goes down and this brings in a flood of unwanted imports which hurt domestic agriculture and industry.

Besides, the weakness of the dollar has far from played itself out; there will be other, major dollar crises. The dollar is still the main currency of the capitalist world. Most capitalist countries keep a large part of their foreign exchange reserves in dollars. A reduction in the value of the dollar reduces the value of these reserves and this could force many countries to restrict their imports. A large reduction in the value of the dollar could cause a run on it; foreigners would refuse to accept dollars, would try to dump the dollars they already hold. The result could be havoc in the international trade of the capitalist world.

Another consequence of the decline in U.S. economic strength in relation to Japan, West Germany and other countries is that the balance of cost and benefit for the United States of trade liberalization has shifted. When the movement toward trade liberalization was getting under way the U.S. steel and auto industries looked forward to increased exports and did not have any worries about imports. Now both these industries are sick and heavy imports are complicating their prob-

lems.

The United States is not the only country whose relative economic strength has declined. The same thing happened to Britain, starting even earlier. Britain has also been having severe problems with its steel and auto industries which there, too, are being complicated by imports.

The United States is no longer the same mover toward trade liberalization that it once was. It has continued to pay lip service to liberalization. But it has at the same time been exerting pressure on Japan to "voluntarily" limit the flow of various exports which have been causing problems in this country. On steel, the U.S. government has instituted a so-called trigger price mechanism which prevents imported steel from being sold below certain price levels. On automobiles, the Secretary of Labor recently warned Japan that "a strong reaction" could result from continued strong shipments of Japanese cars to the United States.

Not just in the United States, but also in many other countries, a movement toward protectionism has been growing. Other countries have also been resorting to "voluntary agreements," "orderly marketing arrangements" and other devices which enable protectionist measures to be taken while pretending that the spirit of liberalization and the rules of GATT are not being violated. The Secretariat of the United Nations Conference on Trade and Development estimated last year that import restrictions introduced since 1974 affect "between 3 per cent and 5 per cent of international trade" or roughly \$30-50 billion.

Even West Germany, one of Europe's most vociferous supporters of free trade, is now under pressure from its auto industry to restrict imports of Japanese automobiles. During the first six months of last year the Japanese share of the West German automobile market was 5 per cent. During the same period this year it shot up to over 9 per cent. Japan sold 60 per cent more cars even while the market as a whole was shrinking and West German auto makers were being forced to cut production and lay off workers. The West German Minister of Economics has been speaking to Japanese officials about "voluntary restraint."

The biggest potential threat to the "liberalized" structure set up after World War II comes from the developing economic crisis besetting the capitalist

world. Economic growth in the 1970s was far lower than during the earlier postwar period. The worst postwar recession occurred during 1974-75 and the current recession is also severe. The prospect is for low economic growth and severe recessions for many years ahead.

Socialist Trade

Socialist trade is as different from capitalist trade as socialism is from capitalism. In trade among socialist countries, or between socialist and underdeveloped nonsocialist countries, there is no colonial pattern, no exploitation of underdeveloped countries by developed ones. Since socialist countries operate on the basis of planning, trade among them does not suffer from the wild ups and downs that afflict capitalist trade, but just steadily grows; the socialist countries can even supply the nonsocialist ones with stable, growing foreign markets. There is in the socialist countries no problem of industry or agriculture being hurt or of workers being laid off because of imports, no problem requiring protectionism. Under socialism the principle of comparative advantage and the possibilities for a just and rational division of labor can truly come into their own.

Not only do the socialist countries not impose a colonial pattern of trade on underdeveloped countries, but further, the socialist community offers them a way of escape from the limitations to development imposed by the monopolies and the capitalist market.

No country today, least of all the underdeveloped countries, can live without trade. Take, as extreme examples, the islands of the Caribbean or the smaller countries of Latin America. With their narrow range of resources, their markets too small to support sufficiently large, diversified industry, their lack of modern technology, the dependence of these countries on trade is almost absolute. Yet being forced to trade only in the capitalist market is equivalent to being forced to accept imperialist domination. By providing an alternative the socialist countries make a crucial contribution to the national liberation struggle of the underdeveloped countries.

Polish-Soviet trade can serve as one illustration of how socialist trade differs from capitalist trade. Poland entered socialism as an underdeveloped

country, becoming a developed country under socialism. One factor helping it to industrialize and develop was the possibility of exporting industrial goods to the Soviet Union. Between 1945 and 1968 Poland delivered to the Soviet Union the equipment for fifteen sugar refineries and eleven yeast works, a large amount of chemical equipment, eighty thousand railway freight and passenger cars and five hundred ships. Bulgaria is another example—sixty per cent of the output of the Bulgarian machinery industry goes to the Soviet Union. It is not possible to find similar examples from trade between developed and underdeveloped capitalist countries.

The type of assistance given by the Soviet Union to other countries' economic development is also illustrative. The so-called foreign aid given by developed capitalist countries to underdeveloped ones goes for such things as roads and ports necessary to support the export of some mineral or agricultural raw material—not for industry. But socialist countries have nothing to fear from the industrialization of other countries and the Soviet Union provides a great amount of assistance for industrial projects.

It has, for example, provided assistance for building or expanding iron and steel plants in Bulgaria, Cuba, Hungary, the Democratic People's Republic of Korea, Poland, Rumania and Yugoslavia, as well as Algeria, India, Nigeria, Pakistan and Turkey. It has also provided assistance to a large number of countries for many other types of industrial facilities—electric power plants, including atomic power stations, cement plants, diesel engine plants, cotton and textile mills, caustic soda factories, etc. Partly as compensation for the assistance rendered, the products of many of the enterprises built with this assistance are exported in large quantities to the Soviet Union. In this connection, the Soviet Union provides markets for such goods as power trucks, tractors, medicines, roller bearings, sulphur, steel and cement.

How significant Soviet assistance can be for the countries receiving it can be seen from the case of India. Enterprises built with Soviet assistance produce forty per cent of India's steel, seventy seven per cent of its oil, thirty per cent of its refined oil, twenty per cent of its power and fifteen

per cent of its aluminum.

Cuba is another example of the benefits of socialist trade. Before the Revolution, the United States monopolized Cuba's foreign trade. U.S. corporations had turned Cuba into a deformed appendage of the U.S. economy, providing the United States with sugar and tobacco, and receiving manufactured goods from it. Cuba had no significant manufacturing industry of its own.

When the Revolution came, the U.S. imperialists imposed an embargo on trade with Cuba in the hope of choking the Revolution to death, or at least softening Cuba for a military intervention. Had it not been for the ability of the Soviet Union to fill the breach, this policy would have succeeded. By 1960, when the embargo was imposed, the Soviet economy had developed to the point where it could supply the oil and other goods the Cuban economy required. Ten years earlier, it would not have had the oil, the tankers and many of the other items necessary to do so.

In its trade with the socialist countries, Cuba enjoys a number of advantages not available in trade with capitalist countries. A key one is the ability to enter into long-run agreements for the sale of large quantities of sugar and other goods at guaranteed prices. Cuba enjoys assured markets in the socialist countries, not subject to the wild fluctuations in price and demand of the capitalist markets. In addition, the Soviet Union pays a price well above the world market price for the sugar it receives from Cuba.

On the import side, Cuba has been receiving help from the other socialist countries in building a diversified industrial base, something that never happened under imperialism. It has received help in carrying out a gigantic expansion of its electric power and cement industries, in building up its steel industry, in setting up plants for the production of pre-fabricated housing, equipment for the sugar industry, refrigerators, and a host of other goods. Cuba also purchases plants from capitalist countries—for example, fertilizer plants.

Cuba has been developing a diversified economy, completely different from the lopsided one imposed on it by imperialism. One of the main things that makes it possible for Cuba—a small country heavily dependent on foreign trade—to do this is its ability to trade with the socialist com-

munity. As long as twenty years ago the socialist community was able to provide a trade alternative for Cuba.

But the economic strength of the socialist community keeps growing both through the continuing development of those countries that are already socialist and through the addition of new countries. The trading capacity of the socialist community will grow still bigger in the future, and this will be an ever more important factor in the struggle for national liberation and socialism by the underdeveloped countries, as well as in the struggles of the people of the developed countries.

The growth in the trading capacity of the socialist community also has another implication. In addition to the embargo on trade with Cuba, the United States maintains restrictions on trade with the other socialist countries, most heavily on trade with the Soviet Union. To a much lesser degree the other capitalist countries also maintain such restrictions. The economic cost of these restrictions is enormous, especially for the United States. They mean the loss of a tremendous number of possible jobs, the giving up of markets that could help our sick steel industry, the foregoing of additional sources of gas and oil that could help ease our energy crisis.

But it was easier to maintain such restrictions in the 1950s, when the socialist community had less to offer. Now such countries as West Germany and France have a large, growing and profitable trade with the Soviet Union. The United States loses business to such countries through its restrictions. The growth in the trading capacity of the Soviet Union and the other socialist countries will tend to make it more and more difficult to maintain the restrictions in the future.

In outlining the great strength of socialist as compared to capitalist trade, there is no intention of denying that socialist trade also has problems. But the problems must be seen in perspective. The socialist countries, almost without exception, were underdeveloped when they became socialist. They have developed very rapidly, but in certain economic sectors and areas of technology they are still behind. Several depend to a considerable extent on trade with the capitalist countries for the import of oil, machinery and other important items. They are affected by the ups and

downs of the capitalist market—less than if they depended on it for all instead of only a part of their trade, but still affected. The rise in the price of oil, the inflation and periodic recessions in the capitalist world, all create problems. But unlike the problems of the capitalist world, these problems are transitory.

The socialist international division of labor is only twenty five years old. It has already shown what it can do. The socialist countries made room for Cuban sugar even though the Soviet Union and several others were themselves large sugar producers. The Soviet Union and other socialist countries engage in gigantic joint projects for the development and distribution of fuels and raw materials from Siberia. The socialist countries are working out specialization agreements among themselves, with the German Democratic Republic specializing in chemical equipment, precision engineering and optics, Poland specializing in railroad cars, metal tools and the motor industry, etc. Agreements on the standardization of machinery, equipment and instruments are being adopted by the socialist countries.

The Soviet constitution has an article which says, "As part of the world socialist system....the Soviet Union shall actively participate in economic integration and in the international socialist division of labor." This gives a foretaste of the world of the future.

Foreign Trade and the 1980s

The strength of the tendency for foreign trade to grow rapidly can be illustrated by the fact that between 1965 and 1979 world trade increased three times, after allowing for inflation. This is a much higher rate of growth than that of the world economy over this period.

Trade increased rapidly in all the major areas of the world. The exports and imports of the United States, Japan, Western Europe, the underdeveloped countries and the socialist countries all showed large increases.

The economy of the United States, which used to be relatively independent of foreign trade, has grown far more dependent. In 1965 U.S. exports and imports equalled seven per cent of the gross national product. In 1979 they equalled seventeen

Continued on page 7

BOOK ENDS

Milton Friedman's Freedom ... for Capital

HENRY MORRIS

Milton and Rose Friedman, *Free to Choose: A Personal Statement*, Harcourt Brace, Jovanovich, 1980.

Bourgeois economics in the twentieth century can be summed up in a single statement: what is profitable is good. It comes in essentially two varieties, the "pure" form, which supports "unregulated" or "laissez-faire" capitalism, and the Keynesian form, which favors "regulated" capitalism, a.k.a. the "mixed economy." The Keynesian view is well-illustrated by a metaphor of one Nobel Prize winner: the U.S. economy is like a sailboat blown by the winds of profit, steered by the rudder of government control. The laissez-faire view suggests doing away with the rudder.

Milton Friedman has long been the leading U.S. exponent of the laissez-faire economic ideology. Until quite recently it was common to consider him little more than an annoying crank. After all, it was patently obvious that "pure" capitalism did not work, any doubts on that score having been laid to rest by the Great Depression of the 1930s.

But it is becoming clear to more and more people that Keynesian capitalism is not working either. The Henry Morris teaches economics at a Midwestern University.

only "steering" being done is in the direction of government help in the profit-making process. But recessions have not been eliminated; inflation has become an endemic problem; and government programs of all sorts have generally fallen short of their advance notices. This has produced a crisis in bourgeois economics.

One result has been the "comeback" of Milton Friedman, who is now both respectable and influential. He is a past president of the American Economic Association and a recent recipient of the Nobel Prize in Economics. His "monetarist" doctrine has been put into practice by Federal Reserve Chairman Paul Volcker. The Friedman ideology matches that of Prime Minister Thatcher's Conservative administration in Britain and underlies the policies of Ronald Reagan. And his most recent work, *Free to Choose* (co-authored with his wife Rose Friedman), remains at the top of the nation's best-seller lists. It is important, therefore, to understand "Friedmania," to criticize it and to understand its appeal. Only then will we have a firm basis for combatting this profoundly reactionary ideology.

The essentials can be summed up briefly. According to Friedman, the basic problem of the U.S. is the restriction of individual freedom in the economic and political spheres. We

are, he asserts, no longer "free to choose" among alternatives; instead, choices are made for us by government. Where consumers are freest to choose in the marketplace those goods and services they desire (and can afford), and where "resource owners" (owners of capital, land and labor) are freest to use their resources to obtain the highest return—there consumers' welfare advances most rapidly. Free market capitalism is responsible for the dramatic betterment—through technological progress, product innovation and efficient organization—of the lives of workers and capitalists alike. Hence the success of the U.S. (until recent government interference), of nineteenth century Britain and of post-1867 Japan. Conversely, government regulation and control have invariably hampered economic growth, have restrained the "natural" development of the economy. Hence the lack of success of India, the Soviet Union and Pol Pot's Cambodia.

How does all this occur? Because firms produce with a view to making profit, they are forced to produce goods that will sell, goods that consumers want. Competition keeps the price as low as possible. Lowering costs can lower prices and increase sales; hence the incentive for

technological advance. If consumers' tastes change, this information will be conveyed to business by means of changes in price; business then knows which industries to leave and which to enter, solely by this "price mechanism." If business can find a way to meet an unfulfilled (or newly-arisen) consumer need, it can make a profit; hence the improvement of product quality and the development of new products. At every turn, business finds itself satisfying consumers, regardless of intentions. The consumer is sovereign.

What is profitable is good.

In this scheme, government can not possibly do better. Indeed, the best that government could hope to achieve, even with good intentions, is a duplication of this free market result. In fact, government invariably achieves less and thus harms the economy; when government interferes with the freedom to choose, everybody loses.

In support of this view Friedman actually offers a single example: government restrictions on international trade. If, for example, government imposes a ban on the import of television sets, U.S. resources must be directed toward this end. This involves diverting resources from other productive activities such as, let us suppose, tractor production. In the process, we lose. Clearly we are less efficient at producing television sets than other countries, otherwise we would not have imported them in the first place. By the same token, we are more efficient at producing tractors, or else U.S. firms would not have been able to sell tractors in the competitive market in the first place. Government action has shifted production from a more efficient to a less efficient area. Television sets now cost the consumer more, and either fewer tractors are available or they also cost more (or both). Better to have left the market alone, so that consumers could decide for themselves what they wanted on

the basis of price and quality, and not country of origin.

It must be noted that in selecting this example, Friedman has chosen the one instance where there is practically universal agreement among economists of widely differing persuasions. It is far from unique to Friedman's ideology to oppose artificial barriers to international trade. Nevertheless, Friedman generalizes from this one example to oppose unions (they also interfere with the market), social security (individuals should be free to choose their own pension plans), public education (parents should be free to send their children wherever they choose without having to subsidize, through taxes, the public school in their neighborhood as well), medicare (individuals should be free to choose their own health insurance), minimum wage laws (they decrease employment), and the licensing of doctors (it restricts the freedom of individuals to practice medicine).

It will suffice to consider just the first of these. Unions, for Friedman, are the same as the craft guilds of medieval Europe: they restrict membership to raise wages (just like a monopolistic business), providing benefits for the members at the expense of everybody else. Friedman's illustration of a successful union is the American Medical Association. Through licensing practices and limitations on the number of medical schools, physicians are kept under-supplied. Consumers pay too much for medical services, and receive too little. This "special interest" group interferes with our freedom to choose, just like government, imposing a cost on us all.

In thus presenting, without ridicule, the logical kernel of Friedman's analysis, we are giving him much more than his due. Friedman tries to bolster his conclusion through the "liberal" use of lies, half-truths and distortions. He thinks that the

first immigrants to North America found "freedom and an opportunity to make the most of their talents"—he apparently has forgotten the slaves—and "an empty continent to conquer"—he apparently considers the Native American Indian civilizations as "empty." (Pp. 1, 3.) He asserts that "mental capacities" and "talent" are inherited, as if this were scientific fact. (Pp. 21-22, 136.) He claims that buildings in the Soviet Union "look decrepit within a year or two of their construction" and "machines in government factories break down" because "when everybody owns something, nobody owns it." (P. 24.) The Soviet Union is a "state of terror" and a "Russian foreman...has to worry about being shot." (Pp. 135, 147.) In Berlin "the streets appear empty; the city gray and pallid; the store windows, dull; the buildings grimy," all of which he apparently perceived in a *one hour* visit. (P. 55.) The "growth of crude criminality in Britain in recent decades may well be one consequence of the drive for equality." (P. 145.) And so on *ad nauseum*.

All that notwithstanding, the Friedman argument must still be countered. The major flaws, in briefest form, are as follows:

1. The kind of "free market" capitalism Friedman envisions never existed, and certainly does not exist now. Competitive capitalism has long since given way to monopoly capitalism, and it is precisely the point of monopoly to "interfere" with the market. Typically, Friedman's only comment on monopoly is to call it a "myth." (P. 36.)

2. On purely technical grounds alone the Friedman view fails. In economic language, the price mechanism will convey the wrong information if "private costs" differ from "social costs." If, for example, a corporation finds it can increase its profits by closing down a plant in Chicago and relocating in North Carolina, it will

compare these benefits (the increased profits) to the costs involved (loss of plant in Chicago, cost of construction in North Carolina, etc.) in deciding whether to actually move or not. Unfortunately, there are costs to the Chicago community that are never considered in this decision—disruption of the local economy, loss of tax revenue, increase in physical and mental health problems, etc. What is economically “rational” for the private business turns out to be irrational from the point of view of society as a whole.

3. Friedman fails to point out who selects the alternatives among which we are “free to choose.” If automobile corporations consciously destroy mass transit systems, as has happened in Los Angeles and other cities across the country, we are “free to choose” between cars and walking, but that hardly amounts to consumer satisfaction.

4. Friedman’s assertions to the contrary, governments are not all of a piece. The failure of state monopoly capitalist programs to meet the needs of the people should elicit a historically concrete analysis. Instead Friedman offers an illegitimate generalization of the failure of government in the abstract.

5. Friedman does not have, and has never had, any answer to the problems of depressions and unemployment. It was precisely this point that led to the overthrow of this ideology in the first place. Instead, Friedman continues to talk of “natural” unem-

ployment and maintains, against the weight of evidence and theory, that the Great Depression of the 1930s was caused by...government!

In all this, Friedman’s central failing stands out clearly: the inability to see the *class essence* of capitalism. For Friedman, the worker’s freedom to work or be unemployed is no different from the capitalist’s freedom to hire or fire. The superficial equality that reigns in the market (which Marx pointed out long before Friedman) only masks the fundamental inequality of capitalism: some own the means of production while the rest work for those who do. Nothing of consequence can be understood without this foundation.

Friedman’s primary mass appeal is clearly to the petty bourgeoisie. His claim that the AMA is a typical union can only fool those not in unions. His attack on the whole array of government programs is designed to win support from middle income taxpayers. This is further strengthened by his advocacy of a Constitutional amendment limiting income taxes. His focus on individual “freedom” is meant to attract those whose working life is conducive to the individualist ideology that is so widely propagated in this country.

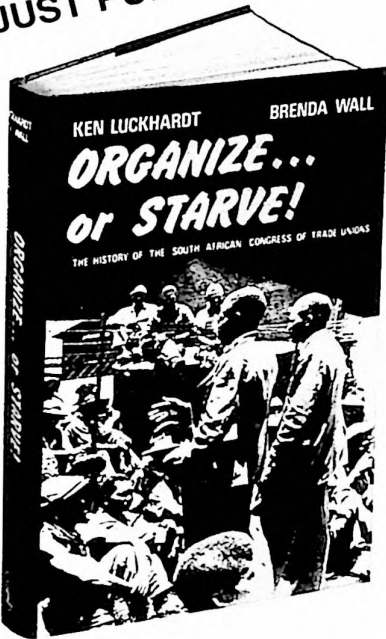
And to top it off, Friedman’s anti-government “solution” sounds so simple. It does not require facing up to difficult problems and confronting the power of monopoly capital. It becomes, therefore, an escape, a flight into a petty-bourgeois fantasy-land

made up of individuals competing equally in the market for maximum economic gain.

But if the attraction is to the petty bourgeoisie, the services rendered by this ideology are to the bourgeoisie, to monopoly capital. The objective impact of Friedman’s proposals is to strengthen monopoly at the expense of the working class (*and* the petty bourgeoisie). Thus, in the name of being “free to choose,” Friedman would eliminate all controls on oil prices; subject unions to anti-trust laws; abolish welfare and the Occupational Safety and Health Act and social security and the minimum wage; lower taxes on businesses and those in the higher income brackets.

To be sure, Friedman opposes government bailouts of Chrysler, Lockheed and other giant corporations and does advocate the “negative income tax” which would, in principle, provide some financial support to the poor. These parts of the Friedman “plan,” however, will be ignored by monopoly and will never implemented if they have their way. The net result is the Reagan program: tax relief for the rich, more military spending; drastic cuts in social services of all kinds; and union-busting. No doubt those taken in by Friedman will be discouraged and disillusioned with the final results: they will have gained nothing and lost quite a bit. And history will have shown, yet again, that there is no independent role for the petty bourgeoisie.

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