

**The New**  
**INTERNATIONAL**

**THE PERMANENT  
WAR ECONOMY**

*Part II—The Declining  
Standard of Living*

By T. N. Vance

*French Terror in Morocco*

A Report from France

*China's Stalinist State*

By M. Y. Wang

*Economic Power in India*

By Asoka Mehta

**35¢**

---

March-April 1951

# MEMO

## THE NEW INTERNATIONAL

An Organ of Revolutionary Marxism

Vol. XVII, No. 2

Whole No. 147

MARCH-APRIL 1951

### TABLE OF CONTENTS

#### Articles:

THE PERMANENT WAR ECONOMY ..... 67  
*By T. N. Vance*

MOROCCO—A NEW INDO-CHINA? ..... 92  
*A Report from France*

THE STALINIST STATE IN CHINA .....100  
*By M. Y. Wang*

WHO CONTROLS INDIA'S ECONOMY?.....110  
*By Asoka Mehta with an introduction  
by Avel Baker*

#### Books in Review:

OCCUPATION OF JAPAN .....121  
*Reviewed by Avel Baker*

INDIA AND THE UNITED STATES .....123  
*Reviewed by Avel Baker*

LE COMMUNISME YOUGOSLAVE .....125  
*Reviewed by Henry Judd*

Published bi-monthly by the New International Publishing Co. at 114 West 14th Street, New York 11, N. Y. Re-entered as second-class matter March 8, 1950, at the post office at New York, N. Y., under the Act of March 3, 1879. Subscription rates: \$2.00 per year; bundles, 25c each for five copies and up. Foreign, \$2.50 per year; bundles, 30c each for five and up.

Address all editorial and business communications to The New International, 114 West 14th Street, New York 11, N. Y.

MAX SHACHTMAN, *Editor*

EMANUEL GARRETT, *Managing Editor*

#### Editorial Board

JAMES M. FENWICK                      ALBERT GATES  
BEN HALL                                      HENRY JUDD

L. G. SMITH, *Business Manager*

money, though in many countries currency restrictions make this extremely difficult, and sometimes impossible.

We would like to urge those readers outside the United States who have not yet replied to our circular to do so at once. The next issue of the NI will not be sent to people who have not replied.

L. G. SMITH, *Bus. Mgr.*

Although we have been aware of the important job the NI is doing for Marxist clarification in these days of world crisis, we have been particularly gratified at the concrete evidence on this score which we have received recently.

About a month ago we sent out a form letter to all our foreign readers. We wanted to clear our mailing lists of dead addresses, and of people who do not wish to receive the magazine any longer. We requested that all our readers return a small form, indicating whether or not they are able to make some payment for the magazine, and whether they wish to continue to receive it.

Here are a few excerpts from the many replies we have received to date: *Great Britain:* "Inside the State Capitalist tendency there is a very great sympathy for the ISL. THE NEW INTERNATIONAL has greater influence today than for many years in this country. We are using the NI for the purpose of drawing comrades to our Third Camp attitude."

*Argentine Republic:* "I am an Argentine Socialist, and a member of the Socialist Youth Organization of this country. I had seldom seen such a good Socialist magazine. Although I didn't share some of your points of view—your position on the Korean war—I must recognize that I substantially agree with the rest of it. I was delighted to find something on Comrade Leon Trotsky. . . ."

*South Africa:* "I have been discussing NI with one or two fellow thinkers and we feel that we must let the NI have a much wider circulation in S. A. . . . We intend advertising these papers in a manner so as to make sure they reach to politically minded people both in and outside the Non-European Unity Movement. . . ."

*Holland:* "As business manager of a Socialist Weekly Paper before the war, I have experienced over years how difficult it is to manage such a paper with many financial troubles. So I quite understand the meaning of your letter about payment of the subscriptions. . . ."

We want to thank all our friends for their kind letters. A number of them have found it possible to send in some

# THE NEW INTERNATIONAL

An Organ of Revolutionary Marxism

Vol. XVII, No. 2

MARCH-APRIL

Whole No. 147

## The Permanent War Economy

### Part II—Declining Standards of Living

The general law of accumulation of capital under the Permanent War Economy [see January-February issue, "Basic Characteristics of the Permanent War Economy"] is that an increase in capital, instead of causing an increase in unemployment, is accompanied by relatively full employment and declining standards of living. This new and fundamental law of motion increasingly governs all human and class relations under this latest stage in the decline of capitalist society. Because of its tremendous significance we shall attempt to develop the key quantitative measures, however rough and approximate, so as to permit analysis of the various factors underlying the decline in living standards.

Having already obtained total war outlays, both direct and indirect, and the net value of current production, in order to measure the relationship between war outlays and total output, our starting point in deriving a measure of the average standard of living is clearly to subtract total war outlays from net national product. The difference between the two series, by definition, represents the net output of civilian goods and services. If, from this result, we then subtract net private (civilian) capital formation—a necessary step since net private capital investment is included in total

production, and capital in any of its forms does not directly satisfy human wants—we then have a measure of total civilian output of consumer goods and services as produced by both private and government sources.

It is only from this portion of total output, equivalent conceptually to the summation of personal consumption expenditures and government nonwar purchases, that the ingredients comprising the standard of living can come. For, aside from conceptual and statistical limitations inherent in many of the components of gross national product, especially as calculated by the Department of Commerce, the total output of consumer goods and services (shown in column five of Table I) theoretically expresses the market value of all commodities consumed by consumers. Unless food, clothing, housing, consumer durables, etc., etc. are purchased by consumers and, it must be assumed, thereby consumed, production does not currently and directly satisfy human wants and is therefore outside our definition of standard of living.

In other words, we make a sharp distinction between personal wealth and standard of living. The former indicates possession or ownership that may ultimately be converted into consumption of want-satisfying commodities. But savings, factories, stores, real

estate, and other forms of capital or property, including money, cannot be eaten or worn or utilized to satisfy human wants unless they are first transformed from exchange values into use values or employed to produce use values capable of directly entering into the process of human consumption. It is true that the greater one's personal wealth, the higher his standard of living. This, however, does not follow because personal wealth is directly consumed by its owner, except in the rare case where a capitalist lives by using up his principal, but rather as a result of high personal incomes which simultaneously permit high consumption and accumulation of personal wealth or claims upon capital. The true gauge, therefore, of relative standards of living is the amount of commodities and services, both material and intangible, economic and cultural, actually consumed.

Table I portrays civilian output of consumer goods and services from

1939 to 1953, the first step in computing standards of living under the Permanent War Economy.

Net private capital formation was obtained by taking gross investment, as reported by the Department of Commerce, and subtracting from it Commerce's figures for capital consumption allowances. The projections were based on a study of the individual components and are consistent, both as to understatement of price inflation and the magnitude of war outlays and their impact on capital accumulation, with the methods used to forecast war outlays and total output. If anything, our forecast minimizes the quantity of private capital that may be expected to be accumulated during 1951-1953, thus maximizing the volume of consumer goods and services that will be available for civilian consumption. This was deliberately done in order to present the trend in the average standard of living in as favorable a light as possible.

**Table I**  
**CIVILIAN OUTPUT OF CONSUMER GOODS AND SERVICES, 1939-1953**  
(Billions of Current Dollars)

Year	Net National Product (1)	Total War Outlays (2)	Civilian Output (Column One Minus Column Two) (3)	Net Private Capital Formation (4)	Civilian Output of Consumer Goods and Services (Column Three Minus Column Four) (5)
1939	\$83.2	\$2.0	\$81.2	\$2.7	\$78.5
1940	93.0	3.6	89.4	7.0	82.4
1941	117.1	13.9	103.2	10.1	93.1
1942	151.6	51.8	99.8	0.7	99.1
1943	183.7	84.1	99.6	-7.2	106.8
1944	201.8	92.2	109.6	-6.3	115.9
1945	202.8	82.8	120.0	-3.1	123.1
1946	198.9	33.6	165.3	21.1	144.2
1947	218.4	29.9	188.5	24.2	164.3
1948	241.7	23.6	218.1	27.7	190.4
1949	236.8	25.0	211.8	14.7	197.1
1950*	257.0	27.9	229.1	23.0	206.1
1951*	279.4	56.0	223.4	19.1	204.3
1952*	293.3	61.9	231.4	14.1	217.3
1953*	299.2	70.5	228.7	11.6	217.1

\*Estimated, with 1950 data based on first half actuals. Projections of net national product and total war outlays were explained in the previous article.

THAT CIVILIAN STANDARDS HAVE lagged well behind total output can readily be seen by comparing columns five and one in Table I. Over the entire period, from 1939 to 1953, the net value of production will have increased 3.6 times in current dollars, while the portion available for civilian consumption will have risen less than 2.8 times. It is axiomatic that production for war purposes cannot contribute to civilian standards of living. During the first fifteen years of the Permanent War Economy a total of almost \$659 billion will have been spent on direct and indirect war outlays, an average of \$44 billion each year. Even if full allowance is made for the production of food, clothing and other consumer goods for the armed forces, and granting as much validity as possible to the socially necessary character of certain indirect war outlays, it is still impossible to escape the conclusion that approximately three years total production has been completely wasted. Had it been possible for a rational economic system to have prevailed, producing and distributing an equivalent amount of commodities to consumers, the national debt of \$257 billion could be completely retired and a dividend of \$10,000 could be allotted to each family!

It may be wondered why we have not confined our measure of the average standard of living to personal consumption expenditures expressed in constant dollars on a per capita basis. Such an approach, usually without considering the growth in population, is generally adopted by those who seek to depict the "benefits of a free enterprise economy." This could provide a first approximation provided that proper allowance was made for changes in the price level, but it would entirely omit from considera-

tion the contribution made by the various levels of government to the average standard of living. Government nonwar purchases of goods and services, especially expenditures by state and local governments for education, utilities, transportation, and similar services, including the net postal deficit, are supported by taxes (except when government operates at a deficit) and presumably benefit more or less equally the entire population. While there may always be room for improvement, it must be assumed that such expenditures are an integral part of the average individual's total want satisfactions and therefore of his standard of living. As a matter of fact, to the extent that such government services are provided free of charge and therefore excluded from personal consumption expenditures or simultaneously included in capital formation as part of new public construction activity (school buildings, public hospital buildings, highways, etc.), the contribution of government to the average standard of living is understated.

Nevertheless, we could have added government nonwar purchases to personal consumption expenditures and theoretically obtained an identical result for civilian output of consumer goods and services. There are two major reasons why this procedure was not followed, aside from the minor inconvenience that would be caused by the failure of Commerce to publish the breakdown between Federal war and nonwar purchases since 1946: (1) our estimate of total war outlays is higher than that of Commerce chiefly, as explained in the previous article, because of our inclusion of the concept of "indirect" war outlays; and (2) while, on balance, the official figures for total output, as represented by the national product series, appear

to be reasonable, we take exception to the inclusion and exclusion of certain items and to the classification of owner-occupied residential construction as a capital expenditure.

Thus, for example, we see no justification for the inclusion of imputed rent (of owner-occupied houses), imputed interest, or payments in kind in a national product series that is attempting to estimate the market value of current production. One might just as logically include the imputed value of housewives' services. This type of inclusion tends to overstate both total output and consumer outlay. On the other hand, exclusion of virtually all the expenditures of the Veterans Administration, net government interest payments and government subsidies tends to understate total output (to the extent that such activities, like any other government activity, are supported by taxes) and total war outlays. The exclusions, in general, ought to be reflected in total output but not in consumer output, as for the most part they belong to the war sector. To treat residential construction (except when it is income-producing property) as part of capital formation is to identify wealth with capital and to betray a lack of understanding of the nature and functioning of capital. One might just as well include any other consumer durable possessed of a relatively long lifetime, such as personal passenger cars, radios, television sets, furniture, etc. Owner-occupied residential construction, therefore, ought to be shifted from gross private domestic investment to personal consumption expenditures.

In short, we feel that the official figures for personal consumption expenditures are overstated by approximately the same amount as total war outlays are understated. This is particularly true for 1946, where our big-

gest difference of more than \$12 billion occurs. Consequently, the method used to obtain civilian output of consumer goods and services maintains a proper aggregate for total production while at the same time assuring a more realistic apportionment between the war and civilian sectors of the economy. It also enjoys the additional merit of facilitating the projection of civilian output of consumer goods and services. The residual method employed does, it is true, understate the level of government nonwar purchases, particularly since 1945, but we prefer to maintain the official series for personal consumption expenditures rather than to make all the adjustments that would be required to conform with our criticisms. There is no difference in the average standard of living and the differences in per capita standards of living by classes would be negligible.

IT MAY BE HELPFUL AT THIS POINT to present the figures for personal consumption expenditures, both because they are by far the largest component in the formation of the average standard of living and because we subsequently base our class analysis of trends in living standards on a class breakdown of the official data for personal consumption expenditures. What consumers are officially reported to have spent in current dollars from 1939-1949, together with our projections for 1950-1953, is shown in Table II, which also expresses consumer outlay in constant dollars by using the BLS Consumers' Price Index as deflator.

It will be noted that the trend in personal consumption expenditures is not too dissimilar from that shown by civilian output of consumer goods and services, with the noteworthy exception of 1945-1947. As a matter of

**Table II**  
**PERSONAL CONSUMPTION EXPENDITURES, 1939-1953**  
**(Current and Constant Dollar Figures in Billions)**

Year	Personal Consumption Expenditures (1)	BLS Consumers' Price Index (2)	BLS Cons. Price Index (1939=100) (3)	Personal Consumption Expenditures in 1939 Dollars (4)	Index of Personal Consumption Expenditures in Constant Dollars (5)
1939	\$67.5	99.4	100.0	\$67.5	100.0
1940	72.1	100.2	100.8	71.5	105.9
1941	82.3	105.2	105.8	77.8	115.2
1942	91.2	116.5	117.2	77.8	115.2
1943	102.2	123.6	124.3	82.2	121.8
1944	111.6	125.5	126.3	88.4	130.9
1945	123.1	128.4	129.2	95.2	141.0
1946	146.9	139.3	140.1	104.9	155.4
1947	165.6	159.2	160.2	103.4	153.1
1948	177.4	171.2	172.2	103.0	152.5
1949	178.8	169.1	170.1	105.1	155.6
1950*	192.5	171.1	172.1	111.9	165.7
1951*	189.3	177.4	178.5	106.1	157.1
1952*	201.3	180.1	181.2	111.1	164.5
1953*	200.1	180.3	181.4	110.3	163.3

\*Estimated with 1950 based on first nine months actuals. A report of the Department of Commerce, published in *The New York Times* of December 31, 1950 indicates that personal consumption expenditures for 1950 are estimated at "about \$190 billion." The projections are consistent with the methods used to forecast output and make only partial allowance for rising prices in 1951 and almost none in 1952 and 1953.

over-all comparison, during the entire period from 1939 to 1953, personal consumption expenditures will increase almost three times on a current dollar basis, whereas our series for civilian output of consumer goods and services rises 2.8 times, hardly a significant difference.

Far more important in evaluating what has happened to the average standard of living is the allowance made for the increase in consumer prices. The Chamber of Commerce of the United States, for example, in a recent pamphlet entitled "Policies and Controls in a War-Burdened Economy," obviously uses the BLS Consumers' Price Index as its measure of changes in prices paid by consumers and thus is able to conclude that "real consumer purchasing power also increased (during the war)." While

there was a slight increase during the war, to indicate that there was a 41 per cent rise in real consumer purchasing power or the average standard of living between 1939 and 1945 is highly misleading, just as much as to indicate that the average consumer in 1950 was more than 65 per cent better off than in 1939.

The Consumers' Price Index for Moderate Income Families in Large Cities of the Bureau of Labor Statistics, despite its widespread use by trade unions in collective bargaining contracts as a measure of the rise in the cost of living to which wage rates are linked, is not an accurate indicator of changes in the average cost of living, especially of factory workers. It may record fairly accurately typical consumer price trends in a period when government controls and infla-

tionary shortages are non-existent, but in the epoch of the Permanent War Economy it is extremely insensitive to quality depreciation, evasions of controls, changes in controls, and the disappearance or relative disappearance of basic consumer commodities from the market. Moreover, it fails utterly to take into account changes in consumer buying habits and consumption patterns. Since 1941 it has markedly understated the rise in the average cost of living, with the deviations from reality becoming cumulative. Accordingly, any attempt to assess changes in living standards by the use of the Consumers' Price Index necessarily lacks validity.

It is obvious, however, that analysis of standards of living cannot be intelligently undertaken on the basis of current dollars and that we must discuss in terms of dollars possessing constant purchasing power. We therefore need a price index that reflects as accurately as possible the changes in average prices paid by average consumers. Unfortunately, no such index exists and we are reluctantly compelled to devise one arbitrarily. This has been done by calculating the arithmetic average between the Consumers' Price Index and the BLS Wholesale Price Index, on the theory that the former represents the minimum change in consumer price levels and the latter the maximum possible change due to the well-known greater flexibility of wholesale prices compared with retail prices. The arbitrary part of the approach consists in giving equal weight to both indexes, whereas it may well be that one should weigh more heavily than the other in trying to achieve our objective. We are aware of no evidence, however,

that would warrant unequal weighting.\*

It is necessary to emphasize that the selection of a price index far outweighs any other factor in analyzing living standards. If, for example, we had applied the Consumers' Price Index to our series on civilian output of consumer goods and services, the results would not differ too greatly from the picture shown in Table II. For 1950, the growth in the consumption sector of the economy would be 52.6 per cent over 1939 instead of 65.7 per cent. Our thesis that the workers have suffered a decline in their living standards as a result of the Permanent War Economy would be greatly weakened, even though a relative decline compared with the growth in total output is apparent.

WE NOW PROCEED TO THE SECOND basic step in our analysis, which is to develop an index of the output of the consumption sector of the economy, by which term we distinguish from the war sector and the capital sector. The results are shown in Table III.

While the wholesale price index evidences the same difficulty in surmounting official failure to recognize

\*Since this was written, the Department of Commerce has announced (The New York Times of January 22, 1951) gross national product figures in 1939 dollars. The implicit price index thus derived was published for selected years and yields the following comparison with our average price index:

	Average Price Index	Commerce Implicit Price Index (1939=100)
1941	110	110
1949	186	180
1950	194	183 (preliminary)

The two indexes apparently correspond quite closely, being identical for 1941 and only three per cent apart in 1949. The Commerce index, however, indicates a price rise of less than two per cent from 1949 to 1950, whereas our index shows an increase of more than four per cent during the same period.

the prevalence of black markets during price control as does the Consumers' Price Index, it is a much more comprehensive and more sensitive index. Our derived average price index, except for the later stages of the war, is probably as satisfactory a measure of price changes in the consumption sector as can be obtained. A 35 per cent rise in the output of the consumption sector from 1939 to 1950 is certainly more plausible than a 65 per cent rise. Moreover, our series now shows a decline in consumption output from 1941 to 1942-43, as well as a decline from 1946 to 1947, both movements conforming far more closely to common experience than the highly misleading series represented by personal consumption expenditures deflated by the Consumers' Price Index.

It is thus apparent that the rise in output of consumer goods and serv-

ices, from both private and government sources, rose very modestly indeed during the war. With the exception of 1947, which was a year of unbridled inflation following the abandonment of price control in 1946, there was then a further steady growth until the outbreak of the Korean war. Now, we can expect a noticeable decline in 1951 followed by a leveling off at about the 1950 rates in 1952-53—this, on the basic assumption stipulated in the projection of war outlays that the armed forces of the United States will not be engaged in any major conflict prior to 1954. It will be noted that the movement of real consumption output (the basis of all living standards) follows the trends in the ratio of war outlays to total output—but in reverse. This is only natural inasmuch as war output must take place at the expense of civilian output unless there is a corresponding

Table III  
INDEX OF CONSUMPTION OUTPUT, 1939-1953  
(Dollar Figures in Billions)

Year	Output of Consumer Goods and Services (1)*	BLS Wholesale Price Index (1939=100) (2)†	Average Price Index (1939=100) (3)‡	Con- sumption Output in 1939 Dollars (Col. 3) (4)	Index of Con- sumption Output in 1939 Dollars (5)
1939	\$78.5	100.0	100.0	\$78.5	100.0
1940	82.4	101.9	101.4	81.3	103.6
1941	93.1	113.2	109.5	85.0	108.3
1942	99.1	123.1	122.7	80.8	102.9
1943	106.8	133.7	129.0	82.8	105.5
1944	115.9	134.9	130.6	88.7	113.0
1945	123.1	137.2	133.2	92.4	117.7
1946	144.2	157.1	148.6	97.0	123.6
1947	164.3	197.3	178.8	91.9	117.1
1948	190.4	213.9	193.1	98.6	125.6
1949	197.1	201.0	185.6	106.2	135.3
1950	206.1	215.3	193.7	106.4	135.6
1951	204.3	223.5	201.0	101.6	129.4
1952	217.3	226.8	204.0	106.5	135.7
1953	217.1	227.1	204.3	106.3	135.4

\*Taken from column five of Table I.

†Estimates for 1950 and subsequent years are calculated in a manner identical with the projection of the Consumers' Price Index.

‡Average of column two above and column three of Table II.

increase in total output, which is never possible and which at the present historic juncture is severely limited in its potential by a whole host of factors.

The relative decline in standards of living is beyond dispute, regardless of the figures chosen or statistical methods used. Even if one were to deflate total output by the wholesale price index, on the ground that price inflation in the war and capital sectors of the economy is more severe under the Permanent War Economy than in the consumption sector, the contrast is obvious and dramatic in its implications. Consider the following brief tabulation, which deflates total output as reflected by net national product (column one of Table I) by the BLS wholesale price index (column two of Table III) in comparison with our index of consumption output in 1939 dollars for the key historical years in our fifteen-year period:

**RELATIVE DECLINE IN CONSUMPTION OUTPUT COMPARED WITH TOTAL OUTPUT**  
(In Index Numbers)

	Total Output	Consumption Output
1939	100	100
1945	178	118
1950	144	136
1953	158	135

From 1939 to 1945, or during World War II, total real output in the United States rose 78 per cent, while the output of the consumption sector increased but 18 per cent. Had such a phenomenal increase in production been possible without the stimulus provided by the war or, in other words, had the rise in consumption kept pace with the upsurge in production, there would have been a further 50 per cent increase in the output of consumer goods and services from both private and government sources! In spite of the idle resources

that existed at the outbreak of the war, the expansion of the war sector necessitated an actual decline in certain types of consumer production such as automobiles, radios, refrigerators, most consumer durables, and even some types of clothing and food, not to mention many services, especially those made available by government. Had the war lasted much longer, it is highly probable that the great lag in consumption output compared with total output would have been followed by an absolute decline in the output of consumer goods and services.

History under the Permanent War Economy has so far been very kind to the American capitalist class. The major turns have occurred at just the right time. World War II lasted long enough, but not too long. Sharp class dissensions were thus avoided. In the postwar period from 1945 to 1950, there was a further growth in consumption output of 15 per cent. The rate of growth in the production of consumer goods and services was thus maintained at about 3 per cent per annum. Since, at the same time, there was a decline of 19 per cent in total output, by 1950 output in the consumption sector had almost caught up with total production, the relative lag in growth being only 6 per cent. Maintenance of these trends for another year would have resulted in a reversal of position, with the growth in consumption output exceeding the increase in total production. Under capitalist conditions of production, a first-rate crisis would have developed by the end of 1951, thereby revealing that a 10 per cent ratio of war outlays to total output is inadequate to sustain economic equilibrium at a high level for more than a limited number of years. As we have previously indicated, the outbreak of the Korean war

came in the nick of time. The threatened crisis due to relative overproduction of consumer goods was averted and the dominance of the Permanent War Economy guaranteed.

The current increase in the ratio of war outlays to total output will bring to a halt the steadily rising trend in the output of consumer goods and services. While we expect a leveling off to take place until such time as American imperialism is engaged in full-scale war, there will actually be a decline of almost 5 per cent from 1950 to 1951 in the output of consumer goods and services. From 1950 to 1953, a period of mobilization for World War III according to our assumption, we have projected a modest increase of 10 per cent in total real output. If certain bottlenecks to increased production are removed and if war outlays prove to be larger than we have forecast, the increase in total output may be somewhat larger. None of it, however, would go to the consumption sector, so that the relative decline in production for consumer account compared with the increase in total output would be even greater than we have projected. If 1953 be considered representative of a typical year under the Permanent War Economy, with total war outlays taking almost 24 per cent of current production, the relative decline in consumption output compared with total output for the entire period since the advent of the Permanent War Economy is accurately measured by the 35 per cent increase in consumption output compared with the 58 per cent increase in total output. This is merely another way of saying that had the growth in consumption paralleled the rise in total output, which is the minimum performance to be expected from a satisfactory economic system once the basic productive forces are fairly well

developed, there would have been a further increase of 17 per cent in the output of consumer goods and services.

PRODUCTION FIGURES BY THEMSELVES, although the basis of living standards, cannot accurately portray what has happened to individual standards of living for they ignore any changes that may have occurred in the size of the population. Since there has historically been a steady growth in the American population, for the average individual merely to be as well off as at the beginning of any period of years under analysis the growth in consumption output must at least equal the growth in population. In other words, we cannot intelligently talk about trends in average living standards unless we have first obtained a measure of per capita consumption output. This brings us to the third basic step in our analysis, which consists of deriving population figures representing the average total population for each year from 1939 to 1953 and applying them to the annual series for consumption output. The results, summarized in Table IV, provide per capita consumption output in both current and constant dollars and enable us to see what has happened from 1939 to 1953 in the average standard of living.

The growth in the American population has been substantial, far in excess of most predictions, especially since the end of World War II. We calculate an average increase of 2,000,000 annually for the fourteen-year period from mid-1939 to mid-1953, or a total of about 28 million. Merely to support this increase in population in the style to which the average person is accustomed requires an annual increment on the average in the consumption sector of the econ-



**Table IV**  
**PER CAPITA AVERAGE STANDARD OF LIVING, 1939-1953**

Year	Con- sumption Output (Billions of Current Dollars) (1)*	Con- sumption Output (Billions of 1939 Dollars) (2)*	Popu- lation (Millions) (3)†	Per Capita Con- sumption Output in Current Dollars (4)	Per Capita Con- sumption Output In 1939 Dollars (5)	Index of Per Capita Average Real Standard of Living (1939=100) (6)
1939	\$78.5	\$78.5	130.9	\$600	\$600	100.0
1940	82.4	81.3	132.0	624	616	102.7
1941	93.1	85.0	133.2	699	638	106.3
1942	99.1	80.8	134.7	736	600	100.0
1943	106.8	82.8	136.5	782	607	101.2
1944	115.9	88.7	138.1	839	642	107.0
1945	123.1	92.4	139.6	882	662	110.3
1946	144.2	97.0	141.0	1,023	688	114.7
1947	164.3	91.9	143.4	1,146	641	106.8
1948	190.4	98.6	146.1	1,303	675	112.5
1949	197.1	106.2	148.7	1,325	714	119.0
1950	206.1	106.4	151.5	1,360	702	117.0
1951	204.3	101.6	154.0	1,327	660	110.0
1952	217.3	106.5	156.4	1,389	681	113.5
1953	217.1	106.3	158.8	1,367	669	111.5

\*From Table III.

†Based on Bureau of the Census data for continental United States, with an attempt made to include all armed forces except that small portion considered to be permanently stationed overseas. Data are as of July 1 or mid-year to represent average population for the year. Projections for 1951-1953 assume maintenance of present rate of growth of about 200,000 per month.

omy of more than 1.5 per cent, or a total of more than 21 per cent from 1939 to 1953. Thus, by 1953, about two-thirds of the growth in consumption output will have been devoted to satisfying the wants of the net increase in population, assuming that there is no marked variation in the living standards of net additions to the population compared with old members of the population. The entire picture of what has happened to the average American standard of living under the Permanent War Economy is obviously altered to a significant extent by the introduction of the per capita concept in our analysis.

The American standard of living may be the highest in the world, but it is a complete delusion to claim any marked expansion in average living

standards since the beginning of the Permanent War Economy in 1939, or for that matter since American capitalism entered the permanent world crisis of capitalism in 1929. *So far as average standards of living are concerned, the vaunted economy of American capitalism has been virtually stagnant for more than two decades. In this fact is reflected all the ills and contradictions of American imperialism.* Now, as the Permanent War Economy becomes more thoroughly entrenched, it is good-bye to the New Deal and to the Fair Deal and to all significant attempts to raise average living standards. Is any more dramatic confirmation required of the Marxian thesis that capitalism cannot be reformed into a rational and workable economic system?

Constant reference to the "growth in consumption," as mirrored by the indisputable and very sizable increase in personal consumption expenditures or in our series on consumption output, on the completely acceptable theory that consumer outlay represents actual consumption, is of no avail in appraising trends in the average standard of living. There can be no growth in real consumption or living standards unless the increase in dollar expenditures by consumers and government for consumer goods and services exceeds the loss in the purchasing power of the dollar and the growth in the population. It may be comforting to defenders of capitalism to be able to state that average per capita consumption has exceeded \$1,300 since 1948, which is equivalent to almost \$5,000 per family, but this is meaningless by itself. Only per capita consumption output in constant dollars, the index of which is shown in column six of Table IV, can be used to discover what has happened to average living standards.

THE AVERAGE AMERICAN has experienced a slight improvement in his standard of living since 1939, but the lag behind the increase in total production has been enormous. For the entire period from 1939 to 1953, our analysis indicates only an 11½ per cent betterment in the per capita average real standard of living, or less than one per cent a year. The various ups and downs within this over-all picture are most revealing. From 1939 to 1941, as idle resources were put to work under the stimulus of increasing war outlays, the average consumer experienced a 6 per cent rise in his standard of living. Then, in 1942-1943, as rapidly increasing war expenditures caused an actual curtailment in many lines of civilian pro-

duction, the average standard of living reverted back to approximately the 1939 level. From 1944 to 1946, as war outlays reached their peak and then declined as the war ended, there was a rapid increase of almost 5 per cent a year in the average standard of living as the economy continued to operate at or near capacity levels. However, from 1946 to 1947 the average American suffered a 7 per cent decline in his standard of living as the increase in prices together with the decline in total output outstripped the reduction in war outlays. There then followed from 1947 to 1949 a rise of more than 11 per cent, bringing the average standard of living in 1949 to 19 per cent above the 1939 level, which was the highwater mark under the Permanent War Economy and will undoubtedly remain so. The slight decline in 1950 will be followed by a substantial decline of more than 6 per cent in 1951 as, once again, an actual curtailment in certain industries producing consumer goods and services will be experienced. A leveling off may then be expected at slightly above 1951 levels which may be expected to last until such time as there is a pronounced change in the ratio of war outlays to total output.

It is recognized that many other factors should be taken into consideration in evaluating trends in living standards, such as changes in the length of the working day and the working week, the intensity of labor, the impact of new methods of satisfying consumer wants, the disappearance of existing methods of satisfying consumer wants, especially in the field of consumer durables, and the changing character of distribution—to mention the most obvious. Nevertheless, the index of per capita average real standards of living is both conceptually sound and statistically accurate,

at least sufficiently so as to permit confidence in the results. We must stress, however, that all we have succeeded in accomplishing at this point is to obtain a relatively precise view of what has happened and what may be expected to happen to the *average* American.

It goes without saying that we do not live in a classless society and that there is consequently a sharp differentiation in actual levels of living among the various classes and, equally important, in trends in class standards of living. This brings us to the fourth and final step in our analysis of declining standards of living under the Permanent War Economy. Without some indication of the differences among classes, no matter how tentative the figures must necessarily be, it is impossible to complete our analysis or to understand the most significant causal relationships affecting living standards under the Permanent War Economy.

### **Trends In Class Living Standards**

THEORETICALLY, THE PROBLEM OF analyzing changes in the living standards of the major classes in capitalist society is not too difficult. All that is required is workable definitions, delimiting each of the major functional classes in terms of their relationship to the productive forces, together with a distribution of their respective claims upon the available supply of consumer goods and services. Statistically, however, we are confronted with the impossibility of measuring per capita standards of living by classes with any real degree of accuracy. Despite the libraries of statistical data relating to the economic system and its functioning, which are so voluminous that no single individual can hope to master all the sources of in-

formation in an ordinary lifetime, the unfortunate and highly significant fact is that the data collected and published are not designed to disclose the precise inner workings of an exploitative society. On the contrary, specific information may jeopardize the competitive position, real or fancied, of a firm or an industry or may penetrate the cloak of moral sanctity which a venal ruling class uses to justify many of its actions. There is, consequently, not only a running battle between industry and government over the types of reports necessary for policy formation, especially when economic controls become mandatory, but also an inherent bias against the full truth in such data as are collected.

The choice, then, is one of halting our analysis of standards of living under the Permanent War Economy at a point where only classless conclusions can be reached, or of pioneering in an uncharted field in the hope that tentative conclusions will be helpful. We have chosen the latter course because there is sufficient empirical evidence that the impact of the Permanent War Economy has not been borne equally by all classes. "Equality of sacrifice" may be an attractive political slogan, but it is largely confined to pious resolutions. Consider, for example, this typical motivation for "equality of sacrifice" from the President's Economic Message to Congress of January 12, 1951: "It is essential that the sacrifices which are necessary in these critical times be shared fairly by all groups. Business men will be more cooperative in sacrificing peacetime profit objectives and paying more taxes, if it is clear that this is not being done just so farmers and workers can have more income.

"Farmers will be more cooperative in sacrificing peacetime farm income objectives, if it is clear that this is not

being done just so workers can get more wages and business men can get more profits. Workers will be more cooperative in sacrificing peacetime wage objectives, if it is clear that this is not being done just to provide more profits for business or more farm income.

"Professional people, civil servants, office workers and those living on fixed incomes, will be willing to accept their share of necessary sacrifices, to the extent that it is clear that this is not being done just to provide for other people more profits or wages or farm income. All will be willing to make far more sacrifices for national defense and to keep our economy strong, if the burden is shared on a fair and equitable basis."

The classless approach, plausible as it may appear to some, freezes all the inequities that existed at the beginning of the Permanent War Economy or of any specific mobilization, even assuming that the policy of "equality of sacrifice" is rigorously enforced. Just what the record has been and is likely to be becomes apparent only on the basis of a class analysis.

It must be emphasized that while the class data which follow are experimental yet we believe that the broad conclusions which emerge possess general validity.

OUR CLASS BREAKDOWN IS CONFINED to the four major economic classes, working classes, middle classes, farming classes, and bourgeoisie, each concealing within its fairly broad limits rather distinct income and class variations. The bourgeoisie covers the various sections of the capitalist class, that is those who own or control the production and distribution of commodities and services, other than farmers, whose substantial incomes are derived from capital, although in

certain cases they may take the form of salaries as corporation officers or managers. It is this numerically inconsequential class of barely more than one per cent of the population that exercises effective control over the economy of the United States. The variation in personal income within the bourgeoisie is greater, percentage-wise, than within any other class as it ranges from the moderately well-to-do receiving \$20,000 a year to the millionaire and multi-millionaire.

The farming classes cover all those who live or work on farms, whose incomes, whether they be agricultural migratory laborers, tenant farmers, small independent farmers, or large commercial farmers organized as single entrepreneurs, cooperatives or corporations, are derived principally from agriculture. The class differentiations within this group are as obvious as the contrast between the Farmers Union and the Farm Bureau. Although the farming classes currently compromise almost 20 per cent of the population, the income variations are extreme, extending from the poor itinerant laborer and poverty-stricken self-sufficient farmer who barely sees any cash at all during the year to the wealthy landowner in California's lush Imperial Valley or other large-scale farm capitalist whose income and living standard are hardly distinguishable from the millionaire.

The middle classes are much harder to define, as at the lower limit they may overlap the working classes and at the upper limit the bourgeoisie. They include the small shopkeepers, the independent tradesmen and artisans, the independent professionals, and those salaried officials of government and private business who clearly belong to management, especially in relation to the power to hire and fire. Regarding salaried members of the



middle classes, we have arbitrarily used as income limits to assist our functional analysis a range of \$4,700 to \$20,000 for 1948, the latest year for which family income distributions are available. In short, the bulk of single entrepreneurs and partnerships together with a minimum portion of salaried individuals in medium income brackets are numbered among the middle classes. Altogether, we currently place the middle classes at about 12 per cent of the population. If a strict income approach were to be used, the figure would be larger. The decisive criterion, however, is not income but relationship to production. All teachers and most government employees, for example, may think of themselves as middle class, but we have classified them as members of the working classes.

The working classes, consequently, compromise about two-thirds of the population and are much broader in scope than the factory proletariat. All those nonfarm workers who must sell their labor power in order to support themselves and their families, except for the relatively small portion of salaried employees included in the middle classes and the bourgeoisie, are subsumed under the heading "working classes." In addition to factory wage earners, the overwhelming majority of white collar employees is considered to be part of the working classes. What may be interpreted as an upward bias in the size of the working classes is enhanced by our decision to place all the unemployed and their families in the working classes. This was done not so much for theoretical reasons, although it could be amply justified on these grounds alone, but for the very practical reason that there is no basis whatsoever for assigning any portion of the unemployed to the middle classes, in spite of the fact that

members of the middle classes do experience unemployment from time to time and then find employment in a position enabling them to preserve their middle class status. Income variations among the working classes thus range from virtually zero to approximately \$5,000 a year, with certain salaried individuals employed by government or organizations receiving considerably more.

Our broad functional class approach corresponds to the relative fluidity of class lines in the United States. It is interesting to note that even the most patriotic classless appeals for national unity are constrained to recognize the existence of these broad economic classes. Having arrived at these definitions of the four major economic classes, it was then necessary to distribute the population, personal consumption expenditures and government nonwar purchases in accordance with our definitions. Distributing the population by classes did not present any insurmountable obstacles, as we begin with the existence of relatively good data on the farm population compiled by the Bureau of Agricultural Economics. The only significant manipulation required here was to allow for those members of the armed forces drawn from agriculture. The recent development of new series on the compensation of corporate officers, together with family income statistics and an arbitrary small percentage of the number of active proprietors of unincorporated enterprises, facilitated the derivation of the size of the bourgeoisie. The extent of the middle classes was based on the number of active non-agricultural proprietors, together with a portion of salaried employees adjusted for functional status and family income data. In effect, therefore, the calculation of the

**Table V**  
**TOTAL PERSONAL INCOME, PERSONAL TAX AND NONTAX PAYMENTS,**  
**PERSONAL SAVINGS, AND PERSONAL CONSUMPTION EXPENDITURES, 1939-1953**  
(Billions of Dollars)

<i>Year</i>	<i>Personal Income</i>	<i>Personal Tax and Nontax Payments</i>	<i>Personal Savings</i>	<i>Personal Consumption Expenditures*</i>
1939	\$72.6	\$2.4	\$2.7	\$67.5
1940	78.3	2.6	3.6	72.1
1941	95.3	3.3	9.7	82.3
1942	122.7	6.0	25.5	91.2..
1943	150.3	17.9	30.2	102.2
1944	165.9	18.9	35.4	111.6
1945	171.9	20.9	27.9	123.1
1946	177.7	18.8	12.0	146.9
1947	191.0	21.5	3.9	165.6
1948	209.5	21.2	10.9	177.4
1949	206.1	18.7	8.6	178.8
1950†	221.5	19.0	10.0	192.5
1951†	236.3	22.0	25.0	189.3
1952†	247.2	23.5	22.4	201.3
1953†	248.7	24.5	24.1	200.1

\*Identical with the series shown in Table II, column one.

†Projections, with 1950 data based on actuals for first nine months, comparable to methods used for all output figures, with assumptions regarding increases in personal income taxes necessarily arbitrary.

population of the working classes could be derived as a residual, except that the results were checked by using data on the number of non-agricultural employees together with fragmentary information on the number of employees per family and the number of individuals per family by income levels. We believe that the results are fairly consistent with our definitions.

To distribute personal consumption expenditures by classes required a more elaborate technique starting with the relationship between total personal income and total personal consumption expenditures, the overall data, including projections, being shown in Table V.

Personal income, as the name implies, delineates all income payments received by individuals and is presented by Commerce under these major heads: wage and salary receipts,

other labor income, proprietors' and rental income, dividends, personal interest income, and transfer payments. Certain types of income payments, such as net interest paid by government and transfer payments are excluded from national income and product. When personal tax and nontax payments by individuals to government, excluding purchases from government enterprises and consisting chiefly of personal income taxes, are subtracted from personal income the result is equal to disposable personal income which must either be spent or saved. Personal income minus personal tax and nontax payments minus personal savings therefore equals personal consumption expenditures, although the technique used by Commerce measures personal consumption expenditures independently and obtains personal savings as a residual.

By analyzing the components of per-

sonal income separately, it was possible to break them down by classes in a manner consistent with the class distribution of the population. In certain cases, as for example rent, the distribution is admittedly arbitrary, but the resulting pattern appears to be plausible. Limitations of space prevent us from showing any of the class derivations. The distribution of personal tax and nontax payments was weighted entirely by the distribution of individual income taxes, as revealed by Treasury data through 1946, an OPA study on "Civilian Spending and Saving, 1941 and 1942," and selected TNEC data for 1939. Apportionment of personal savings was based on the aforementioned OPA and TNEC studies, a farm study by the Department of Agriculture for 1946 and, above all, a sample interview survey by the Federal Reserve Board showing the distribution of family liquid assets and savings in 1946 by income groups. We have no brief for the projections except that they seem to be reasonable. If there is

any bias it is in the direction of minimizing personal taxes and savings of the working classes so as to maximize their personal consumption expenditures in order to set their standards of living at as high a level as possible.

Personal consumption expenditures by classes were then divided by the respective class populations in order to obtain per capita personal consumption expenditures by classes. To these results were then added per capita government nonwar purchases for the entire population on the assumption, already stated, that each person benefits equally from these contributions of government to the average standard of living. The maximum sum involved was \$123 for 1949. The aggregate of per capita personal consumption expenditures by classes and per capita government nonwar purchases yields per capita standards of living by classes, the data for which in both current and constant dollars are presented in Table VI.

We have, of course, used the average price index developed in Table

**Table VI**  
**PER CAPITA STANDARDS OF LIVING BY CLASSES**  
**IN CURRENT AND 1939 DOLLARS, 1939-1953**

Year	Working Classes		Farming Classes		Middle Classes		Bourgeoisie	
	Current 1939 Dollars	1939 Dollars	Current 1939 Dollars	1939 Dollars	Current 1939 Dollars	1939 Dollars	Current 1939 Dollars	1939 Dollars
1939	\$596	\$596	\$295	\$295	\$635	\$635	\$7,546	\$7,546
1940	617	608	301	297	679	670	7,847	7,739
1941	688	628	368	336	736	672	8,466	7,732
1942	723	589	402	328	736	600	8,828	7,195
1943	773	599	402	312	790	612	8,748	6,781
1944	825	632	430	329	862	660	9,317	7,134
1945	862	647	420	315	884	664	10,533	7,908
1946	875	589	546	367	1,215	818	14,981	10,081
1947	949	531	641	359	1,324	740	18,579	10,391
1948	1,066	552	802	415	1,559	807	20,442	10,586
1949	1,103	594	771	415	1,615	870	20,299	10,937
1950	1,139	588	779	402	1,619	836	21,384	11,040
1951	1,073	534	809	402	1,646	819	20,764	10,330
1952	1,136	557	842	413	1,708	837	21,546	10,562
1953	1,087	532	876	429	1,749	856	22,051	10,793

**Table VII**  
**INDEXES OF AVERAGE & CLASS PER CAPITA STANDARDS OF LIVING, 1939-1953**  
**(1939=100)**

Year	Working Classes	Farming Classes	Middle Classes	Bourgeoisie	Average all Classes*
1939	100.0	100.0	100.0	100.0	100.0
1940	102.0	100.7	105.5	102.6	102.7
1941	105.4	113.9	105.8	102.5	106.3
1942	98.8	111.2	94.5	95.3	100.0
1943	100.5	105.8	96.4	89.9	101.2
1944	106.0	111.5	103.9	94.5	107.0
1945	108.6	106.8	104.6	104.8	110.3
1946	98.8	124.3	128.8	133.6	114.7
1947	89.1	121.7	116.5	137.7	106.8
1948	92.6	140.7	127.1	140.3	112.5
1949	99.7	140.7	137.0	144.9	119.0
1950	98.7	136.3	131.7	146.3	117.0
1951	89.6	136.3	129.0	136.9	110.0
1952	93.5	140.0	131.8	140.0	113.5
1953	89.3	145.4	134.8	143.0	111.5

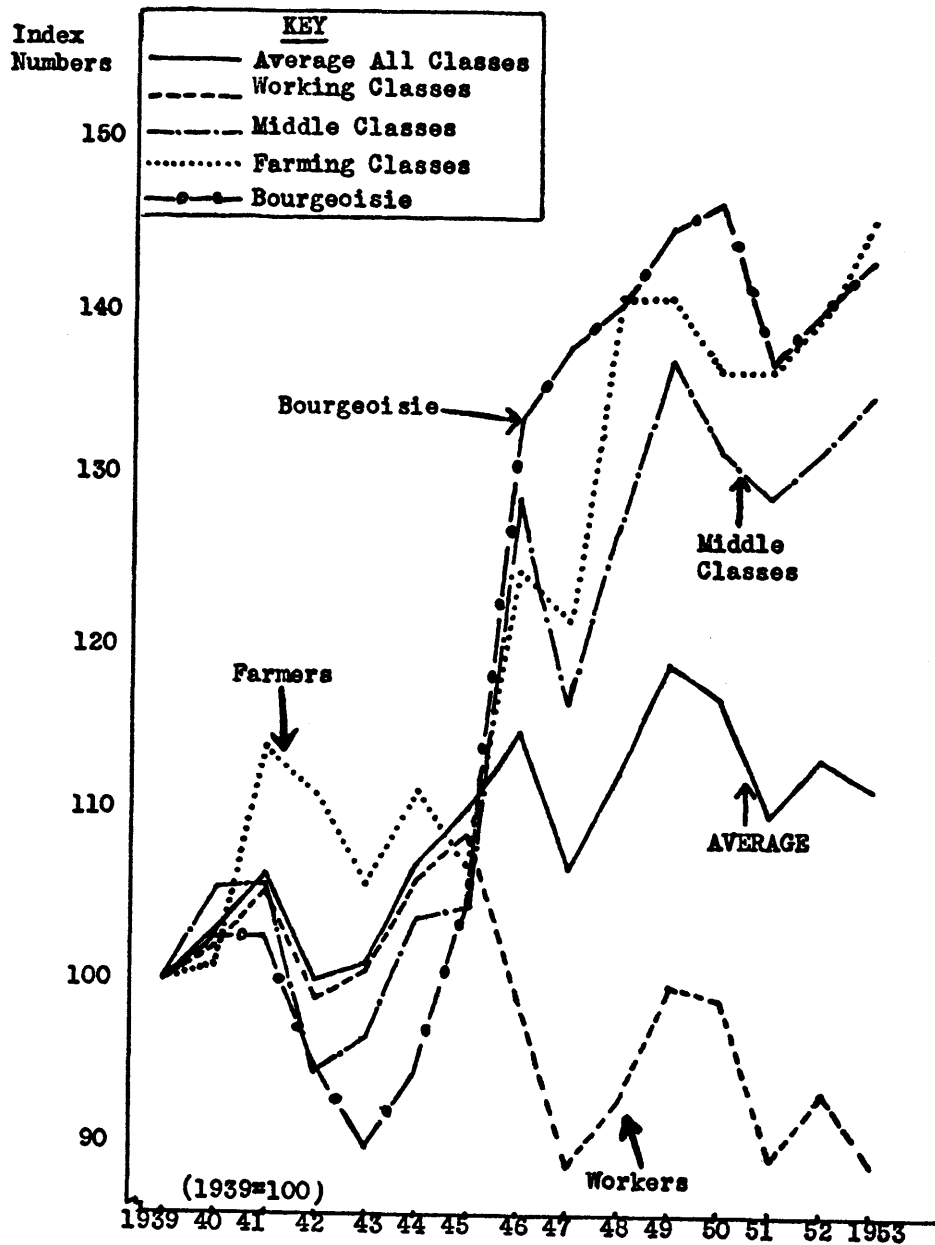
\*Taken from Table IV, column six.

III to translate the current dollar figures into 1939 dollars, although a case can be made that the prices paid for commodities and services are not uniform in their rates of change for the various classes. Aside from the lack of evidence, it is unlikely that any attempt to adjust for such variations in price changes would materially affect the picture that emerges. Even in current dollars, the working classes have clearly lagged behind the rest of society. Merely on the basis of what has happened, as revealed by the increase in per capita standards of living in current dollars from 1939 to 1950, the myth of "equality of sacrifice" vanishes into thin air when confronted by facts. While the working classes were experiencing an increase from \$596 to \$1,139, a rise of 91 per cent, the middle classes went from \$635 to \$1,619, a rise of 155 per cent, the farming classes climbed from \$295 to \$779, a rise of 164 per cent, and the bourgeoisie soared from \$7,546 to \$21,384, a rise of 183 per cent. Now, as our data for 1951-1953 demonstrate, the

disparity between the working classes and the other major classes will become even greater.

The gross average weekly earnings of production workers in manufacturing industries of the BLS, commonly used to describe changes in the status of the average worker, shows a rise from \$23.86 in 1939 to about \$59 in 1950, or an increase of 148 per cent. This is still below the increase in consumption for other classes and it must be remembered that "take-home" pay is a much better indicator of spending power than gross earnings. It is probable, however, that the factory proletariat enjoys a higher standard of living than most sections of the working classes.

TO VIEW THE REAL IMPACT OF THE Permanent War Economy on the standards of living of the various classes, it is helpful to express the per capita data in 1939 dollars contained in Table VI as index numbers. This is done in Table VII and in the accompanying chart, which graphically



TRENDS IN AVERAGE AND CLASS PER CAPITA STANDARDS OF LIVING, 1939-1953

shows the trends in average and class per capita standards of living.

During the war there was a rough sort of equality among the classes, although it is clear that the farmers considerably improved their position. The rise in farm prices, aided by the preferred legislation successfully introduced by the farm bloc, made the farmers the one class whose standard of living exceeded the average. The workers roughly maintained their standard of living at the average level because of the rapid absorption of the unemployed as war outlays increased and the increased earnings due to overtime pay. The middle classes lagged slightly behind the average as many individual proprietors had to abandon their businesses due to the draft and the difficulty in obtaining supplies. The bourgeoisie lagged most, reaching their low point in 1943 when the first sharp increase in taxes took effect. In terms of comparative levels of living, however, the bourgeoisie maintained their overwhelming superiority over all other classes.

The year 1946 marked the transition from a period of relative freezing of class inequities to one where the working classes suffer both an absolute and relative decline in their living standards. From 1945 to 1946, as overtime ceased and unemployment increased with the termination of hostilities, the working classes underwent a decline of 9 per cent in their living standards, bringing them to a level below 1939. At the same time, as business opportunities expanded, the farming classes increased their living standards by 16 per cent, thus bringing them to a level 24 per cent above 1939 and more than compensating for any inequities that farmers may have experienced in 1939 due to their slow recovery from the depths of the depression; the middle classes augmented

ed their living standards by 23 per cent, thereby rising to a level almost 29 per cent above 1939; and the bourgeoisie enhanced their already swollen living standards by 27 per cent, resulting in a level of living almost 34 per cent higher than in 1939. While these unprecedented divergent movements were taking place, the average per capita standard of living for all classes rose some 4 per cent, making the mythical average individual 15 per cent better off than in 1939.

The fate of working class living standards under the Permanent War Economy was irrevocably sealed in 1947, a year of unbridled inflation following the abandonment of price control with wages, contrary to most other forms of income, completely unable to keep pace with the rising cost of living. From 1946 to 1947, while the average standard of living for all classes declined almost 7 per cent, the working classes and middle classes experienced a catastrophic drop of almost 10 per cent and the farming classes experienced almost a 2 per cent decline but the bourgeoisie improved their position by 3 per cent. This meant that the average worker in 1947 was 11 per cent worse off than in 1939, but the average farmer was 22 per cent better off, the average member of the middle classes was 16.5 per cent better off, and the average member of the ruling class was 38 per cent better off. The fact that the average member of American society was 7 per cent better off was of little consolation to the workers who, as usual, bore the brunt of inflation.

Despite strike action and other attempts to improve their situation, the working classes could not show any significant recovery in their living standards by 1950. They still remained worse off than in 1939, while the farming classes were 36 per cent

better off, the middle classes 32 per cent better off and the bourgeoisie 46 per cent better off, with the result that our mythical average American was 17 per cent better off. The fact that the average worker, including members of his family, received \$1,139 worth of consumer goods and services in 1950 might indicate to the uninformed that the average member of the working classes enjoyed an extremely high standard of living. This is undoubtedly true compared with workers in other countries, but it is not true when compared with the situation of the average American worker in 1939 or of the average member of other classes. It is not even true that the average worker is better off than the average farmer, for in addition to the \$779 that the average member of the farming classes received in 1950 he consumed a great many commodities raised on his farm that are not fully reflected in personal consumption expenditures. Certainly, the average member of the middle classes, who received more than \$1,600 worth of consumer goods and services, was clearly in a better position than the average worker; and the average member of the bourgeoisie, whose consumption exceeded \$21,000 in 1950, enjoyed such a luxurious standard of living that comparison with the average worker is like the position of a Stalinist or feudal lord contrasted with that of a modern or ancient serf.

Now, as the ratio of war outlays to total output increases sharply and controls are introduced, we can expect all classes except farmers to undergo a decline in their living standards in 1951. While the average for all classes is expected to decline 6 per cent, the farming classes will hold their own, the middle classes will experience a 2 per cent decline, the bourgeoisie a decline of less than 7

per cent, and the working classes a decline exceeding 9 per cent. A slight improvement in 1952 should then be followed by a further attack on working class living standards in 1953. If our analysis is reasonably valid, and we believe that it is, the disparity between the working classes and other classes will be greater by 1953 than ever before in recent history. A deterioration of almost 11 per cent in the standard of living of the average worker from 1939 to 1953 will be accompanied by a more than 45 per cent improvement in the position of the average farmer, an almost 35 per cent betterment in the status of the average member of the middle classes, and a 43 per cent enrichment in the well-being of the average member of the bourgeoisie. For the working classes the fact that the average member of society will still be 11.5 per cent better off than in 1939 only makes more poignant the general law that as capital accumulates under the Permanent War Economy, there is both a relative and absolute decline in living standards.

There can be little doubt concerning the general picture of living standards shown by the chart. Following the end of the war the working classes have suffered substantially in comparison with all other major economic classes. Inasmuch as the present increase in the ratio of war outlays to total output is taking place at a time when there is relatively little room for further expansion of civilian and total output, the possibility of duplicating the rough equality of World War II is virtually non-existent. There must be a decline in average real standards of living and, under capitalist conditions, the working classes can expect to bear the brunt of this inevitable diversion of resources from civilian to war output. It is in-

deed a sad commentary on the functioning of a capitalist war economy that the working classes appear to achieve a "more just" share of such consumer goods and services as are produced under an all-out mobilization, when the ratio of war outlays to total output is between 40 and 45 per cent, than under a semi-mobilization, when the ratio of war outlays to total output runs between 20 and 25 per cent.

It is, of course, politically much easier to achieve rough equality when there is very little to share than when more of the things that make life pleasanter are available for distribution. This is virtually a universal law applicable to all class societies. The situation in the United States since 1939, however, has been complicated by a number of factors whose impact, as the years unfold, is seen to be disproportionately heavier on the working classes than on the other major economic classes. We have reference to such elements in the economic equation as the incidence of the growth in population, the incidence of increased taxation, the concentration of net savings, the unequal burdens imposed by the temporary disappearance of certain consumer commodities from the market, the greater intensity of labor as manpower shortages develop, and the peculiarly chronic character of inflation under the Permanent War Economy.

AS HAS BEEN INDICATED, the growth in population from 1939 to 1953 has been sizable, amounting to 21 per cent. But Marx's law concerning the polarization of classes has still been operating. Our tentative data reveal that for the fourteen years under analysis the farming classes will have experienced a decline of 3,600,000, more than enough to offset an increase of

2,000,000 among the middle classes and a growth of 500,000 in the bourgeoisie. Thus the size of the working classes will have expanded by 1,100,000 more than the increase in total population, or an augmentation of 29 million in the working classes. This is tantamount to a working class rate of growth of 35 per cent, with two-thirds of the increase occurring since the end of World War II, in large part due to the rapidly accelerating birthrate. Accordingly, we calculate the working classes, as defined represented 63 per cent of the total population in 1939, but the proportion will have risen to 70 per cent by 1953! The pressure of increasing population is therefore almost exclusively in the direction of reducing the living standards of the working classes.

The incidence of taxation falls with increasing severity on the working classes as taxes are increased. We exclude reference to corporation taxes, for corporation profits after taxes have increased far more rapidly than wages after taxes and, in a good many cases, corporations have been able to pass higher taxes on to their customers in the form of higher prices. Regarding solely personal tax and nontax payments, the working classes paid less than 10 per cent of the total prior to 1943. With the first big increase in the individual income tax, accomplished more by a lowering of exemptions than an increase in tax rates, the working classes immediately jumped to about 35 per cent of total personal tax and nontax payments. Since 1943, the working classes have borne from one-third to two-fifths of this burden. Naturally, other classes have witnessed an increase in the amount of their personal tax and nontax payments, but their personal incomes have increased at a much faster pace than those of the working classes.

Thus, the increase in taxation *rates* for the non-working classes has been relatively negligible. We shall return to this subject at a later date, particularly in relation to the current drive to impose a universal sales tax. That taxation, however, has been a potent weapon in reducing the standards of living of the working classes is beyond dispute.

SAVINGS OCCUPY A UNIQUE ROLE IN any discussion of standards of living. Possession of sizable savings, for example, can readily lead to a higher rate of consumer expenditure than would otherwise take place. This, in turn, would lead to a higher standard of living and, more importantly, to a competitive bidding up of prices where goods are in short supply, thereby depriving those without savings of commodities they would normally be able to obtain if not for the existence of large savings in relatively few hands. The Federal Reserve study previously cited indicates that in 1946 79 per cent of all net savings occurred among those groups with \$4,000 or more income. This would indicate that the working classes account for approximately 20 per cent of net savings.

It may be objected that 1946 is not a typical year, inasmuch as personal savings are estimated at only \$12 billion, while in the peak year of 1944 personal savings exceeded \$35 billion. As a matter of fact, for the fifteen years under consideration personal savings, as can be seen from Table V, are estimated to total \$252 billion, an average of almost \$17 billion annually in spite of the low levels of 1939-1941. Our estimates indicate that the working classes increase their personal savings very sharply when the decline in the supply of consumption goods is noticeable, and that for the entire pe-

riod they account for 32 per cent of the total. Thus, two-thirds of the population are responsible for less than one-third of personal savings, while one-third of the population accumulates more than two-thirds of personal savings, a per capita differential against the working classes of more than four to one.

Although personal spending and savings habits vary widely, class differences are the decisive factor in explaining why the average non-worker saves four dollars for every dollar saved by the average worker. By and large, working class savings are fortuitous and temporary, as witness the current decline in the net volume of E bonds outstanding. This is not because workers lack a "sense of thrift" compared with other classes, but because they lack the opportunity to accumulate large savings. Low incomes are hardly conducive to high rates of savings. Given the widespread use of credit, the lower one's income and therefore one's savings, the more restricted is the opportunity to obtain credit. Conversely, a person with large savings is a better "risk" than one with little or no savings and therefore more apt to receive credit in any of its various forms. Savings, consequently, have both a psychological and indirect effect on living standards and cannot be entirely ignored in any appraisal of relative standards of living, especially among the major economic classes.

It is clear that no set of statistics can adequately measure the impact on living standards of the disappearance, or relative disappearance, of entire classes of commodities from the market due to the imposition of government controls. If an extreme situation be considered, such as during the war, when the production of certain consumer durables like automo-

biles, refrigerators, radios, etc., ceased as a result of governmental edict, it may at first glance be thought that the disparity among class living standards is reduced. The living standards of the bourgeoisie, for example, suffer greatly, while those of the working classes are barely affected. There is the rough equality of the ration card. There is also, however, the gross inequality of the black market where "money talks." Likewise, the big hoarders can never be found among those whose incomes are too low to permit such unpatriotic actions, except on a very small scale. It is frequently stated that "anyone can buy anything for a price." To the extent that this is true, it tends to offset the declines in the levels of living of the upper classes in a period of actual reduction or elimination of certain types of civilian output. Although it is not susceptible of statistical proof, we suspect that the absolute or relative disappearance of consumer commodities from the legitimate market creates a heavier burden on the standards of living of the working classes than of any other class.

The lengthening of the work week and the payment of premium rates for overtime were important factors in explaining the rapid rise in the personal income of the average worker during the war. There are other methods, however, of increasing the intensity of labor. Speed-up can and does take place, especially where assembly-line methods of production prevail, and it is rarely accompanied by adequate compensation. Again, we are in a field where statistics are conspicuous by their absence. Nevertheless, it can be accepted as a universal law that the greater the shortage of manpower, the greater the intensity of labor. This is a burden that falls almost exclusively on the working classes. It has a

most important bearing on real standards of living, for in a very real sense the capacity to enjoy leisure time is as important a measure of true living standards as the ability to purchase consumer goods and services. A worker whose leisure time has been reduced or who is physically exhausted by an inhuman speed-up of the assembly line and therefore in no position to enjoy such leisure time as he may theoretically possess has suffered a decline in his standard of living just as surely as if he experienced a reduction in his real income. This entire problem, in turn, is related to incidence of illness, length of productive working life, income at retirement, and average longevity. There can be little doubt that all these factors adversely affect working class living standards to a marked, if not readily measurable, extent.

THE CHRONIC CHARACTER OF INFLATION under the Permanent War Economy is apparent to anyone with eyes to see. Whether the degree of inflation from 1939 to 1950 be measured by the Consumers' Price Index, which shows a rise of 72 per cent, or the newly announced implicit price index affecting gross output of the Department of Commerce, which reveals a rise of 83 per cent (preliminary), or our own average price index, which displays a rise of 94 per cent, the fact remains that the price level has increased on the average by seven or eight per cent annually over the first eleven years of the Permanent War Economy. This rate of increase in the price level will continue to be maintained, regardless of controls, because inflation is unceasing and permanent.

The higher the ratio of war outlays to total output, the greater the degree of inflation. There is no method under capitalism whereby the creation of

purchasing power through waste (war) production can be so controlled and absorbed that inflation is eliminated. The value and therefore the price of civilian output is necessarily augmented as the war sector of the economy increases in size and scope. A worker in an aluminum plant, for example, must receive the same wage whether the product of his labor goes into pots and pans or bombers and fighter planes. In the former case, however, he can through the market exchange the labor time expended in the production of pots and pans for food, clothing and other commodities and services needed to provide subsistence and constant reproduction of the value of his labor power. This is possible only because pots and pans possess a use value to other workers. If, on the other hand, he is producing warplanes these are of no interest to the workers who produce food and clothing and, in fact, are not distributed through the market mechanism but by government direct purchase or requisition. The inflation is inevitable because munitions production does not satisfy human wants and therefore cannot contribute to the reproduction or the expansion of the variable portion of capital.

The most that controls can do under capitalism is to slow down the rate of inflation and, if fairly devised and executed, distribute the burden equitably among all classes. It is precisely in this regard, however, that the naked class character of capitalism is most clearly revealed. The per capita output of consumer goods and services from both private and government sources, as was shown in Table VII, has increased, but the living standards of the working classes have declined. Inflation is one of the chief factors in the constant gnawing away at the living standards of the working

classes under the Permanent War Economy. Just as taxes are designed to lighten the burden on business, so are inflation controls geared to bear most heavily on wages and to tread lightly on profits. By and large, the profits of the bourgeoisie are in effect guaranteed by the state, while wages rapidly depreciate under the full impact of inflation and controls—but this is a subject for another article.

TO A MARXIST, OF COURSE, standards of living are a function of the rate of surplus value. If the living standards of the working classes have declined, both relatively and absolutely, then there must have been an increase in the rate of surplus value. That this has indeed been the case can readily be seen from Table VIII.

**Table VIII**  
**RATE OF SURPLUS VALUE, 1939-1953**  
(Dollar Figures in Billions)

Year	v (Variable Capital)	s (Surplus Value)	s/v (Rate of Surplus Value)
1939	\$43.3	\$39.9	92%
1940	46.7	46.3	99
1941	56.6	60.5	107
1942	72.3	79.3	110
1943	89.7	94.0	105
1944	98.8	103.0	104
1945	98.1	104.7	107
1946	92.6	106.3	115
1947	98.8	119.6	121
1948	105.4	136.3	129
1949	105.6	131.2	124
1950*	115.0	142.0	123
1951*	124.2	155.2	125
1952*	129.9	163.4	126
1953*	131.1	168.1	128

\*Estimated.

The absolute levels of surplus value and variable capital are necessarily tentative inasmuch as they are based on the class distribution of income data. Variable capital has been developed as the sum of wages and salaries of the working classes, wages and sal-

aries of farm employees, other labor income (mainly employer contributions to private pension and welfare funds and compensation for injuries), employee contributions for social insurance, and employer contributions for social insurance. It will be noticed that the summation of variable capital and surplus value equals net national product in current dollars, as shown in Table I. In other words, on the theory that net national product actually represents the net value of current production or the total values created by labor power in the process of production, we have subtracted variable capital from net national product in order to obtain the magnitude of surplus value. The rate of surplus value is calculated as in Marx by dividing the mass of surplus value by the mass of variable capital.

The projections for employee and employer contributions for social insurance are arbitrary, although based on the anticipated effect of the revisions in the Social Security Act and our previously developed projections for the various income and output measures. These represent shares in current production even if they can only be spent in the future. A more serious objection to the simplified method used is the inherent assumption that the entire income of the non-working classes is derived from the surplus values created by the working classes, whereas it is clear that a portion of the income of some farmers, some single entrepreneurs and even some members of the bourgeoisie represents productive labor. It is felt, however, that this is substantially offset by the broad definition of the working classes, which includes many unproductive workers (in the Marxian sense), such as government employees, certain types of white collar workers as salesmen, insurance agents,

etc., the unemployed and retired workers. Moreover, the bourgeoisie and middle classes are heavy beneficiaries of employer contributions to private pension and welfare funds.

The calculated amount of surplus value appears to be reasonable and the rate of surplus value coincides with everyday observation and what one would expect to find from a more detailed study. Even if exception be taken to the magnitudes of s and v, the rising trend in the rate of surplus value is clearly established. From 1939 to 1953, the rate of surplus value will have increased almost 40 per cent. Eschewing our projections, this sizable increase in the rate of exploitation was already reached by 1948. It is only since then, and belatedly, that the trade union movement has made some slight progress in reducing the rate of surplus value. The conclusion is inescapable that the enormous growth in the productivity of labor since 1939 has not redounded to the benefit of the working classes.

The rise in the rate of surplus value from 92 per cent in 1939 to 129 per cent in 1948 and to an estimated 123 per cent in 1950 provides an incontestable refutation to the puerile argument of the apologists for the status quo that "labor has fared as well as anyone else, for wages and salaries remain fairly constant at about two-thirds of the national income." What these gentlemen conveniently overlook is the fact that wages and salaries constitutes a completely misleading income classification, concealing within its broad cover the six-digit salaries of corporation executives, Hollywood actors and leading public entertainers, not to mention the salaries of all types of people in managerial and semi-managerial positions. To lump together the salary of a Charles E. Wilson (General Motors or General Elec-



tric) with the \$60 or \$65 weekly wage of a typical factory worker is simply to render impossible any type of scientific analysis concerning standards of living or the real workings of the economic system. And the evidence is clear that compensation of corporate officers, for example, has increased faster than the wages and salaries of other corporation employees.

It is no longer possible to arrive at an approximation of the magnitude of surplus value, as Marx did, by adding the shares of income admittedly paid out in the form of profits, interest, rent and royalties. It is equally necessary to include a large portion of wages and salaries, representing currently at least all salaries in excess of \$10,000 annually. Such an adjustment, obviously required if the true

position of the working classes is to be realistically examined, results in an increase in the mass of surplus value of about one-third and almost doubles the rate of surplus value!

Reducing the rate of surplus value does not arrest inflation, but it would help to make the burdens of inflation and declining standards of living more equitable. These are the immediate and central tasks of the working classes on the economic front. The longer they are delayed the more likely is the new environment of the Permanent War Economy to entrench itself and to condemn the mass of humanity to an existence devoid of hope for escape from the threats or reality of misery, war and totalitarianism.

T. N. VANCE

January 1951

## Morocco — a New Indo-China?

### **As the French Terrorize the Nationalist Movement**

Rarely have more contradictory and confused reports appeared in the world press than those relating to happenings within the French Protectorate of Morocco during the past few months. Concurrent with an increased American interest in this North African country, induced by the construction of important American air bases throughout the land, there has been, unfortunately, a redoubling of French censorship and an obscuring of the bitter struggle now going on.

But the story of French Morocco is not at all a new one. It goes back almost 40 years, to the installation of the Protectorate itself in 1912. If one reads the many speeches of Jean Jaurès delivered at this time in the French Assembly, it is clear that his

opposition to imposition of a Protectorate was largely based upon his understanding that the "Moroccan question" would provide an endless source of conflict and turmoil for France throughout the years. The confused, three-cornered struggle of today between the French administration (represented by General Juin, the Resident General) the nominal sovereign (the Sultan of Morocco, Sidi Mohammed ben Youssef), and the nationalist movement of the *Istiqlal* party—all this is but the most recent evolution in a long history.

While it may be impossible to verify the charge of the Egyptian government that 30,000 nationalists have been arrested (the *Istiqlal* announced that 8,000 of their supporters were in prison as of March 1, 1951), or to

clarify precisely what degree of intimidation was employed by General Juin to force the Sultan to yield to French demands, the basic problem at stake is apparent to the most ill-informed: that is, do or do not the people of Morocco have the right to complete independence? It is the story of Asia, of colonialism, of imperialism, of nationalism. As *Fronc-Tireur*, a left-wing, anti-Stalinist daily of Paris expressed it:

"Morocco is not only an aerial base, a land rich in raw materials, a paradise for capital in flight, a refuge for former Vichy supporters. Morocco is also, whether we like it or not, the country of 8 million Moroccans. Would it be too much to suggest that they also have their word to say?"

In a sense, the Moroccan problem has come home to roost on American soil, or the steps of the White House. Whatever Roosevelt may have said, in the concrete, to the Sultan of Morocco during their famous conversation, it was assuredly not discouraging to Moroccan nationalist aspirations! Today, the French authorities refer to this "promise" with many regrets, but place their trust in the natural desire of the State Department to see a regime of peace and tranquility, an atmosphere most favorable for military and strategic purposes. As *Le Monde* remarked on March 3: "The credit which General Juin enjoys at Washington seems bound to have a determining role in the present crisis."

Whether this will be the case is highly doubtful, regardless of immediate events. A brief sketch of contemporary Moroccan history will, we think, indicate that surface manifestations of the fundamental crisis may be smoothed over, but not for very long.

THE FRENCH MOROCCAN PROTECTO-

March-April 1951

RATE today consists of 8,500,000 Moroccan people (Arabs, Berbers, Jews, etc.) and 410,000 Europeans, almost entirely French. There are 500,000 industrial workers (miners, dockers, railroads and public works) and 1,500,000 landless agricultural workers. The French live entirely in the large cities of Casablanca, Rabat, Marrakech, Agadir, etc., while over 75 per cent of the native population live scattered throughout the land as laborers or small peasants (*fellahs*). A characteristic process of expropriation of the peasants from their lands and their subsequent proletarianization has been going on for some time. In 1939, the Moroccans cultivated 4,645,000 hectares; in 1948, this was reduced to 3,950,000 hectares. The *fellahs* enter mining (phosphate), road construction, docking, packing and other industries related to industrialization and modernization of the country. Such is the essential social picture of Morocco today, based upon statistics contained in the proposed budget for 1951, as presented by the French Resident General.

The death of King Moulay El Hassan in 1894 is usually accepted as the starting point for the crisis of the Moroccan Cherifian dynasty and the country's involvement in foreign intrigues. The Algeiras Conference of 1906 temporarily postponed French designs, but in March, 1912, King Moulay Abd el Hafid was induced to sign the existing Protectorate treaty. A French administration gradually replaced that of the King or Sultan which, however, continued a formal existence. The Sultan, assisted by his chief minister (the Grand Vizir) and represented throughout the country by local governors (Pashas, Caid and Djemmas), held no real power under the right of "supervision" granted by

the Protectorate treaty to the French administration. That true molder of the Protectorate, Marshall Lyautey, created a Central Office of administration which elaborates all decisions concerning the country's activities and issues general directions establishing Protectorate policy. The French authorities prepare *dahirs* (decrees) for submission to the Sultan and for his signature, but he enjoys no real authority. "In practice he (the Sultan) has no real power. He only has contact with the Cherifian counsellor whom he sees daily, but that is all. In reality, his advice is only solicited as a matter of formality." Thus did Lyautey explain the matter in 1920.

A characteristic *Dahir* was that signed in August, 1914, permitting the expropriation of privately owned lands for "reasons of public utility." Under this decree, 1,000,000 hectares of the most fertile and valuable land is now in the hands of 4,710 Europeans, of whom 4,200 are French. Other broad administrative policies established by the French attempted to divide Arab from Berber, the mountaineer people dwelling in Southern Morocco, by a system of special laws governing the latter. Efforts to Christianize the Berbers, of Mohammedan origin, were pursued by the French. This policy has not been strikingly successful, although in moments of crisis the French rely considerably for support on the Berbers and their local leaders.

Such a system quickly brought its inevitable reactions, the best known of which was the bloody War of the Riff, waged against the famous Abdel-Krim, during the years 1925-1927. It is not our intention here to review in detail the story of this struggle, successfully concluded by the French, or the slow rebirth of Moroccan nation-

alism of a much more moderate kind. By 1930, the "Committee of Moroccan Action" had renewed the task of criticizing the abuses of the regime and making Moroccan nationalist aims known to the world. A monthly review, *Maghreb* (Morocco), was begun in Paris in 1932, followed by a French language weekly *Action du Peuple*, published in Fez. Both publications were quickly banned by the Protectorate authorities, despite the fact that eminent French liberals and intellectuals contributed to them. It is important to note that at this time the Moroccans pressed only for administrative reforms and did not propose an end of the Protectorate or independence. In 1934, in a pamphlet entitled *A Plan for Moroccan Reforms*, submitted to the Sultan and the French authorities, a series of constructive measures were proposed, but met with no success. Until the war period, no basic change in the internal situation occurred.

MODERATE NATIONALIST LEADERS of the country offered their support to the French during the crisis of the war itself. When the Allied landing in North Africa itself took place, the Sultan and his associates resumed an active part in the war and placed their territory at the disposal of the Allied command. A large part of the financing of the French Committee of National Liberation came from Moroccan funds. But, simultaneously, the Atlantic Charter was taken at its face value and the liberation of France was linked with an impending liberation of Morocco itself. However, the Protectorate administration which had continued under Petain and which was to continue under General de Gaulle, had a different interpretation of matters. A series of repressive measures, dating from the *Dahir* of

February 17, 1941, which banned the purchase of real estate by a Moroccan and included the arrest of less moderate nationalist leaders, signaled the intention of the French government to hold on to Morocco, *coute que coute*.

The formal birth of the *Istiqlal* (Independence) Party was announced in an historic proclamation, issued on January 11, 1944. This document, addressed to the Sultan, the Resident General of France in Morocco and the Allied governments, based itself upon the failure of the Protectorate treaty and the substitution for its provisions of French supervision that of direct French rule. In the name of the Atlantic Charter and the Teheran Conference, the *Istiqlal* Party asked for "... the independence and territorial integrity of Morocco under the leadership and guidance of the Sultan"; negotiations to fix the international status of the country within the framework of national sovereignty and the establishment of a Constitutional Democracy, under the Sultan, who would exercise his functions as a limited monarch. An impressive list of Moroccan spokesmen — professors, writers, merchants, etc.—signed the proclamation which had the approval of the Sultan.

Eighteen days later occurred the first reaction of a reconstituted French authority. Denouncing the "hand of Germany," the French arrested the *Istiqlal* leadership, exiled them to Corsica, and impressively deployed motorized units throughout the large cities. The rebuilt army, consisting of the French Foreign Legion and Senegalese troops, swept into action and terrorized the population. From that moment on, the *Istiqlal* has been obliged to pursue a semi-clandestine existence, and the epoch of post-war

turmoil within the Protectorate had begun. It is interesting to note that at this time, no Communist Party existed in the country. These measures were codified in the form of an order of the General Superior Commander of the troops in Morocco, on March 14, 1945, to the effect that:

"No public or private meeting can be held without previous authorization. . . ."

"The authorization request must be signed by two French citizens. . . ."

"French citizens only will be able to speak at public and private meetings and the French language alone is allowed."

"Entrance to the meeting hall can be refused to Moroccan subjects."

It is reported that de Gaulle received the assurance of a non-interventionist attitude on the part of Churchill and the United States. At any rate, the Sultan decided that the proper moment for an open struggle was not at hand, and despite the arrests and repressions, urged the population to await the end of the war and the expected Peace Conference for presentation of their demands. Thus was a moderate nationalist movement driven into a negative opposition.

AT THIS POINT, WE MUST BRIEFLY summarize the major grievances of the Moroccan nationalists against the French Protectorate. Without elaboration, they may be stated to be the following:

(1) *Administration*: The powers of general administration rest in the hands of the French; the Sultan and the shadow government around him have no powers over either internal or external affairs. In the civil service, there is both inequality of pay and discrimination against Moroccans of holding higher posts. In 1950, the administrative bureaucracy

—which had risen from 19,145 functionaries in 1938 to a grand total of 41,450—included only 9 per cent Moroccans in its upper ranks and 96 per cent Moroccans in its subaltern ranks. Of the functionaries, 14,219 were in the police force, accounting for 15 per cent of the administrative budget.

(2) *Reforms*: On November 26, 1944, the Resident General announced a series of proposed reforms whose object would be (a) a progressive evolution towards a modern, democratic state; (b) creation of a Moroccan elite capable of pursuing this evolution, and (c) improvement of the living standards of the Moroccan masses. *Istiqlal* makes the flat charge that nothing has been done to fulfill these pledges. Commissions were appointed; their recommendations were never carried out.

(3) *Justice*: Moroccan legal and juridical structure is controlled by French agents who appoint Moroccan chiefs on a territorial basis. Each native judge (Pasha or Caid) is considered an absolute master in his area; no juries or right of counsel are known. Since elections in any sense of the word do not exist in the country, these judges are under no popular control.

In terms of civil liberties, the nationalists can point to their complete absence. A former French deputy to the Chamber of Deputies, representing Morocco, points out in his study, *Le Probleme Marocain en 1949* (Toulouse, 1949) that the right of Moroccans to organize trade unions is forbidden. Irving Brown, AFL representative in Europe and delegate to Morocco of the International Federation of Free Trade Unions, has had personal experience of this state of affairs. In the cities, trade unions of

the French CGT (now controlled by the Communist Party) do exist and the membership of Moroccans is tolerated. This paradox is explained by the fact that these unions are *French* unions, even though Stalinist, and the Moroccans cannot hold any posts in them. No organization of agricultural workers is allowed.

Moroccans desiring to travel within their own country must have visas signed by the control authorities. Certain sections of Morocco, labeled "security zones," are forbidden to them. Pierre Parent, the French authority on Morocco cited above, reports that telephone conversations by Moroccans must be in French. There is no freedom of press, speech, re-union etc.

(4) *Education*: The authorities quickly laid down the principle of minimal education and opportunity. In 1950, of 1,500,000 Moroccan children eligible for public school education 99,707 or 7 per cent, actually were in attendance. The attendance of the 58,645 European children was 100 per cent. Separate schools are maintained, and the budget allots equal amounts for European and Mohammedan schools. For European students, 299 higher education scholarships are available; 106 for the Moroccans.

The Moroccan educational system is divided into almost a dozen categories, on a caste and religious basis. Illiteracy compares with that existing in India during the period of British occupation. It is ironically reported that as of 1946, the Protectorate's educational system had produced 3 doctors, 6 lawyers, 6 agricultural engineers and a handful of school teachers.

(5) *Public Health*: Since 1947, the budget has allotted 5.9 per cent for

public health services. There are 12 (twelve) Moroccan doctors in the country. The Health Service has 200 doctors, or one for 45,000 inhabitants (one for 120,000 inhabitants in the countryside). Parent reports one hospital bed for 2,150 Moroccans as compared with one bed for 185 Europeans. Separate hospitals are maintained.

(6) *The Land*: An impoverished *fellah* or agricultural laborer is characteristic of Moroccan agrarian economy. Rudimentary methods prevail and the claim is advanced that the peasant has made no progress in 30 years. He is not permitted to purchase land from Europeans. The *Istiqlal* Party statement of March 8, 1945, contains a detailed analysis of the lot of the Moroccan peasant. It is further stated that irrigation projects benefit almost exclusively those lands possessed by the minority of Europeans.

(7) *Economic Discrimination*: Finally, and perhaps most serious of all, is the specific problem of Moroccan economic life itself, which especially favors the French minority while handicapping the development of the Moroccan economic community. In this respect, be it noted that the most vocal nationalists are precisely the members of the small Moroccan merchant, capitalist, trading and industrial class who struggle against many forms of discrimination. In passing, it is this fact which makes the cry of "communism" so absurd.

On the economic front, the complaints of the Moroccans are bitter and varied. In the mixed companies and societies that do exist, Moroccan capital is always in the minority; contracts awarded by the administration for road-building, irrigation work or other capital projects invariably go to French contractors. The mines,

public services, farms operated on a large scale, leading businesses etc. are all in French hands. The Moroccan bourgeois is obliged to live a peripheral existence. Since 1945, French capital seeking refuge from the dangers of a disturbed Europe, has surged into the country and a spectacular development of commerce, phosphate mining and horticulture has taken place, but only to French advantage. Moroccan traders further state that discriminations, in the form of tariffs, duties and quotas, operate against their export commerce, but do not exist for their French competitors.

A discriminatory direct and indirect tax system exists, of which the following are some examples. The main direct tax is the *tertib*, or land tax, which furnishes 40 per cent of all direct taxation. In 1950, 3,236,685,188 francs was contributed by Moroccans (419 francs per head), and 372,519,610 francs by Europeans (332 francs per head). Of the total *tertib* collected, 90 per cent is paid by the Moroccan *fellah* who pays 24 per cent more per hectare than the French colonist. Indirect taxes, paid by 94 per cent of the Moroccan population, exist for customs, stamps, tobacco and especially on imported food and consumers' items such as sugar, tea, cotton goods and native foods from other Arabian lands. There is no general taxation of profits or capital values.

●  
THERE REMAINS BUT ONE QUESTION to clarify in this summary analysis of the issues behind the conflict in Morocco. That is, what is the *Istiqlal* Party, what does it want, what of the charges directed against it by the Protectorate authorities? As to the truth or falsity of the various charges of repression and counter-repression, it is impossible to supply accurate de-

tails at present. Suffice to say that the French do not deny repressive measures against *Istiqlal*, a party they have never accepted or recognized. They merely deny the *degree* of alleged repression, or rumors, such as the bombing of Fez etc. Nor have the French denied the charge that on January 26, 1951, General Juin in the name of the Protectorate posed a choice of abdication or disavowal of the *Istiqlal* to the Sultan, obliging the sovereign in a declaration published at Rabat under the signature of the Grand Vizir, to condemn "the methods of a certain party" without specifying either the party or the methods! Since that moment, an "iron curtain" of French construction has fallen over the country and it has been impossible to learn precise details of what is going on.

But there is no difficulty whatever in discovering the truth about the *Istiqlal* Party and its intentions. That is readily available in a series of documents and statements published by the party since its foundation seven years ago, or in conversations with its representatives at Paris, Drs. Yousofi and Elkohen, or in statements of the official party leader, Si Allal el Fassi, now in flight at neutral Tangier.

*Istiqlal* is a legitimate nationalist party, expressing the nationalist desires of the country in precisely the same sense that Gandhi's Congress party once expressed the same emotions in India. It is a conservative, bourgeois party in its leadership, which consists largely of the country's merchant and trading class, dispossessed intellectuals and leading professionals of the nation. Its political and social program is both moderate and modest—full support to the Sultan in his efforts to modernize and democratize the country and raise its

woefully low standards of life; a constitutional monarchy based upon a Constituent Assembly; an end to the inferior status conferred by the Protectorate treaty and the establishment of new political, social and economic relations, based upon full equality, between Morocco and France; the immediate release of all nationalist *detenus* and the extension of full civil freedoms, including the right to organize, to the Moroccan population. Moroccans are fond of quoting the French slogan of "*Liberte, Fraternite, Egalite*" as symbolizing their program; these details contain its essence.

To be sure, *Istiqlal* has members who represent more radical viewpoints, including those who would abolish the Sultanate and all related to it. But it is a broad, united front movement, embracing many views on the ultimate destiny of the country *once liberation has been won*. Its moderate wing is in command today, and these are the men pursued by the authorities. On the international scene, it has sympathetic but not formal ties with the Arab League and inclines toward the concept of an eventual Arabian Federation in North Africa; the party likewise desires the end of the artificial separation between Spanish and French Morocco, a division arranged by the European powers against Moroccan will. *Istiqlal's* sole formal international affiliation is to the Congress of Colonial People's, an international center of nationalist and colonialist movements with offices in Paris and London.

THE FRENCH CHARGES against the *Istiqlal* fall roughly into three categories: the party represents a tiny minority of the population which, in its gross majority, supports the

French; the party is a feudalist movement based upon the most backward, Islamist sectors of Moroccan society; the party is an agency of "international communism" and/or helps Moscow pursue its disruptive aims in the Western World.

To the first charge that *Istiqlal* represents only city bourgeois, local aristocrats and young intellectuals the party counters with a claim that it represents 75 per cent of the population and challenges the French to hold free elections to prove or disprove the issue. Municipal and village elections, under a property franchise, have indicated the *Istiqlal* claim to have a strong validity, but without nation-wide elections one cannot gauge the political temper of the country. There is little reason to doubt that the party's program for social and economic reforms on the land would not be popularly supported. Three other alleged nationalist parties exist (United Moroccan Socialist Party and the Democratic Party of Independence), but none have played any popular role, nor can any reflection of their activities be found in the country's life. It remains an incontestable fact that *Istiqlal*, when occasion permitted, has mobilized tens of thousands of city people for popular demonstrations under its banner.

The second charge of attachment to feudalist principles has no foundation in fact and is quickly turned against the French authorities by the party leaders. They point to the structure of the Protectorate raised by the French and particularly to the role of the Pasha of Marrakech, El Glaoui. This local feudal chieftan, elevated to his present position by the authorities, has often been suggested as a possible successor to the present Sul-

tan if the latter is deposed. It was El Glaoui who recently organized the demonstrations of mountain Berbers who, descending upon the key cities of the country, backed the French pressure which brought about the Sultan's capitulation to demands that he renounce support of *Istiqlal* and remove its sympathizers from his council of ministers. Whatever analysis one may make of Moroccan society, it is clear that this society is the product of the French Protectorate.

As to the final charge of "communism," the facts speak for themselves. *Istiqlal* is affiliated with the Congress of Colonial Peoples, an organization in violent opposition to the Stalinist movement and often denounced by Moscow. The latest statement of the party leader, Si Allal el Fassi, on February 26, 1951, again reiterated this opposition to the communists: "We have always refused offers of united action made to us by the so-called Moroccan Communist Party." The Communist Party leaders in Morocco are all Frenchmen, active in the Moroccan units of the CGT trade unions—that is, unions in which Moroccans are either not admitted or merely tolerated! The communist newspaper in Morocco is published in French and circulates only among Frenchmen.

To clarify the atmosphere, we must first have all the facts at our command. But the key problem is clear enough: shall insurgent nationalism be repressed in North Africa, or shall it be permitted to take its rightful place in the world? In his statement of February 26, el Fassi concluded in these words:

"The Protectorate regime has become nothing less than a juridical fiction. We are confronted with a sys-

tem of direct administration, pure and simple. We therefore ask for a renovation of the contract tying us to France. What extremism is there in our desire to cleanse the basis of our

collaboration?"

The French, actively engaged in pursuing el Fassi and his supporters, have not yet replied.

Paris, March 15, 1951

J.

# The Stalinist State in China

## The Social Meaning of Mao Tse-tung's Victory

*We are especially pleased at the opportunity to publish this study by M. Y. Wang of the situation in China today. It appeared only a few months ago, in the original Chinese, in a brochure published illegally in Hong Kong. The brochure is devoted primarily to a Marxian analysis of the evolution of modern Russia and the social significance of the Stalinist state. The author, who is one of the ablest Marxists in China today, draws conclusions as to the nature of Stalinism and its state which are substantially identical with those that have been developed and defended in THE NEW INTERNATIONAL for years, and his agreement with us in the theory of "bureaucratic collectivism" is gratifying. The final chapter of the brochure, which we are publishing here, is devoted to the highly important and by no means simple problem of the social significance of the Stalinist victory and the Stalinist state in China. It will impress the readers, as it did the editors, with its penetration which discloses the motor forces of Stalinism in China, and thereby substantiates and enriches the theory of Stalinism which we have ourselves sought to unfold. The author's inclination to place the bureaucratic collectivist state within the category, as it were, of state capitalism, we regard as a scientific imprecision and therefore erroneous. Within the context of the analysis he*

*makes, however, the proportions and significance of the error seem to us trivial. The study is recommended to the attention of the reader with our warmest support, which is prompted in no small measure by our satisfaction in knowing that Marxian thought is far from extinguished in a country where the Marxists have endured such cruel difficulties and persecutions. We wish also to thank Comrade Leon del Monte for undertaking and executing so well the difficult job of translation.—Ed.*

1. Now that the CCP's military forces have conquered the entire mainland, the People's Republic in official existence for five months, and the New Democracy in effect in some of China's principal cities for approximately one year, we possess sufficient material and facts to judge the nature of the CCP and its state machine and to test the accuracy of our past views concerning them.

2. In judging and estimating the nature of a movement, a political party, or a state, for the proletarian revolutionist there is one unchanging standard: What is its relation to the working class, that is, to the only revolutionary class in the modern world? For us there can be no more decisive standard than that, nor can

there be any other point of departure.

3. What is the relation of the CCP, the Liberation Army led by it, and the People's Republic which it has established, to the Chinese working class? What attitude does it take toward that working class? Notwithstanding the fact that the CCP calls itself a working-class party, notwithstanding the fact that the CCP proclaims this new state to be a "people's" state led by the workers, nevertheless a variety of facts demonstrates that the political and economic position of the workers has not only failed to improve, but in certain respects has even deteriorated. The working class is the victim of this "War of Liberation." "The liberation of the working class is the function of the working class itself." Consequently, "liberators" drawn from another class cannot confer genuine liberation upon it. And this has in fact been the case. Politically speaking, the position of the working class has not changed at all. The military governments established by the conquerors are composed entirely of a new nobility, and have no connection with the working class. Not only could workers' soviets not be formed in practice, they were not permitted to exist even as a concept. All that the workers got from their "liberators" was the designation—on paper—of "leaders" of the new society. A new government which proclaims that the working class occupies a position of leadership within it has not given the working class an ounce of such latitude as would enable it to advance to political power.

In the early period of the "liberation," because of the long-standing prestige of the Communist Party and because of the revolutionary illusions

entertained toward it by the workers, the working class got out of hand in some of the big cities and went so far as to demand an improvement in living conditions, even confiscation of factories (as, for example, the Lien-ch'ang iron works in Tientsin), the liquidation of certain capitalists, and so forth. But this period came to an end very quickly. In Tientsin from February to April and in Shanghai during June and July there was extensive activity on the part of the workers, but after the suppression in April of the Tientsin movement by Liu Shao-ch'i and the promulgation in Shanghai on August 19 of Military Government regulations for the adjustment of labor-management disputes, the working class was robbed completely of its right to fight and of its fundamental right to strike. In other words, it was made the victim of exploitation at the hands of private entrepreneurs. This new slave status of the working class was finally fixed in September by governmental fiat, and the workers have been unable to win an improvement in living conditions by striking. In order to disguise this act of barbarism, the new rulers have given the working class the right of "factory control." But this right, as a glance at the *Regulations for the Conduct of Factory Committees* will indicate, is a patently worthless piece of trickery. For example:

7. The Factory Committee shall be presided over by the Head of the Factory (or the Manager) . . .

8. If a decision passed by a majority of the Factory Committee shall be judged by the Head of the Factory (or the Manager) to be in conflict with the said Factory's best interests, or when the said decision shall be in conflict with the instructions of higher authority, the Manager or Head of the Factory is empowered to prohibit its implementation.

In other words, everything depends



on the decision of the factory head or the manager, who is not elected by the workers but is appointed by the "people's" government, which has no connection with the working class. Basically, what is the significance of this sort of "workers' control"? Let us have our answer straight from the mouth of one of the "national capitalists," Sung Fei-ch'ing:

In my opinion, it is not such a bad idea to let the workers participate in factory management. While on the face of it the workers would appear to be detracting somewhat from the rights of the factory head, in reality the purpose of the participation of workers' representatives in the administration of personnel, materiel, profits, finances, etc., is merely to assure the implementation of all decisions passed by the Factory Committee. Since the workers participate in the formation of these decisions, they cannot later oppose them. Thus much friction is eliminated, and in any case the final right of decision remains in the hands of the manager.

These few words constitute a frank and honest description of the real nature of this "workers' control of production." It merely exalts the workers "on the face of it," while retaining control of the factory "in reality!" This is the Chinese Communist regime's general attitude toward the working class, one of paying it lip-service in theory while oppressing it in practice. And besides this, the CCP has yet another poisonous weapon to use against the working class, the system of "heroes of labor," which divides the workers on the one hand while oppressing them more cruelly on the other. Therefore we may affirm that politically the Chinese Communist regime has not improved the position of the working class, while economically it has lowered its standard of living. The Chinese Communist regime, while characterizing itself the "representative of the working class" and making use of the words

"people" and "nation," has in reality, like the Kuomintang, in effect enslaved the Chinese working class. This view must constitute the point of departure for our interpretation of the nature of the CCP and its government.

4. ANY POLITICAL PARTY OR STATE apparatus which enslaves the working class is, in this day and age, from a proletarian, socialist, revolutionary point of view, fundamentally and completely reactionary. Therefore the CCP and the state apparatus which it has set up are also reactionary. Yet at the same time we must recognize the following facts: They have overthrown the Kuomintang government, which represented foreign imperialism and the native bourgeoisie and landlord class; they are wiping out the anachronistic agrarian relationships in China's farming villages; they have dealt a mighty blow to the foreign imperialist powers led by the United States. All of these actions, from the point of view of Chinese nationalism and democracy, have an undeniably progressive character.

5. The difficulty is this: How and why can a fundamentally reactionary political party and government perform objectively progressive acts? At bottom, what class does such a political party represent? To answer these questions we must first make a brief study of the development of world capitalism over the last twenty-some years, of the processes of political and economic change within China itself, and of the history of the first proletarian state in the history of mankind. Within this space, naturally, we can point out only with the utmost simplicity and brevity the principal peculiarities in the history of these developments, since our immediate purpose is merely to shed light on the

international background and historical origins of the CCP's victory and the emergence of this new state, and thence to draw a conclusion as to its fundamental nature.

6. Since the international economic crisis of 1929-33, and particularly since the end of the Second World War, world capitalism, in its imperialist stage, in order, on the one hand, to deal with the proletarian revolution within each country (a task in which it has succeeded) and, on the other, because of ever more intense international competition, has acquired certain new characteristics in its internal structure, characteristics which Lenin could not adequately foresee at the time of his analysis of imperialism. The most important among them is the process by which monopoly capitalism becomes more closely bound up with the state, some enterprises are taken over by the state, and capitalism becomes statified. Hitler's Nazism and Roosevelt's New Deal, carried out at approximately the same time in Germany and the United States, represented fundamentally the same tendency towards statification on the part of capitalism. This movement for a time resolved the internal crisis of capitalism, but intensified the international crisis and culminated in the Second World War. As soon as the war broke out, this tendency was greatly accelerated, because the production of the implements of war reached an unprecedented height. It exceeded the manufacture of the machinery of production and of consumers' goods and wrought a change in the most important sectors of the national productive plant. This one sector is of exceptionally large proportions and of an exceptionally exacting nature and makes it difficult for other cap-

ital enterprises to function with complete freedom; hence, the control of it must be directly in the hands of the State, which causes an unprecedented growth in the statification of enterprise. Since the war, this process, far from being retarded, has been intensified in scope.

Beginning with the war itself—except for the Soviet Union, which has a planned economy, and the United States, which gained economically from the war—all of the capitalist empires, victors as well as vanquished, have found themselves in a position from which they cannot extricate themselves. The economy has completely collapsed, the petty bourgeoisie and the workers are exceptionally dissatisfied, the revolutionary crisis is very tense, and at the same time, on the international scene, the world powers, America and Russia, are moving closer and closer to a clash—all of which forces these capitalist countries, for the sake of their continued existence, to concentrate the economic machinery in the hands of the State, to plan for internal stabilization, and, to whatever degree possible, to ward off external attacks. As a result, such countries with traditionally "free" economies as England and France have both carried out "nationalizations" on a very large scale. The United States would seem to be the exception to the rule whereby, since the end of the war, the system of state interference in the individual economy has become more or less solidified. The principal reason, naturally, is that the power of American private monopoly capital is very great, and at the same time the United States is experiencing a period of abnormal prosperity on the back of a bankrupt world, whence these "free entrepreneurs" have a high power of resistance to the in-



cursions of state capitalism. But if we examine more closely, we see that the production of the implements of war, with the atom bomb heading the list, is being more and more concentrated in the hands of the state, while at the same time Truman's so-called "Fair Deal," under the impetus of a future economic panic, could most assuredly take long strides in the direction of state capitalism. (If at such a time a socialist revolution should take place and be successful, then of course the whole picture changes.)

7. A phenomenon accompanying the statification of capitalism and pointed out by Lenin in his study of imperialism, namely, the parasitism and corruption of the bourgeoisie, is also further intensified yet another degree. Broadly speaking, the entire bourgeoisie becomes separated from the means of production and becomes a class of "profit-consumers." The State becomes the agent that reaps the profits for the owners, and the capitalists simply turn into a decayed leisure class.

8. THE DECAY AND STAGNATION of capitalism causes a further change in the polarization of classes within capitalist society. On the one hand, capital concentration and the capitalist class shrink in quantity and size; on the other, the ranks of the proletariat cannot continue to expand, but in some countries the ratio of this class to the total population decreases. The bankrupt, impotent petty bourgeoisie becomes ever larger. At the same time, the so-called "new middle class" formed under conditions of state capitalism, that is, specialists, technicians, bureaucrats, and intellectuals of every type and description—these and other elements of the impoverished petty bourgeoisie at certain times form the base for the Fascist move-

ment, and at others the cadres of Stalinism.

9. These three phenomena, viz., (a) the tendency of world capitalism toward statification, (b) the thoroughgoing corruption and decay of the individual capitalist, and (c) the numerical increase of the petty bourgeoisie and its rise in importance as a social and political force, may serve to explain the principal events that have taken place throughout the world during the last twenty years, particularly since the end of the war, and can explain very adequately the events that have transpired in China.

10. The semi-colonial, backward Chinese bourgeoisie, under the pressure of the enmity of the workers and peasants from within and the direct blows of Japanese imperialism from without, fell in wholeheartedly with the world current of the nationalization of capital. But precisely because the weak base of Chinese industrial capitalism and China's political and social backwardness caused her "nationalized" capitalism to assume a particularly decadent aspect and the capitalists who controlled these "nationalized" enterprises to exhibit a particularly shameless rapacity, the result has been in the last six or seven years a so-called bureaucratic capitalism and unprecedentedly graft-ridden political setup, the stench of which rises to the heavens. This sort of rule not only enraged the Chinese workers and peasants, but also angered broad layers of the urban petty bourgeoisie and even the medium bourgeoisie, the so-called national capitalists.

11. The Chinese Stalinists, taking advantage of this state of affairs, basing themselves on the overwhelming numerical strength of the impoverished and embittered peasantry, and proposing a program of reformed state capitalism (that is, the New Democ-

racy), rallied the urban petty bourgeoisie and medium bourgeoisie, and gathered to their banner even a part of the working class. Through military might they easily transformed the rotten rule of the Chinese-style "national capitalists" and took over (but by no means abolished) the state machinery and the entire economy under its control.

12. The above constitutes our explanation, on the basis of the development of world capitalism and its peculiarities, of the reasons for the collapse of Kuomintang rule and the rise of Chinese Stalinist rule. Of course, this explanation can account for only one half of the story. It still leaves unanswered questions such as the following: Why did the CCP rely on the peasants rather than the workers? Why did the "communists" at the head of China's impoverished peasantry put forth a program of reformed state capitalism rather than socialist revolution? Why are they carrying out a reform from the top down rather than a revolution from the bottom up? Why did they merely "take over" undisturbed the bureaucratic state apparatus rather than abolish it? Why, although they have transformed the rule of the landlords and the bureaucratic capitalists, have they adopted a friendly attitude toward the bourgeoisie in general while carrying out repressive measures against the proletariat? Why do they proclaim themselves to be a working-class party and China to be a "people's republic led by the working class" while giving the workers not the least opportunity to participate in the government or even to organize soviets?

To answer these questions, we can point out the following facts about the internal situation in the country:

The Chinese proletariat since 1927, when it suffered a staggering defeat thanks to its adherence to Stalinist policies, has not ascended the political stage. Although a year or two before the struggle with Japan and within the first year after Japan's surrender the labor movement revived for a time, nevertheless, thanks to the weakness of the proletarian parties, the Kuomintang's oppression and deceit, and the degeneration of Chinese industry in the war, and under the influence of the decay and stagnation of world capitalism, the ranks of the working class were scattered and weakened, and these movements could never acquire sufficient political and revolutionary character. The fact that the Chinese proletariat for over twenty years was unable to interfere in China's political processes to a significant extent determined the peasant aspect, the capitalist nature, and the bureaucratic-collectivist direction of Chinese Stalinism. Of course—and this is far more important—we must seek the answer to this question in the nature of the Soviet Union and the CPUSSR and the influence they exerted on the CCP.

13. THE COMMUNIST PARTY OF THE SOVIET UNION, since the late Twenties, after the elimination of the entire Old Bolshevik leadership, quickly degenerated into a bureaucratic clique exploiting the proletariat. Of course, as far as membership, organization, and ideology were concerned, it ceased to be the vanguard of the proletariat or even a part of the proletariat. As for membership, except for a handful of Stakhanovites, workers simply could not join the party; as for organization democratic centralism gave way to bureaucratic absolutism, and lower-ranking party

members (to say nothing of non-party workers) had absolutely no right to criticize, charge, or recall the leaders or their policies; as for ideology, internationalism gave way to narrow Great-Russian nationalism, world revolution gave way to national construction based on the Soviet Union, the class struggle was transformed into "national cooperation" (or a bureaucratic operation), equalitarianism was transformed into the most naked system of privilege and discrimination, collective leadership was transformed into the most arbitrary personal dictatorship. Along with the complete degeneration of the Bolshevik party, and inextricably bound up with it, was the complete change in the character of the Soviet state. This change expressed itself primarily in the following ways: (a) The soviets on which the working class had relied to control the state remained in name but disappeared in fact, and the workers were not only unable any longer to "recall at will those of their own elected representatives who did not suit them," but even to elect their own representatives. (b) The officials of the state apparatus, the officers of the regular army, the responsible persons and specialists, formed a relatively stable ruling class, became estranged from the working class, then oppressed the working class cruelly. (c) The working masses in general were cheated not only of their right to participate in government but also of any right to fight for the improvement of their own living conditions. (d) Therefore the Soviet Union now stands in the following class relationship politically and economically: On the one hand the bureaucracy collectively holds all political and economic power in the state, and on the other the toiling masses are absolutely with-

out rights. This sort of state is naturally not a workers' state, nor even a degenerate workers' state, because the working class is politically ruled over and economically exploited; and yet it is not a capitalist state, since there is no capitalist class in it which privately owns the means of production. In that state all the means and materials of production are concentrated in the hands of a bureaucracy comprising the party, the governmental machinery, and the army, which collectively owns all the wealth.

Therefore we may say that the Soviet Union of today is a country in which the bureaucracy collectively owns the means of production. The reason this sort of state was able to come into being is that, in the first place, the world socialist revolution was late in arriving and its energies dissipated, thus forcing a backward and isolated workers' state to degenerate completely; in the second place, that the decay of world capitalism itself and the process which is pushing it at top speed in the direction of state capitalism made it impossible for the degenerated workers' state to revert to orthodox capitalism.

14. On the face of it, bureaucratic collectivism, that is, Stalinism, would appear to be a completely new thing. It is neither socialism nor capitalism. But upon closer examination it is not difficult to perceive that it belongs under a subheading of capitalism. One difference between it and traditional capitalism is collective ownership of the means of production as opposed to private ownership. The ownership of the means of production has not been socialized, but it has been collectivized (in the hands of the ruling class). And as for the relationship of owners to producers, exploitation continues to exist, and is in fact intensi-

fied. Bureaucratic collectivism has two great advantages over private capitalism and even over state capitalism (under the latter also there is large-scale private ownership): (a) it is possible to regulate capital in a more systematic fashion; (b) it is possible to exploit workers more efficiently. These two advantages are precisely what is needed to overcome the present crisis of capitalism. Seen from this point of view, Stalinism is a special kind of reformism, it is the reformism of the age in which capitalism has developed into imperialism. On the one hand it prevents the emergence and success of a genuine socialist revolution, and on the other, by means of collective exploitation, it continues the rule of capital over labor. Bureaucratic collectivism or Stalinism is essentially the transitional form which obtains during the delayed and difficult birth of socialism from the womb of capitalism. It cannot create a new historical era, but it can maintain itself for a time, and in several countries at once. In southeast Europe several such states have already been created, while the New China is being recast in the same mold.

15. To create a bureaucratic-collectivist state, one must first have a bureaucratic-collectivist party to carry out the action. The Chinese Communist Party has been that ever since Communism degenerated into bureaucratic collectivism. Because of a common international situation and long-standing historical ties, also because the class relationships within China after the defeat of the Great Revolution (the destruction of the proletariat, the long peasant wars, the utter corruption of the bourgeoisie, the anger and dissatisfaction of the petty bourgeoisie) were favorable to reformism and unfavorable to the

growth of revolutionary socialism, the Chinese Communist Party took over entirely the bureaucratic collectivism perfected by Stalin within the Soviet Union. This ideological change was complete by the early Thirties. Now the CCP, embracing this ideology, has come to power and is organizing the state around it. Hence it is quite natural that it can only carry out a reform from top down, put forth a state-capitalist program, simply and easily take over the Kuomintang's bureaucratic state apparatus, destroy only part of the bourgeoisie, put a strict check on the genuinely revolutionary proletariat, and regard with hostility every mass action from the bottom up. Since the creature spawned by the CCP is a bureaucratic-collectivist state and must continue to enslave the workers, it is reactionary; but since such a state must reform capitalism, change property forms, and increase productive power, it cannot help adopting certain progressive measures. Herein we have found our answer to the question posed in 4: How and why can a reactionary regime carry out certain progressive measures? The contradiction between progress and reaction which characterizes the Chinese Communist Party's regime expresses itself particularly in its relation to the bourgeoisie on the one hand and the proletariat and poor peasantry on the other. To stabilize the rule of the bureaucracy it is necessary to conciliate the former and oppose the latter, while to reform capitalism it is necessary to conciliate the latter and oppose the former.

16. THIS INTERNAL CONTRADICTION has caused Chinese Communist rule for the present to assume Bonapartist

features. It attempts to play the part of a supra-class mediator and proclaims "labor-capital unity for the benefit of all society," while in reality manipulating and smoothing over class contradictions for the ultimate advantage of the bureaucratic caste. All varieties of Bonapartism rest primarily on the mass base of the petty bourgeoisie, the present CCP included. All forms of Bonapartism are fundamentally anti-working class, and the CCP at present is no exception. Of course, Stalinist Bonapartism attacks private property, while orthodox Bonapartist dictatorship does not, and therein lies the great difference between them. It is absolutely necessary for us to understand this point. Therefore we cannot say that the Bonapartism of the CCP will perform a capitalist function in the sense in which we could say it of traditional Bonapartism, of Bonapartism in the literal meaning of the word. It will perform the functions of capitalism in a peculiar way, that is, by substituting the collective ownership of the bureaucracy for the private ownership of the individual capitalist. The capitalism represented by the Stalinists is no longer capitalism in the original sense of the word, but bureaucratic collectivism; the class they represent is not a capitalist class in the original sense, but a bureaucratic class which collectively owns the means of production. This distinction is of exceptional importance. If one points to the Bonapartism of the CCP without understanding this difference, then one will be unable to understand the events taking place before one's very eyes or to predict future developments, because, while others may expect the attitude of the CCP to become daily more conciliatory toward the bourgeoisie, what we shall in fact see is a greater solidification of collectivism

and a strengthening of state capital.

Of course, we are under no obligation to make airily optimistic promises about what the CCP will achieve from these sad beginnings. In semi-colonial, backward China, which has suffered the ravages of civil and foreign wars for over ten years, if only because of the power of resistance of the internal "automatic economy" (not to mention the increasingly acute contradictions on the international scene), the construction by the CCP of a bureaucratic-collectivist system will probably be extremely difficult. Thanks to two wars within the last ten years, the decisively significant sectors of the Chinese economy are nationalized. This gives the CCP's future activities a great boost, but they have yet to absorb all private capital, abolish the backward relationships in the farming villages, and collectivize the small farming units which have gone bankrupt in their technical backwardness—all of them uncommonly difficult tasks. To do this the first and most important step is for the Stalinist party to initiate a broad mass struggle, to absorb countless worker and peasant elements and organize them for action, but this is a step that the Stalinist party is wary of taking. To guarantee that the new China shall remain under bureaucratic rule and not turn into a genuine workers' and peasants' state, they must limit this movement to certain well-defined bounds, beyond which it must not be permitted to stray so much as a single step. In its present position of extreme caution, events have naturally made it impossible for the CCP's collectivization to go very deep; however, the general tendency is in the direction just described, and its principal features have been pointed out above.

17. When the Stalinist party, in or-

der to advance the cause of bureaucratic collectivism, very cautiously initiates its mass movement, can the workers and poor peasants, taking advantage of this opportunity, push the struggle further, work free of the limitations imposed upon them by the Stalinist party, and cause a bureaucratically dominated movement to turn into the Chinese socialist revolution—or can they not? In theory, we can never exclude this possibility, and we—the Chinese Proletarian Revolutionary Party—must turn all our subjective efforts in that direction. But, in fact, if we dispassionately analyze China's present class relationships, we cannot deny that this possibility is extremely slight. The prestige of the Stalinist party among the general masses is still very great, the illusion that bureaucratic collectivism equals socialism is widespread; the Chinese proletariat and its real vanguard have yet to educate themselves and unite through the bitter experience of Stalinist rule, for only then can they initiate a mighty anti-Stalinist revolution.

Our chief task at present is patiently to interpret and reinterpret the fundamental nature of Stalinist bureaucratic collectivism. Naturally, "patient interpretation" by no means signifies passive observation. We must participate actively in these events. We must, while pointing out the internally contradictory character of the Stalinist party's present struggle, on the one hand advance and broaden in scope the fight against the landlords and rich peasants and advocate and participate in all anti-capitalist struggles; and, on the other hand, oppose simultaneously the fight of the bureaucracy, oppose the enslavement of the workers under whatever guise, oppose the oppression of the poor peasantry, and, above all, consistently advocate the convocation of a Congress

of workers, peasants, and soldiers, to exchange the Stalinist military agencies and the so-called "People's Government" for a genuine workers' and peasants' state. We must direct every struggle toward the formation of soviets. Our principal slogan must be for a Congress of Workers, Soldiers, and Peasants.

18. In view of the political and economic evidence, the China of Mao Tse-tung, unless a new world war or an internal revolution stops the course of its development, can "peacefully" turn into another Stalinist Russia (that is, it need not necessarily first go through a proletarian revolution and then degenerate in order to reach the same end result); or, if the China of Mao Tse-tung is to become a workers' state, then nothing short of a proletarian revolution can alter the present rule.

Therefore, not only can we state positively that China is not a workers' state, but we can also prove by the same token that the Soviet Union is no longer any sort of workers' state. The difference between the new China and the Soviet Union at present is one of degree, not of kind. Both are equally bureaucratic-collectivist states, except for a huge difference in *degree* of thoroughness. Therefore the Fourth International's traditional attitude toward the Soviet Union must be altered. It must reject the view that it is any sort of workers' state. Similarly it must reject the view that the Stalinist parties are parties of Menshevik opportunism, because, although the Stalinist parties are at present indeed fundamentally reformist, their principal crime is not their collaboration with the bourgeoisie but their bureaucratic enslavement of the proletariat. Needless to say, it is only by viewing the Soviet Union and the Stalinist parties from the point of

view of bureaucratic collectivism that one can understand their nature and their actions. The same is true of the Chinese Stalinist party and its newly established state. M. Y. WANG  
Hong Kong, February 1950

## Who Controls India's Economy?

### *A Continuing Pattern of Concentration of Wealth*

The article which follows was written by the General Secretary of the Socialist Party of India, Asoka Mehta. Written as a pamphlet under the title "Who Owns India," it was serialized during October and November, 1950 in the weekly paper of the party, *JANATA*. The version appearing below is taken from the *JANATA* articles. Several changes have been made of a purely technical nature for reason of space. Numerous tables of statistics and lists, as well as some of the more detailed explanations have been omitted. All money values have been translated into dollars reckoned at the current rate of exchange of one rupee to 21 U. S. cents. No changes whatsoever have been made in the actual content of the articles, whether by omission or addition. We regret that we are unable to print them in full.

The first section of what follows was written before Indian Independence and therefore the references to the government of that day are to the Imperial British regime. What is of startling interest is that *JANATA* could print these articles in the fourth year of independence without any fundamental editing for the economic reality has remained as Comrade Mehta described it originally.

The author has deliberately restricted himself to a morphological examination of Indian capitalism. It is necessary to remind American readers of what is implicit below:

that more than 8 out of 10 Indians still live from agriculture and that this agriculture itself, which dominates the national economy, cannot be equated with anything of a similar name in capitalist countries. This other side of the Indian economic coin is still pre-capitalist, producing for local consumption rather than for the market, for simple exchange rather than for profit, and by means of human labor (occasionally aided by animal power among richer growers) with primitive tools hardly differing from those employed a millenium or two ago. The overwhelming mass of people live the narrowest, and most restricted lives surrounded by misery and dominated by a rapacious Zamin-dari landlord class. Independence has not altered their status nor has capitalism in India revealed the ability or will to eliminate this fundamental condition. To the contrary, as the author shows, there has occurred a growing-together of the capitalist and landlord classes so that the national incubus has already fastened itself on the new rulers, limiting their historic horizons from birth. Capitalism has become an ally of India's backwardness and by so doing has limited its own potential.

The relatively extensive capitalist plant (India is the eighth most industrialized country in the world) should not blind anyone to its still basically colonial type economy. On a per capita basis Indian industrial manu-

facture is inferior to that of any capitalist nation, although quite superior to China and most other pre-capitalist nations. The National government has been unable to move away from this heritage. The capitalist class, as a result of the advanced senility described below, has become conservative in all economic matters even before it has grown to national dominance. The rate of capital formation is declining steadily and plant expansion is at an ebb. Everywhere in the capitalist sector, as in agriculture, there is stagnation.

A note on the Socialist Party of India: Formed originally as the Congress S.P. in 1934 as a moderate left faction of the independence movement, the present organization emerged from the Congress only as recently as 1943. It is, therefore in many ways a very young party. Its leadership, largely drawn from the intellectual middle class, remains basically the same as before the party's separation. Which means that they are older men, experienced in Indian politics and known to large masses as established leaders. One of the party's problems is the large scale recruitment of youth into the upper councils.

The present party is in other ways a far cry from the thin Social-democratic leaven it was before 1943. Since independence, and most especially since the death of Gandhi, it has tended to follow its own course and consequently has developed into the only real national opposition party to the entrenched and increasingly rightist governing Congress Party. It has run successful slates for various legislative bodies in Bombay, Madras, Bengal and elsewhere so that its voice is heard in the leading provincial parliaments as well as in the national assembly. Its electoral success has been

most notable in Bombay and in the nationally-significant by-election in Bengal during 1949 when the S.P. was the primary force behind a coalition of democratic and left groups which elected S.C. Bose against an all-out campaign by the Congress in which Nehru himself took the field.

While the party has a decided parliamentary orientation its activities are not at all restricted to it. The party engages actively in the daily problems of the people. Jaiprakash Narain, leading spokesman of the S.P., is also head of the powerful Railwaymen's Union and the party's affiliated and sympathetic unions number about 750,000 members. One of the leading union federations is led by a coalition in which the S.P. is the dominant element. In many parts of the country there are Kisan Sabhas (Peasant organizations) which adhere to the party in one or another way. Nevertheless, the party is weak amongst the peasantry and its program for agriculture is indefinite and varies from province to province, not so much with varying circumstances as with the nature of the local leadership.

Far from sufficient attention has been given to the peasantry. Among the workers, the S.P. is a growing force, in many cities a militant, fighting one.

The third group to which the party has directed its attention is the lower middle class and particularly the intellectuals, and with uncertain success. Certainly many intellectuals have joined the organization but it cannot be said to be the rallying center for the new national culture that is slowly emerging. Thus the S.P. has a way to go before it becomes the leading political force in the universities.

Programmatically, the party's objec-

tive is to become the center for those classes to whom independence has brought frustration and hopelessness and in this sense it seeks to become the dynamic continuator of the Indian revolution. However, it is a party with more than one voice, containing many different outlooks on politics ranging from democratic liberals and moderate social democrats to people who are thoroughly devoted to the Socialist revolution, and also the Trotskyists.

The S.P. is the only vital and growing force in Indian politics today and it holds great promise for the future. It will undoubtedly make considerable gains in the forthcoming national elections. It will have a decisive voice in the first international congress of South Asian Socialist Parties which is to be held in Rangoon late this year. It is a party that deserves the fraternal regard of Socialists all over the world.

ABEL BAKER

Although still a predominantly agricultural country, India now possesses many important industries. In jute and tea, she is a leading exporting country. In textiles, cement, sugar, paper and matches, we are nearing self-sufficiency. We have a growing iron and steel industry, rich coal mines and powerful hydro-electric plants. There are prospects of early establishment of automobile and shipbuilding industries.

There are nearly 9,000 factories in India giving employment to about 1,700,000 workmen. The capital invested in companies registered in India, totals up to \$630,000,000.

The outstanding characteristic of our economy, as it has developed, is the concentration of control of industries in a few hands. A group of Man-

aging Agents control about 500 industrial concerns, with capital of nearly \$315,000,000, and covering every field of industrial activity.

This concentration of control is common to all industries. In Jute, fifty-three mills (capital: \$37,000,000) of the total hundred mills (capital: \$48,300,000) in the country are controlled by seventeen Managing Agents. Four of them control thirty mills. Of 247 coal companies (capital: \$21,945,000) sixty companies (capital \$1,898,000) are controlled by eighteen firms, four of them controlling thirty-one companies. In tea, 117 companies are controlled by seventeen firms, five of which control seventy-four tea companies.

Again just four firms control twenty-seven of the thirty-three minor railways in the country.

Similar concentration of control exists, with incidental variations, in sugar, engineering and other industries. Even in the cotton textile industry, a third of it is in the hands of fifteen firms.

In cement and matches, virtual monopolies have been established through unified control or ownership of the industries.

This concentration has been realized in various ways: by amalgamations, by absorption, more generally by expansion.

In the cement industry, the various cement companies with one exception have amalgamated to form a single joint stock company—the A. C. C. It has taken over the business, assets and liabilities of eleven cement companies and controls works situated at fourteen different places in India. The Company also owns substantial interest in the Buma Cement Co., Ltd.

The formation of the A. C. C. was preceded by the organization of the

Cement Marketing Company of India Ltd. Similar attempts of centralizing, marketing and restricting production, are being made in tea, sugar, coffee, coal and jute.

Another important method of achieving concentration of control is through absorption—a giant buying up its smaller rivals or obtaining control over them in less direct form.

The Scindia Steam Navigation Company, for instance, controls in one form or another the Ratnagar Steam Navigation Co., the Bengal Burma Steam Navigation Company, Ltd., Indian Co-operative Navigation & Trading Co., Ltd., and the Bombay Steam Navigation Co., Ltd.

In the match industry the rivals that refused to surrender were, under the relentless pressure of the Swedish Trust and their Indian subsidiaries, mostly driven out of the business.

Industries have their Napoleons and Hitlers—and also their Seyss-Inquarts! [Austrian traitor and Quisling who supported Hitler.]

These, however, are the instances of horizontal combination. There are other forms of Trusts also.

THE BRITISH INDIA CORPORATION is an instance to the point. It was formed in 1920 to take over the control of:

- (1) The Cawnpore Woolen Mills
- (2) The Cawnpore Cotton Mills
- (3) New Egerton Woollen Mills
- (4) North-West Tannery Co.
- (5) Cooper Allen & Co. (One of the biggest army leather equipment and boot manufacturers of the world).
- (6) Empire Engineering Co. (since closed down).
- (7) G. Mackenzie & Co. Automobiles, etc.

This huge combine (present capital: \$2,625,000) is managed by a single Board of Directors.

There are forty Trusts of this, or even bigger, dimensions. They control about 450 concerns whose total capital exceeds \$231,000,000. Thirty of these Trusts are with capital over \$2,100,000 and five of them have capital exceeding \$10,500,000.

The leading Indian Trusts are: Tata Sons & Co. Birla Bros., and Dalmia, Jain & Co.

Walchand's and Karamchand Thapar's concerns are fast expanding and they will soon reach the status of Trusts.

The British Trusts are increasingly becoming mixed—almost all of them have some Indian share-holders and Directors. Mukherjees have a substantial holding in Martin & Co. The Maharaja of Darbhanga holds big interests in the British India Corporation and Octavius Steel & Co. Villiers & Co. is fully under Indian control.

From the workers' point of view an Indian Trust is often a worse master than a British Trust. The conditions of the workers of the Dalmia Sugar Mills, for instance, are inferior to those existing in the Belapur Mill of Brady & Co. In British Trusts there is exploitation plus drain [extraction from the country of its profit and wealth by the imperialist—Ed.]. In Indian Trusts, perhaps intenser exploitation but little drain.

The Trusts have mainly developed through expansion and not so much through amalgamation or absorption. The pioneer industrialists, mostly British, made huge profits. The accumulated profits enabled them to spread out in all fields. In the early days, the jute mills paid dividends, after transferring considerable amounts to the Reserve Funds, from 100 to 300 per cent—they "simply coined money." Tea companies also



made enormous profits, in many cases paying dividends over 100 per cent. These huge profits went to expand the empires of these Trusts.

AS A CASE STUDY LET US BRIEFLY REVIEW the history of the great Sassoon family—unroll the colorful tapestry of that fabulous clan.

David Sassoon, a wealthy young Jew of Bagdad, migrated to Bombay in the thirties of the last century. He liked the place and founded here the firm of David Sassoon & Co. He started with a rug factory and a banking establishment. (The Sassoon Bank, a private concern, ultimately had capital of \$2,100,000). The most thriving trade at the time was the opium trade with China. David Sassoon entered it and in due course obtained the monopoly of export of opium to China. His son Elias was sent to China where he succeeded, among other things, in obtaining monopoly control over the import of opium to China.

The two ends of this enormously profitable trade were thus controlled by the Sassoons.

Elias on returning to India founded his own firm, E. D. Sassoon & Co. which worked in friendly co-operation with his father's firm, both here and in the Far East. David was succeeded by his son Albert Abdulla. He expanded the business in every direction. He went heavily into the textile industry, he constructed the first floating dock east of Suez, the Sassoon Dock. On his retirement he settled down with a baronetcy in England, where his brother David Jr. had preceded him. The family was growing out of its colonial stature.

The business in Bombay was carried on by brother Solomon who besides conducting the family's banking business, was the Chairman of the

Sassoon Cotton Mills, Sassoon Silk Company, the Oriental Life Insurance Company, and was a trustee of the Bombay Port Trust and a director of the Bank of Bombay.

But the main branch of the Sassoon family was now in England. Sir Edward Sassoon (Albert Abdulla's son, born in Bombay) married Baron Gustave de Rothschild's daughter thus uniting a mighty Oriental House with the foremost banking family of Europe. Needless to add, Sir Edward was elected to the House of Commons—then the exclusive club of Britain's aristocrats!

Sir Edward was succeeded by his son Sir Philip who inherited his seat in Parliament also. The financial wizard of the family, however, was Sir Victor Sassoon who further extended the empire of the Sassoons. Siegfried Sassoon, the fox-hunting poet, held the fort on the culture front.

The scions of an obscure Levantine Jew today make headlines in relation to British Empire politics, sport, literature and finance—all on the strength of the fabulous fortune made in commerce and industry in India and the East.

Other nabobs have a similar tale to tell. While we may not trace their history, let us at least note the extent of their empires.

In Western India, the Tatas, Killick, Nixons, Sassoons, and Bradys dwarf, with their huge financial strength and industrial ramifications, their humbler rivals.

*But this is not the whole story. We have now reached the stage where Trusts are amalgamated with or annexed by bigger Trusts. Recently Martin & Co., took over the control of Burn & Co.—itself a Trust controlling four concerns (Capital \$21 million). Not a few of these Trusts are controlled by super giants of Lon-*

*don. Mackinnon Mackenzie & Co., (Jute Mills, Calcutta), Binny & Co., (Cotton Mills, Madras and Bangalore), the Allahabad Bank, the B.I.S.N. Co.—each a giant in its own right, are controlled by the mighty Peninsula and Orient Co.*

It is also necessary to note the growing inter-relationships between the Industrial Trusts and the Feudal Interests. Some of the Trusts control zamindaris and some of the zamindaris hold big interests in the Trusts. The Maharaja of Darbhanga possess substantial shares in the British India Corporation and Octavius Steel & Co. The Maharaja of Gwalior is one of our leading financiers.

The control of our industries is gathered up not only in a few Trusts but in a few hands. In the Jute industry 132 men hold 271 directorships—ten of them hold 87. Three hundred and eighty-nine directorships of the tea companies are held by sixty-six individuals, twelve of whom hold 184, seventy being with just three men.

The concentration of control is further heightened by interlocking directorships. The various Trusts are interlinked by a group of common directors. This device puts the control of our industrial economy in still fewer hands.

Five hundred important industrial concerns of our country are managed by 2000 directors. These directorships are held by 850 individuals. But 1000 of these directorships are held by just seventy men, the other thousand are distributed among the remaining 780 directors.

At the apex of this pyramid stand ten men holding three hundred directorships—the supreme arbiters of the destinies of our industrial economy.

850 men hold 2000 directorships — average ..... 2.33

70 men hold 1000 directorships — average ..... 14.28  
10 men hold 300 directorships — average ..... 30  
Such is the shape of the pyramid.

EVERY TRUST MAINTAINS CLOSE connections with banks and other financing houses—usually through the device of common directors. Important Trusts have extensive connections. The leading directors of the Tata concerns are on the Boards of the Reserve Bank, the Imperial Bank, the Central Bank of India, the Bank of India, the Bank of Baroda and the Union Bank. Other Trusts have banking affiliations according to their stature.

A dozen individuals, by their control over banks, insurance companies and investment trusts, occupy commanding positions in the industrial life of Bombay. Sir Purshottamdas and his cousin, Sir Chunilal, between them hold directorship in every Trust and in well nigh every important concern in Bombay. They have facilitated or frustrated as it suited them many an amalgamation and absorption. Premchand brothers, Jeejeebhoy brothers, Cowasji Jehangirs, in their ways, exert similar influence thanks to their financial power.

Insurance companies sweep together the savings of the Little Man and bring them to their controlling Trusts. Birlas have a string of insurance firms. Dalmias have their Bharat, Tatas have an insurance company and an investment trust. Insurance and investment firms that are independent of the Trusts like the Oriental Insurance Co., Vulvan Insurance Co., Industrial Investment Trust, have not escaped the control of the group of Finance Capitalists that dominate the Trusts.

An adequate idea of their financial strength cannot be had by us listing



the various concerns controlled by them or by totaling the capital of those concerns—it is the block account that needs to be calculated. The Tata Iron & Steel Company—a combine controlling iron, coal, mica, silica mines and a number of industrial concerns has capital of about \$21 million, but its block account is about \$60 million. The total assets of the concerns controlled by the Tatas exceed \$210 millions. (Sir Purshottamdas, Sir Chunilal, Sir Cowasji) control and direct capital accounts of tens of millions of rupees. Such is the financial might of our oligarchs.

The oligarchs of our economy are, however, only dwarfs before the leaders of the world's finance capital. Our important Trusts are often subsidiaries of subsidiaries, e. g., Andrew Yule & Co., is controlled by Morgan, Grenfell & Co.,—the English subsidiary of the House of Morgan! Before the might of Morgans and Mellons our oligarchs look puny, but that is a commentary on our economy and not on their ability or will to power.

John D. Rockefeller, Sr., and J. N. Tata were born in the same year, 1839. In the intervening century, American economy, thanks to its favorable circumstances, expanded, in comparison to the development of Indian economy, on a colossal scale. That is patent to all. *But the most arresting fact is the close similarity in their developments.*

American giants and Indian dwarfs have sketched the same pattern in growth: industries controlled by a few Trusts, which in their turn are controlled by a group of finance-capitalists.

Because the control is in the hands of a handful of men, it does not mean that there is peaceful cohabitation among them. There is collaboration here, conflict there. Competition

among the Trusts is a subject for an independent enquiry. However, a sharp struggle for further concentration of control ceaselessly goes on and the oligarchy inexorably strives to grow smaller.

The annual profits of the Tata Iron and Steel Company equal the total revenues of the Government of Bihar. And it is just one of the Tata concerns! We demand democratic control over the finances of the Government of Bihar, shall we let the industries remain under the unchecked control of their oligarchs?

The oligarchy is a closed preserve. The son succeeds the sire. It is generally so in every country but in India it is particularly so. Sons and relations—community men at the farthest—reach “the height of Simla.” Fresh blood finds it as difficult to enter the oligarchy as the proverbial camel the eye of a needle.

These oligarchs, able, honest, hard-working and public-spirited though they be, primarily act, after the laws and logic of capitalism—in their own interests. Of course, they will argue a la Adam Smith, that in serving their private interests, through some divine alchemy, they also further public weal. Shall we accept the furtherance of the public weal merely as a by-product?

Industrial expansion is today no longer in the hands of rugged entrepreneurs—men of foresight, ability and skill—but it is with a group of finance capitalists. Financing of industries and centralizing of control are their main functions—and they are essentially social functions. Can they be left unchecked in the hands of private citizens?

BUT UNTIL THE STATE ITSELF IS democratically organized there is no sense in urging for a policy of social

control. We have seen that the present [British Imperial—ed.] Government has sought to remove the State owned railways from all democratic control.

The [Imperial General—ed.] Government is alien and irresponsible. Through many decades of its existence it has shown itself to be not only unsympathetic but hostile to Indian aspirations. It has been the custodian of British Interests. To hand over the control of our industries to it would be to undo the work of generations of patriots. With this Government, our policy must be of cent per cent Swadeshi\* and not of State-control.

But India is on the threshold of great changes. Her Government cannot long remain irresponsible. *When independence is achieved the issues raised in this little booklet will become relevant, perhaps urgent.*

Indian economy has reached a stage where, in an unplanned and privately owned way, it can scarcely hope to grow. There is a demand from all hands for State aid and direction. If such aid and direction are to be given, should they not be in the interest of the bulk of the people—directly and not just as a by-product of the entrepreneurs' pursuit of their profits? Today State control is very necessary, but unless it is social control—a democratic State controlling industry and not vice versa—such control will dismally fail to improve the condition of our people.

In the Free India of tomorrow (after independence—Ed.) our industries cannot be left to the unchecked control of private citizens. They will have to be democratically organized and socially controlled.

\*Swadeshi cannot be exactly translated into a single word English equivalent. It means “of one's own country” or national in spirit. Gandhi's well-known cloth of village manufacture as against British imports was called Swadeshi.

## II

During the forties, when the war fires were blazing, not only the industrial economy underwent many changes, but there have been far-reaching political developments in India. These changes and developments have inevitably left their impressions on the ownership and control of industries.

The Government of India have recently started the publication of census of manufacturers. So far, the census for the year 1946 has been published. The census unfortunately, covers only the eleven provinces, and not the [Princely—ed.] States, and just 29 industries, and the information is listed for 80 per cent of the registered factories. Subject to these qualifications, the following picture emerges of the extent of industries in 1946.

No. of Regd. Factories—5,013  
Capital Invested—\$770 million  
Persons Employed—1,514,382

According to another source, total capital invested in companies registered in India comes to \$935 million.

The fact of concentration of control once again emerges. A group of Managing Agents control about 400 companies with capital resources nearing \$420 million, and covering every field of industrial activity.

This concentration of control is common to all industries. In June 63 per cent of the capital invested and 64 per cent of the companies are controlled by only eight Managing Agents.\* Three of them control 27 companies. The coal industry is virtu-

\*Managing Agents are companies organized for the purpose of actually managing enterprises for absentee or corporate owners, in most instances superseding the owners in both power of control and wealth. Probably nowhere else in the world had this particular form of economic parasitism developed so extensively as it had in India. The Managing Agents still dominated large areas of Indian capitalism—Ed.

ally controlled by 21 Managing Agents, six of whom control 62 per cent of the capital and 56 per cent of companies engaged in the industry.

Of the total 248 Managing Agents analyzed, 164 control just one company, 42 control more than one but less than five, while the remaining 38 control above five companies.

The capital controlled by the trusts exceeds \$315 million.

DURING THE LAST DECADE the process of amalgamation of trusts has continued. Bigger trusts have absorbed smaller trusts and thus have become even more powerful. McLeod & Co., a managing agency house controlling 39 companies, bought up in 1947 Begg, Dunlop, which controlled 25 companies. The British India Corporation has taken over Begg, Sutherland & Co., which controlled 10 important companies, two in cotton textiles, six in sugar and two in engineering. Bird & Co. has taken over F. W. Heilgers and thereby extended its control from 19 to 30 companies. Barry & Co. and MacNeil & Co. have combined, 49 per cent of their shares are held by the Tata Industries; Kilburn & Co. has been made a subsidiary of the new giant.

Sometimes trusts have not been absorbed, one into the other, but have combined to form a new and a larger concern. In 1946 Jardine Henderson & Co. was formed to acquire the business of Jardine, Skinner & Co., which managed 16 companies, and George Henderson & Co. that managed 10 companies.

Through cornering of shares, in some case, effective control has passed into the hands of a Trust, though the earlier facade of a different Managing Agent remains.

In the case of Century Mills, one of

the best textile mills in Bombay, the Managing Agents continue to be C. V. Mehta & Sons, but effective control has passed into the hands of Birla Bros.

In these and other ways concentration of control has taken big strides in the last decade. During the last decade many independent concerns, sometimes belonging to Europeans, sometimes owned by Indians, have changed hands. These sales in some rare cases have weakened a trust, but in most cases, such transfers have strengthened concentration of control.

The classic instance of weakening of a Trust is that of E. D. Sassoon & Co. The mills owned by the Trust have passed into Indian hands. Though a large part of the mills were taken over by Agarwal & Co. and form the combine known as India United Mills, some of the Sassoon mills have passed into other hands also; e.g., the Mayer Mills have been purchased by Ram Ratan Gupta. E. D. Sassoon & Co., whose history of over a century was described, has thus come to the end of its voyage.

But most purchases have strengthened the tendency towards trustification. In the immediate post-war period, so frenzied was the expansion of established Trusts that printing presses, hotels, restaurants, film studios and laboratories — almost any business, no matter how small or peripheral—was taken over by one or the other industrial giant. The overall concentration in the last decade has, therefore become greater than before.

MOST OF THE IMPORTANT PRINCELY States were associated with banks named after them, and through these the resources of the feudal chiefs were mingled with the resources of industrial barons, controlled by the latter.

The intimate relationship between the [Princely—ed.] State and industrialists is well brought out in Hyderabad.

The Hyderabad State Bank, where in the trusts as well as the Government were jointly interested, had resources exceeding \$1,800,000. It will also be recalled that in the Government of the State before the police action\* both Laik Ali and Pingle Venkat Ram Reddy held important positions.

In other States, the relationship between industrialists and princes may not be so blatantly obvious, but there is no doubt that close relationship has existed, and the State Banks have played their part in cementing this relationship.

DURING AND AFTER THE WAR a number of British concerns passed into Indian hands. Rapid political changes in the country and the inflated price obtainable for industrial concerns induced many British industrialists to unload their investments and hand over their controlling interests to new hands. In some cases these sales and transfers brought new men on the scene. British trusts, in response to the changing times, allowed a substantial share of the equity to pass into Indian hands and took Indians as directors and partners. Not only in the Managing Agency, but on the board of individual concerns also, more and more Indians began to appear.\*\*

\*Political action refers to the military steps taken by Delhi under V. Patel in 1950 against the Nizam of Hyderabad to bring that state into the Indian Union. Incidentally, the CP played a particularly reprehensible role in the affair.

It would be wrong to conclude from the above that British and foreign capital is withdrawing from India. It undoubtedly is yielding place to Indian capital in old established industries, like cotton, jute, textiles and other light industries. *But in heavy industries like chemicals, automobiles and machinery, new enterprises are being established by foreign capital, generally British and American.* In automobile industry alone, manufacturers of Morris, Austin, Standard, Hillman, Chrysler and Studebaker have entered into agreement with Indian subsidiaries.

Till 1946, the trend of foreign investments was toward light industries, in twenty years previous to 1946, the investments in mining and quarrying had gone down by 26.7 per cent, in chemicals and allied trades by 22.3 per cent and they had gone up by 22 per cent in miscellaneous trading and manufacturing and by 167 per cent in breweries and distilleries! *These changes notwithstanding, the pattern of distribution of foreign capital in different industries remained basically the same from 1925 to 1946.*

Since then, in response to the changing pulse of political developments, a decisive shift has taken place. Some British companies are setting up their Indian subsidiaries, e. g., Coates, Exide, Goodyear Tyre, Cadbury, Fry. But the more important firms are coming to India through Indo-British partnerships. While a few of these partnerships are with new industrialists, in most cases they are with established trusts.

Nuffield-Birla, ICI-Tata, Chrysler-Walchand are the most obvious

**Number	Type	No. of Directors in 1939		No. of Directors in 1949	
		Indian	European	Indian	European
10	Coal Companies	—	34	17	28
13	Jute Companies	—	49	19	44
3	Engineering Co.	—	6	3	11
14	Miscellaneous Co.	—	53	30	37

among the illustrations. Birla Bros. have entered into an agreement with Babcock and Wilcox, a British firm, for the manufacture of smoke tube boilers and ancillary plant.

The Indian trusts are thus becoming more entrenched, and getting affiliated with bigger international cartels and concerns. Free India's climate has so far proved wholesome to the trusts and tycoons!

INDIAN CAPITALISM WITHOUT HAVING materially expanded production or improved the standard of life of the people, has reached the same degree of concentration as is seen in, say, Canada. There 651 corporations, with gross assets of 19,784 million dollars, control the various branches of Canadian economy. The non-financial corporations are 460, with gross assets of 7,965 million dollars. Of these just a hundred account for assets worth

6,969 million dollars, or 86.9 per cent of the total assets.

India, on a lower level of economic development has reached the same high degree of concentration.

The crux of an economy, it is now realized, resides in control rather than ownership. Whatever be the situation as regards ownership of industrial enterprise, control is securely gathered in a few hands.

Through control of newspapers—Dalmia Jain through the *Times of India*, Birlas through the *Hindustan Times*, *Leader*, *Searchlight* and *Bharat*—the captians of Capital are extending their influence into other fields. Their financial contributions influence, subtly but surely the decisions and policies of a great political party [the Congress Party—Ed]. Through their irresponsible power, generally hereditary, a score of men today arbitrate the economic destiny of India.

ASORKA MEHTA

## THE NEW COURSE

by LEON TROTSKY

### The Struggle for the New Course

by MAX SHACHTMAN

Both in one book—Trotsky's historic essay on the beginnings of Stalinism, and Shachtman's study of the development of Russian totalitarianism.

\$1.50

INDEPENDENT SOCIALIST PRESS

114 West 14 St.

New York 11, N. Y.

## BOOKS IN REVIEW

### Second Phase in Japan

OCCUPATION OF JAPAN: Second Phase, by *Robert A. Fearey*. Published by the Macmillan Company, N. Y., under the Auspices of the Institute of Pacific Relations. 1950. \$3.00.

One of the by-products of the Japanese occupation has been the steady stream of articles and books on Japan. There has also been a notable development of statistical standards so that such information is quite reliable. The present book is one of a group of studies sponsored by the I.P.R. and is actually a supplementary study to Edward M. Martin's "The Allied Occupation of Japan" which covered "phase one" up to 1948.

When the Martin book first appeared the value of a study of so short a period could be questioned. Now it can be seen that the occupation divides itself into three periods, each with its own guiding principle. From August 1945 until about the middle of 1948 a number of reforms were introduced along the lines of American political practices which had the effect of liberalizing Japanese society and of creating a fluid and hopeful political atmosphere. This was during the era of international "good feeling."

By 1948 the Cold War tension dominated relations between the U. S. and Russia and this found its expression in the actions of both the occupation authorities and the Japanese Communist Party as well as the Russian representatives on the Far Eastern Council in Tokyo. The CP began a campaign of strikes, some of which had solid economic motivations, and all of which were politically inspired. In March 1948 MacArthur broke the second general strike and by July restrictive decrees on the right to strike had been issued by the Occupation. This second period, then, is characterized by an end to reform, whittling away at the liberal measures previously enacted, the restoration of reaction to dominance over the state machinery through the Yoshida government and the establishment of America's needs in the Cold War as the decisive

criterion for all the Occupation activities.

Still a third phase was opened with the Korean War in July of last year, with Japan being openly utilized as an American military base. The political direction for the present is toward the securing of permanent bases in Japan thus reducing that nation to a strategic satellite of the American Bloc. Internally MacArthur's and the State Department's aim is stabilization of reaction in power with increasing discretion allowed that tendency to nullify the early reforms.

In a sense, then, this book is already more dated than the author could possibly have anticipated. The primary concern of American policy in Japan now is for a peace treaty which will give legal sanction to its military position in the islands and at the same time obtain the approval of the other, more wary Pacific states, such as the Philippines and Australia to the rearming of Japan. As assurance to these other countries, a Pacific counterpart of the Atlantic Pact is proposed which would integrate Japan into a larger military system. The next period will see the progressive militarization of Japan under U. S. auspices. The internal balance of the country will change accordingly and the Occupation will throw its weight on the side of restoration to power of the generals and admirals. It thus appears probable that the Occupation will liquidate its own reforms in this sphere.

However, this will not be so simple a matter. For one thing, the labor movement which has grown to such substantial proportions, and which has only recently freed its largest unions of the Stalinist incubus, stands in the way because militarization is a direct threat to the unions and it means the destruction of painfully established labor standards. A large body of opinion in Japan sees no future in any treaty arrangement which is made with the U. S. and its friends and which is rejected by the Stalinist bloc which surrounds Japan. They see in this only that their country will become an inevitable target for Stalinist attack. And the largest number of Japanese are

in dreadful fear of the return of the militarists to power.

This book is, nevertheless, an excellent summary of events and policies pursued by the Occupation during "the Second Phase." The author's approach is scholastic. He pursues objectivity with great avidity, making a strenuous effort to exclude his own biases. Thus, after outlining each policy and describing its development and application, Fearey gives a careful catalogue of the reasons which prompted the policy and the arguments against it. He concludes each section with a "balanced view" giving his personal judgment.

It is interesting that Fearey's own conclusions are highly tentative. This is not a natural diplomatic indefiniteness (Fearey is an official in the State Department), but in this writer's opinion, a sober evaluation. For possibly the best commentary on the reform aspect of the Occupation is the uncertainty that any of it will be retained as the presently installed political reaction is given its head.

The best example of this trend is in the basic field of land reform. Fearey's treatment of this subject is excellent. He points out that while the Occupation has forced through a real agrarian reform, reducing the area under tenant cultivation from 46 per cent of the cultivated area to 12 per cent, and creating a new class of peasant proprietors, *the political power of the landlords at all levels of government remains essentially intact.* As a result there has been flagrant sabotage of the reform by the Japanese State. The government put off registration of the new land deeds so that even though the peasant had bought, and in 70 per cent of the cases paid for his new land, the legal title to it was not registered and therefore was not finally legalized. This holds true to this day. The government has clearly indicated that it does not consider the transfer of land to the new owners as final and it has shown a definite desire to institute a counter-reform.

If this is true in so palpable a field as land reform one can easily understand why in such fields as education, local autonomy and police powers the early reforms never were more than skin deep. The "second phase" saw an end to reform efforts and the whittling away of those established earlier. What is more,

while production rose, now, six years after the end of the war, it has still not regained its pre-war level even though American subsidies to the tune of 300 million dollars were poured in last year. There is no solution in sight for the underlying problem of how Japanese capitalism can solve its contradictions without an empire, cut off from the Chinese market and deprived of American subsidies. Japanese capitalism was so wedded to militarization and empire that it has been left rudderless and in chronic crisis by its defeat in the war.

While Fearey is quite hopeful of the economic future of Japanese capitalism he has performed an excellent service in assembling the facts for a realistic appraisal. ABEL BAKER

---

**KARL MARX** .....\$3.50

*By Franz Mehring*

**UAW & WALTER REUTHER**.... 3.00

*By Howe and Widick*

**SHERWOOD ANDERSON**..... 3.00

*By Irving Howe*

*Order from*

**LABOR ACTION BOOK SERVICE**

114 West 14th St., New York 11, N. Y.

(LABOR ACTION BOOK SERVICE can obtain for you any work in print and many out-of-print items. Write for a free book list.)

---

### Please Note:

To our readers in the United States: just a word. Our friends abroad are doing what they can to sustain us, both morally and financially. But the chief financial burden must fall on you. Most of you are far, far better off than the richest of our foreign readers. There are no currency restrictions inside this country. The price of your subscription does not begin to cover the actual cost of publishing the magazine. Can't you sit right down and make out a check to THE NEW INTERNATIONAL as a contribution? Only with your generous help can we continue indefinitely to send the NI to all our friends abroad. (See Memo column, inside front cover.)

## India and the U. S.

INDIA AND THE UNITED STATES,  
*by Lawrence Rosinger. Macmillan,*  
\$2.75.

Rosinger's short book is one of the few studies of relations between India and the U. S. And perhaps one of the reasons for the paucity of the literature is the paucity of the relations. For the central fact that emerges from any study is that there have never existed any major economic, political, cultural, strategic, or historic connections between these two countries. As Rosinger puts it, India is not at the center of the American consciousness.

This book is largely devoted to rounding out this idea, and to providing a cogent criticism of the U. S. attitude toward India. It might have been more useful and pointed to fill in some of the background for the actual lack of relationship which at first examination seems so strange. For it is not so much that the destinies of India and the U. S. have not been intertwined, as that their connection has been largely through Britain as intermediary. While the American colonies were fighting and winning their independence, India was being brought under the political subjugation of the British Empire, and perhaps one of the reasons for the relatively feeble display of force made by the British in America was due to its preoccupation on the Asiatic sub-continent. While the point cannot be insisted on too strongly it remains an historic possibility that had it not been for British involvement in India at the time the course of the colonial struggle here might have been quite different.

Certainly the American Civil War had a direct effect on India. As a result of the loss of cheap southern cotton supplies the newly flourishing textile industry of Lancashire and the Midlands was seriously threatened. The British sought new supplies in Egypt, as is well known. Perhaps not so commonly known is that the British also opened a vast new cotton region in the Punjab with fateful consequences down to the present day for India.

The only time any substantial numbers of Americans and Indians had occasion to meet took place with the stationing of certain U. S. Army units in India during the last war. An impact of this kind is always of a subtle cultural character at

best and, despite the constant reference by India's well-wishers in this country to this incident as a new point of departure in relations between the two countries, any major effect of this "meeting of two cultures" is in serious doubt.

Not even the struggle for independence by India during the war brought the U. S. any closer. As Rosinger shows, Roosevelt's interventions were episodic and on only one occasion did he seem to approach the Indian Independence leaders at all. This tentative feeler was quickly withdrawn at Churchill's protest. Roosevelt never protested Churchill's amendment to the Atlantic Charter to the effect that it was geographically limited to providing for the Four Freedoms in countries washed by the Atlantic. And after this much has been said one has pretty well summed up just about all that was done by official Washington to assist Gandhi and his friends. Very little was said or done beyond a vague sentiment for India.

And since the war? India became a creditor nation with huge sterling surpluses; and like most other nations with even the barest wherewithal it has bought heavily from the U. S., so that for the first time in the post-war years trade between the two nations had become significant. However, this is probably already in the past. Britain has succeeded in tying India to herself quite thoroughly and has largely succeeded in re-establishing the pre-independence trade pattern. It is unlikely that the U. S. will again play as large a role in India's imports as it did during 1946-48. Indeed as India becomes more closely linked with the Commonwealth economy, as is intended for example by the Colombo Plan, her freedom in world trade is liable to become increasingly restricted. The fact is that there never has been, and the probability is that there will not be in the future, an American economic stake in India.

For in the present as in the past the basic relations between the two countries still run through London. It is as a source of British power that India has its primary strategic significance to the U. S.

Rosinger spends considerable space examining the attitudes of American and Indian leaders toward American investment in the latter's country. After the war and in particular, after Independence, a kind of informal international de-

bate raged between the two, with the Americans urging various incentives and special privileges, while the newly empowered Indians were reluctant to yield any of the fruits of freedom quite so soon. Nehru eventually made a series of public speeches in which he in effect complied with the arrogant demands of the American ambassador and offered many special conditions in order to attract U. S. capital. None of Nehru's offers seemed sufficient, however, to elicit a real response in dollar investments but only subtle pressures for more concessions.

Rosinger, however, misses the point of this incredible pantomime. There is a deep historic significance here which has great bearing on the economic future of all the new states of South Asia. The only hope that capitalism could ever de-

velop to full bloom in this area lay in the achievement of independence while world capitalism was still a dynamic social order and while there existed powerful capitalist states with economic stakes in developing the area industrially. Certainly, European capitalism long ceased to be a possible support for such a development. The hope of the native bourgeoisie turned on help from the U. S.

If U. S. dollars could be interested in realizing the fabulous potential of the area there was still hope for a capitalist era in the new nations. But this too has not come to pass. American capital shows no interest in going into the area and there are no reasons to foresee any marked change in this trend in the future. The only American aid that reaches India, for example, is of the direct gov-

ernment to government kind, which is earmarked for certain general developments and does not in any substantial measure serve to buoy up national capitalism. The result is that native capitalism, suffering as it does from a natural conservation and sense of dependence and, having little confidence in its own ability or in the future of the nation, simply stagnates. Independence proves disillusioning, in the very first instance, to the native bourgeoisie which acquires the new state power.

In India capitalism is said to be on strike. There is almost no new investment to speak of; capital formation is at an ebb. The economic leaders seek constantly for international alliances to bolster their position and the only sectors of the economy which interest them are those in which they can combine with foreign trusts. This phenomenon is directly related to the unique character of the American economy and its absence of a fundamental interest in South Asia. It is one of the forces which drove India back into the Empire and which is now giving meaning to the Colombo Plan. It is also one of the realities limiting the capitalist perspective for the area.

In his final chapter Rosinger relaxes somewhat from the "pure objectivity" he so carefully pursues in his earlier chapters, to write what is probably the most lucid exposition of Indian foreign policy that has yet appeared in this country. In passing, he makes the point that it is unlikely that India will take the lead of South Asia toward any kind of regional cooperation. Rosinger claims that Nehru's protestations that he is not interested in such leadership should be taken at face value. He bases his case on the actual performance of the New Delhi government, which has certainly been discouraging every idea of regional unity since the second inter-Asian conference on Indonesia, and on the fact that Nehru is very sensitive to India's internal weakness and, therefore, her need to steer a non-committal course in international affairs. The responsibilities of leadership are frightening to Nehru.

This does not imply that India is really a neutral between the two world camps. Rosinger has no illusions on this score and he correctly underlines that while Nehru is above all terrified of anything which might precipitate war, nevertheless his international orientation is inev-

itably toward the Anglo-American orbit. Here again, however, life is more complicated than Rosinger indicates, as has become clear since the Korean war. The fact that Britain is a reluctant partner of the U. S., particularly in Far Eastern matters, gives India a far greater latitude than it might otherwise enjoy.

ABEL BAKER

## The Question of Tito

LE COMMUNISME YUGOSLAVE, by Louis Dalmas; preface by Jean-Paul Sartre. Tere des Hommes, Paris, 1950—i-xliii; 220 pgs.

The question of Yugoslavia, or "Titoism," has had a most curious evolution, scarcely foreseen by those who concerned themselves with the issue when it first burst into the world four years ago. Not only in retrospect, but particularly from the standpoint of today, the analysis made of Titoism by all parties and political tendencies of the left—regardless of the viewpoint they proposed—seems to have been marked by shortsightedness, superficiality and a failure to grasp the full significance of this development. The outstanding example of this was, of course, the so-called "official" Trotskyist movement which generally outdoes all others in ignorance, incompetence and narrow-mindedness. With the same degree of violence with which they formerly embraced Tito and all his doings, they now denounce and attack this latest in a long line of "traitors" (the same Tito) who has sold himself to the American camp! But no one takes these people seriously, and everyone understands that their real bitterness against Tito is the fact that he refused to create a "new international" into which they could cheerfully liquidate that pitiful body known as the "Fourth International." In reviewing any work on Yugoslavia, such as that offered by Louis Dalmas, the real question is: has the socialist and revolutionary left properly understood this development, has it made proper use of it in its own socialist interests, has it established the necessary objective and subjective climate within which it can exert certain influence on Titoism and assist it along the path of its own evolution?

From such a standpoint we propose to review this work of Dalmas and measure

## "The Case of Comrade Tulayev"

by VICTOR SERGE

A brilliant novel . . . a penetrating analysis of the inner workings of the bureaucratic machine. . . .

The NEW INTERNATIONAL recommends this book without qualification. It is a book you will want to own, \$3.00

Order from

LABOR ACTION BOOK SERVICE

### COMBINATION OFFER

"The Case of Comrade Tulayev"	\$3.00
I year subscription to Labor Action or the New International	2.00
Together	\$4.50
or	
"The Case of Comrade Tulayev"	\$3.00
1 year subscription to Labor Action and the New International	4.00
All three	\$6.00

Order from

LABOR ACTION BOOK SERVICE

114 West 14th St., New York 11, N. Y.



its contribution in accomplishing this task. The author, known as one of the leading "Titoists" in France, is concerned with much more than a mere description of the rupture with Stalin, and the facts of Yugoslavian economic, political and social life thereafter. He has a theory of Titoism, which he presents with force and conviction, and which he considers to be essential to an understanding of the greatest problem of all: how to bring about a revival of the now defunct international revolutionary movement. Therefore, despite many naive and impulsive remarks of a subjective nature which mar the book throughout, his work demands a serious and earnest consideration.

The problem of Titoism is an international one which will certainly have a long and profound development except for those individuals adept in the art of political abstraction who think that the Stalinist-influenced masses and parties can brusquely leap over their Stalinist history straight onto the pinnacles of revolutionary socialism. In this sense, then, it is absurd to be "pro-Titoist" or "anti-Titoist"; to "prove" that Yugoslavia is a "workers' state" or a "national-Stalinism." The real fact of the matter is that both in terms of internal political ideology and international politics, Titoism has already passed beyond its early characteristics which permitted it to be defined more or less correctly, if abstractly, as a Stalinist movement, or a bureaucratic clique seeking to retain power by a neutralist position in a divided world. Titoism must now be redefined as a legitimate and serious international tendency, politically and ideologically, within the revolutionary movement; it must be recognized as the first of many other similar developments which, springing out of the world of Stalinism, must be accepted as harbingers of new, hitherto unknown, ideological currents with which socialists must sympathetically collaborate. Another and parallel example is that ideology represented by the British Labor Government, which, although originating in the capitalist world, nonetheless has characteristics strikingly similar to that of Titoism. This, however, is a theme for another subject and we must return to the work of Dalmas.

The work may conveniently be divided into three sections: the preface furnished by Jean-Paul Sartre, which must certainly

ly be considered as an important political statement on the part of this leading European intellectual; the historic and factual account of Titoism given by Dalmas and a concluding section in which the author advances his "theory of Stalinism" and the place occupied by Titoism in this theory. Needless to say, these sections are of highly unequal value. This is a work requiring concentrated patience and effort by the reader, particularly if he is to overcome his indignation at some of the absurdities of Dalmas . . . and Sartre! Both, it becomes clear, are saying perhaps more than they themselves are aware of.

The preface of Sartre, complex, difficult and expressed in the pseudo-philosophic language associated with the philosophy of existentialism, indicates a serious reflection and study by the author not only of the Yugoslavian question, but of Marxist doctrine in general. Sartre attempts to penetrate the complex questions of the relationship between "objective" and "subjective" factors in revolutionary history—both before and after the social revolution, and the place occupied by the Titoist revolution in this schema. It is impossible to detail his argument here, certainly the most provocative and interesting part of the book. We must limit ourselves to its broad outline, as well as some comments thereon.

Sartre finds the struggle of Tito against Russian Stalinism progressive and revolutionary because, in his terms, it marks a rediscovery of the subjective factor in revolutionary consciousness, as opposed to what he calls "Stalinist objectivity." "In a word," he says, "the pressure of objective circumstances and the contradictions of objectivism itself have led them [the Titoists—H. J.] to reevaluate the subjective, in spite of themselves. But this reevaluation, in its turn, demands a theoretical revision: they must rethink Marxism, they must rethink Man." (pg. xlii) Precisely. And it is on this point that both the critics and supporters of Titoism have gone astray; the one and the other accepting Titoism "in itself," divorced and unrelated to the world, deprived of any inner dynamics, bare and abstract. This reviewer includes himself among those whose approach to the problem was guided by sectarian considerations. Nobody, says Sartre, can foresee today what will become of Titoism; no one can yet grasp

its total and final significance. "It is for this reason that we must place our bets on it. When the die is cast, nothing continues and man disappears. What measures the human grandeur of an enterprise is the fact that one may bet for or against its chances of success up to the end." In the additional sense that Titoism has broken apart the vast, frozen ice-fields of Stalinist ideology, we cannot but agree with the spirit of Sartre's fundamental approach to this issue.

The first phases of the revolution, pursues Sartre, are marked by grave contradictions, particularly between the subjective desires of the workers and objective economic and social realities. The Stalinist leadership has been unable to "constitute a theory of subjectivity adapted to the new phase of the revolution" to resolve these contradictions. Calculating ideological specialists are created by Stalinism, and what Rosa Luxemburg described as the masses acting as their own executive organs of conscious action fails to develop; on the contrary, is stifled. In Korea, for example, "The revolutionary consciousness of the Korean masses has become, for the Soviet leaders, an objective element in their calculations." (pg. xix) In enlarging this conception, Sartre develops at some length what we may describe as the psycho-philosophic process behind the various trials which have taken place in the Soviet satellite lands (Rajk, Kostov, etc.), a most interesting description, we may add.

But in the last few pages of his lengthy introduction, Sartre stumbles and stumbles badly. It is here that he must give both an evaluation of Titoism and an estimation of its consequences upon the Stalinist movement internationally. He accepts the "socialist" definition of the Titoist state implied throughout the book (although even Dalmas is constrained to admit the possibility of its degeneration into a "police state"), and commits the even more serious error of splitting apart the "state" of a socialist society and "the movement of collectivity"; i. e., the organized revolutionary masses. Falsely calling upon Rosa Luxemburg this time, Sartre quotes her well-known remarks about the conservative role of the Social Democratic leadership as against the labor movement and concludes that the task of the workers' organisms in Yugoslavia is to "demand a

greater number of powers than the State has attributed to it"; i. e., conduct a running battle with the state apparatus. This analogy between state and party is, of course, false and an evasion of the primary issue in any evaluation of the Yugoslavia regime: namely, if the mass, popular organisms of the masses do not in themselves constitute the state, in what sense can one speak of a workers' or socialist state? This key question has been treated elsewhere (*cf.*, for example, our article in November-December issue of THE NEW INTERNATIONAL), and we shall not touch upon it.

Finally, Titoism in its break with Stalinism has advanced much further than Sartre, or his friends, in analysing the role of Stalinism. The noticeable cooling off of the pro-Titoists (under the guise of Tito's reorientation toward the American camp) is really attributable to the depth and extent of his split with Stalinism, whereas the band of European intellectuals feel far deeper ties to the Stalinist movement. What a monstrous and capitulationist formula Sartre develops when, denouncing the idea that one should look forward to a split in the Communist movement over Titoism, he says, ". . . we cannot even say that a worker joins the Communist Party; we must rather say that he is born in it, for to be a proletarian and to be a Stalinist is all one." (pg. xlii) At most, one must hope that Titoism, in disturbing the as-surity of the Stalinist worker, may give rise to a reawakening of his consciousness. This conception of the impossibility of any revolutionary activity outside of the limits of the Stalinist world is no doubt Sartre's conclusion from the check of the French RDR movement, and is shared by many, including Dalmas. But is this not in full contradiction with the development of Titoism itself? Up to now, it has been a simple affair for all leftists to proclaim their readiness to defend Yugoslavia in case of an isolated war involving a frontal attack by Russia (a highly dubious and hypothetical situation, at best). But are we not correct in questioning the durability of their position in the event of a general war, with Yugoslavia occupying, formally at least, a place in the camp of the West; put otherwise, may we not suspect a more basic tendency present among the pro-Titoists, namely, the tendency of capitulation to Stalinism?



These matters are handled more crudely and naively by Dalmas, who contributes the bulk of the book. This man, whatever his sincerity may be, is a master confusionist who, alas, has succeeded in confusing himself most of all! He substitutes enthusiasm for analysis and emotionalism for politics. His theoretical efforts never rise above the level of vulgar rationalizing for his preconceived notions or better said, his obsession with the belief that Stalinism constitutes the only revolutionary force in existence. This forces him to make certain statements of such an extravagant nature—for example, his monstrous accusation that the Independent Socialist League, because of its denial that the Stalinist movement is a legitimate working class movement, is in an anti-communist bloc with the State Department and gives a “. . . so-called Marxist cover to bourgeois anti-communist repression” — that the reader is obliged to hold back his temptation to abandon the book. Dalmas, who admires Tito beyond belief and imagines him to be of the class of the great Marxists, renders serious disservice to all those concerned with an objective analysis of Titoism by his vulnerable manner of writing and reporting. He relies solely upon official government sources, admits he has never verified any of the descriptive material he presents and accepts *verbatim* whatever is told him.

There is little purpose in listing the many dubious statements made by Dalmas. However, in justice to him, it should be remarked that he gives a detailed and factual account of the early beginnings of the Titoist tendency, and the factors behind the split. It is his evaluation of the regime, its relations with the workers and its internal politics which receive either little or wrong attention from him. If Titoism marks a progressive break away from Stalinism (undoubtedly true), the task of socialists is to assist this evolution rather than bringing it to a halt midway. If Dalmas' description is correct, then Yugoslavia today is far more of a socialist and workers' state than Russia was under Lenin and Trotsky! This holds for all spheres of the country's life, too. The author contributes nothing to helping the Yugoslavs in their "rethinking of Marxism."

In fact, Titoism has outstripped the Dalmasian type of pro-Titoist, in many respects. Whereas Titoism is clearly

deepening the gap between itself and Stalinism, Dalmas is most anxious to narrow that gap. Surely the author must disagree with the present evolution of Titoism; perhaps he is ready to place his small coin, like the Trotskyists, on the new hero of despairing people, Mao Tse-tung. In any case, the essence of Dalmas' book is more concerned with his "theory of Stalinism" which, in his words, may be summarized as follows: ". . . communism is not necessarily Stalinism, but at the same time Stalinism is also communist." (p. 143). From this, the corollary that the task of the socialist today is to make Stalinism independent of the Kremlin (that is, early Titoist). Expressed with much less sophistication, this is the same theory as that advanced by Deutscher in his biography of Stalin. It is a theory of political capitulation to Stalinism as the inevitable "wave of the future." As such, unfortunately, it is highly prevalent among European left-intellectual circles some of whom—our author included— even describe it as a position of independence between the two blocs! (Cf. pg. 210-11) With these people, one must start almost from the first teachings of Marxism: the labor movement as an independent movement not handcuffed to a state; what is meant by revolutionary consciousness and activity; what is a workers' state, etc. Titoism, because of its inner dynamics and its response to objective circumstances, will surely remain in existence, even in event of war. Let us hope that other and more fruitful contributions to understanding and influencing it will be made.

HENRY JUDD

**BOUND VOLUMES:  
NEW INTERNATIONAL**

1943 .....	\$ 9.00
1945 .....	7.50
1946 .....	6.00
1947 .....	8.00
1948 .....	4.00
1949 .....	4.00

Combination for above years..\$25.00  
(You save \$11.50)

**INDEPENDENT SOCIALIST PRESS**  
114 West 14 St., New York 11, N. Y.