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**ORGANIZED POVERTY**

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Affiliates

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**DEMOS PRESS**

708 N. CLARK STREET, CHICAGO, ILLINOIS

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# DEMOS PRESS

708 North Clark Street

Chicago, Illinois

APRIL 16, 1944

Dear Comrade:

The general reign of intimidation practiced by the authorities against left wing publications and against the people who believe in and work for the interests of the workingclass has made it necessary for us to make new arrangements in publishing **THE FIGHTING WORKER** and is consequently causing a delay.

Because of these circumstances it will be necessary for us to issue the APRIL and MAY **FIGHTING WORKER** as one issue. The MARCH issues of both **THE FIGHTING WORKER** and **THE INTERNATIONAL NEWS** have just been declared "non-mailable" by the Postal authorities, making 6 out of the past 24 publications to be banned in this way - as usual NO REASON HAS BEEN STATED.

The Revolutionary Movement today is suffering many trials and tribulations. It is evidently the beginning of a general wave of terror against the workingclass - to behead the upheavals that are sure to follow the present holocaust. We have already witnessed the frame-up of the 18 Trot skyites. We are witnessing now in Great Britain - on the heels of the shipyard and coal strikes - a preview of what we too may expect in the near future: raids, arrests, imprisonment even for striking, withholding of paper from left wing groups, stringent anti-labor laws and repressions, both "legal" and extra-legal.

The Revolutionary Workers League needs all the help it can get to keep our publications coming out and to prepare against the struggles of tomorrow. Any help you can extend will be of great value, whether it is moral, organizational or most important now, financial. Write to, and make checks or money orders payable to Demos Press, above address.

Fraternally,

*Lee Barnett*

Enclosed find contribution of \$\_\_\_\_\_ to your defense fund.  
I hereby pledge \$\_\_\_\_\_ to the RWL defense fund, every month.

NAME

ADDRESS

MAY DAY MANIFESTO, 1944, OF THE  
INTERNATIONAL CONTACT COMMISSION  
FOR A FOURTH (COMMUNIST) INTERNATIONAL

TO THE WORKERS OF THE WORLD

TO THE OPPRESSED IN ALL COUNTRIES

TO THE SOLDIERS AND SAILORS

May Day, for decades, the traditional holiday of international labor, is with us once more. Some years ago, as many of us still remember, this was a day for the celebration of the international solidarity of the workers and oppressed of all countries. The misleaders of labor in every country have endeavored to transform it into a day for increased speed up for the war, a day of closer linking of the slaves to the war charriot of the masters.

But, despite all the efforts of the bankers and their tools the Social Democrats, the centrists, and, above all the Stalinists, the workers break more and more from the chains of social-patriotism and begin to challenge the very existence of capitalism: that foul system which daily devours thousands of human beings and millions, nay billions, of dollars in its bloody maw.

In Italy millions of workers have gone out on strike against the Nazi domination in the North and southern Italy boils against the equally rapacious Anglo-American domination. Against the government, against the Labour Party, against the trade union bureaucracy, the miners of Britain presented a hundred per cent solid front in their march strike. Despite the censorship news seeps out that India seethes with revolt, and Japan vainly shuffles her military and naval leadership in an attempt to turn aside the wrath of the workers and peasants of Asia. In the very bulwark of rotten imperialism, the USA, railroad workers, steel workers, aircraft workers break daily the class truce promised by the fakers of the AFL and CIO. This May Day sees the workers and oppressed throughout the world on a much higher level of struggle than any previous May Day in the period of the war.

STATE POWER NEEDED

But unless this struggle reaches the level of political struggle on the plane of a fight for power, it can disappear without leaving significant traces. What are our class enemies planning? They are making preparations for the inevitable transformation of the predominantly imperialist war to a counter-revolutionary war against the Proletarian Revolution. Throughout

January Roosevelt and Churchill callously spoke of the vast loss of life that was going to take place as a result of the threatened assault on Western Europe and the Nazi janissaries of Krupp and I.G. Farben replied with threats of still greater slaughter. But both gangs realize that the danger to them of Proletarian Revolution is now the greatest immediate menace, determining their whole military strategy. In this situation the creation in the shortest possible time of a world party of revolution becomes the foremost task.

#### CIVIL WAR TO END WAR

Passing of power from the hands of the masters to the slaves in the form of workers' councils led by Marxist parties is the only way in which millions of soldiers and civilians can save their lives. We are many, the capitalist apostles of death are few. They have given us guns, planes, tanks, with which to tear each others guts out and grind down our bodies. Do not let us be fooled any longer! Let us use these weapons to put an end to death and unemployment. Let us use these weapons for the benefit of the working class!

Have no confidence in the honeyed words of the bosses about the better world after the war! hurl at them the question: Why wasn't there a better world before the war? If capitalism, before the loss and destruction of the war, was only able to give bread lines and speed up, horror and misery, it is certain that this will be worse, far worse, if the bosses should be able to maintain their rule through and after the present war.

Have no confidence in the promises of the Stalinists. In the USA Earl Browder, secretary of the CPUSA, and front man for the Stalinist bureaucracy in the Soviet Union, proclaims the end of the class struggle and announces the post-war prosperity of the workers under a non-existent "free enterprise". Even workers, who have been dupes of this infamous party for years, now see its role as labor lieutenant of the capitalist class, and have turned against it with loathing and contempt.

Have no confidence in the waverers, the centrists, the Trotskyites. In England and the USA they attempt to lead the workers into the snare of a Labour Party, a third capitalist party, more dangerous than the open instruments of the bosses. In France they are a tail to the royalist De Gaulle. In India they support the Indian National Congress, the safety valve of imperialism against revolutionary explosion. They are unable to distinguish between the progressive role of the economic base of the Soviet Union and the reactionary, imperialist-agent nature of the Stalinist bureaucracy. From the leadership of these people of revolutionary phrases and reformist deeds, nothing but defeat and demoralization for the working class can result.

#### FOR A WORKERS' WORLD

Workers of the world! Soldiers on both sides of the imperialist lines! Fraternize! Stop shooting each other! Institute truces and talk to each other! Create joint committees to cooperate with the workers in overthrowing the power of the bosses, who can only give either unemployment or war or both!

Workers in the factories! Break the class truce imposed upon you by the fake leaders who never even consulted you! Build your shop committees! Build your workers guards! Prepare for power!

Colonial slaves! Put an end to such foul conditions as caused the artificial capitalist-made famine in India! Now is your opportunity. While the imperialist hyenas are engaged in their loot battle, seize power! Form Workers Councils! Take over the factories, the mines, the land! Drive out the imperialists! Avoid the bourgeois and petty bourgeois agents of world imperialism as you would the bubonic plague!

Workers of the Soviet Union! Soldiers of the Red Army! How much further are you going to let the Stalinist slavedrivers surrender to international imperialism! Restore your Soviets! Wipe out the usurpers of working class power! That is the way to defend the Soviet Union, that is the way of the world October, the way of Lenin! Any other way is the way back to capitalism and the loss of everything for which you fought from 1917 to 1922.

Workers everywhere! Soldiers on all fronts! Colonial slaves! Backbroken women with your double burden! Tear stained, bombed hungry children! Poor peasants! members of the ever more crushed middle class! Unite under the banner of revolutionary Marxism and once and for all establish PEACE AND FREEDOM!

THROUGHOUT THE WORLD ALL POWER TO WORKERS' COUNCILS!

HANDS OFF ITALY! FOR A SOVIET ITALY!

DEFEND THE SOVIET UNION DESPITE AND AGAINST STALINISM!

FOR A NEW FOURTH (COMMUNIST) INTERNATIONAL!

INTERNATIONAL CONTACT COMMISSION  
FOR A FOURTH (COMMUNIST) INTERNATIONAL

# ORGANIZED POVERTY

CRITICISM OF STUART CHASE'S  
"WHERE'S THE MONEY COMING FROM?"

## 1- COMPENSATORY ECONOMY

The post-war world presents an enigma to the various capitalist theoreticians who are preoccupied with the problem of preserving the system. According to the most conservative estimates of the Department of Labor there will be a minimum of 13 million unemployed when the war is over. According to an estimate of Mr. Stuart Chase "70 percent of our national effort (will be) going for military purposes," by the end of the war. 12 million of these will be in the armed services and 33 million in war industries and activities. What will happen to these people when peace comes, when the war plants are shut down, when the armies are demobilizing, is a terrifying problem which the bourgeois theoreticians confront.

Stuart Chase, writing for the influential Twentieth Century Fund, has attempted in a series of small books to answer this pertinent problem. While Chase himself is probably not a topnotch representative of the bourgeoisie economists, there can be no doubt of the fact that the ideas he presents in his latest book, "Where's the Money Coming From?", represent a viewpoint of a large section of these economists. As such it merits thorough discussion.

Chase starts off by asking the simple question, "Where did the money come from" to rebuild Russia after the Russian civil war, where did the money come from for the Italian invasion of Ethiopia, where did it come from for the preparations of Germany and Japan, and where did it come from in America's war preparations. Traditional economists says Stuart Chase, had predicted that the German economy, the Italian economy and Japanese economy would collapse under the load of expenditures for war, particularly in view of the fact that all these countries were already on the verge of bankruptcy when taken over by their present ruling regimes. Yet says this capitalist economist they not only survived the threat of bankruptcy but they moved forward to finance some of the biggest war machines in history.

"It is obvious," says Chase, that "Money was...not the dominant factor. Manpower and materials were the dominant factor." So long as the nation has manpower and materials it has nothing to fear, it cannot be unbalanced by a "lack" of money. The only problem confronting the capitalist world, says Stuart Chase, is

how to manipulate money in such a way that it does not become a bar to the full utilization of manpower and materials. If you permit an uncontrolled inflationary spiral, that, of course, would check the utilization of manpower and materials because the prices of commodities would go up to such a point that wages would be valueless, and there would be an artificial barrier to consumption. On the other hand, if accumulated savings are permitted to lie in vaults or are not re-introduced into the productive process, that too becomes a threat to the correct utilization of manpower and materials. "The rate of spending," says Chase, "must equal the rate of production." Therein, according to him, lies the whole secret of capitalist economy. Once you see to it that the gap between the rate of spending and the rate of production is closed up, there can no longer be any crises under capitalism. The trouble up to now has been that the state has not intervened to close this gap. It has permitted the individual capitalists an unbridled rule in the domain of free enterprise. Periodically, therefore, mass production has outrun consumption. Periodically too money has been hoarded and not reintroduced into the economy.

The totalitarian countries however, says Mr. Chase, have shown us how by closing the gap between spending and producing they have gotten the necessary money to finance their efforts. We too can do the same thing--although Mr. Chase is quick to add, apologetically, that we will utilize a democratic method in achieving the same ends.

How can this be achieved? The answer is quite simple. In periods of great prosperity--such as the present war prosperity the government must utilize its full power to encourage savings. It should increase the tax load so that a large part of earnings are siphoned off; and it should place a tax upon spendings. In that way the government would be able to eliminate the so-called "inflationary gap."

In periods of depression the role of government must be, according to Mr. Chase, to pump dollars into the economic circuit, to check savings, to bring the dollars out of the bank vaults and into the consumers market. In such periods the government must place a tax on savings, and it must spend for such things as public works, homes, food for relief, etc., until an economic upsurge occurs again.

## 2- OVERPRODUCTION

This is the way Chase pictures modern capitalist economy. It is an economy "where mass production outruns mass consumption. Machines grind and produce mountains of goods. The goods pile up and presently choke the machines. The machines go on half time or stop altogether. The plethora of goods must be dynamited out of the way so that the machines can start again, and

their human tenders can work again. ONLY TOTAL WAR HAS SO FAR PRODUCED THE REQUISITE AMOUNT OF DYNAMITE."

Although Chase does not bother to look behind this picture he is absolutely correct, of course, in the statement that overproduction is the great cause of capitalist crisis. But he looks for the evil not where it exists: in the productive process itself but rather in the superficial factor that consumption somehow or other is not permitted to keep pace with production. This basic error runs through Chase's book, "Where's the Money Coming From?" like a red thread; it is also the basic error of other New Deal and other capitalist economists at the present time--Fisher, Keynes, etc. Once you have brought consumption into line with production everything is settled, they say. The "compensatory economy" is precisely the instrument for doing that. In periods of over-prosperity the state pulls in the reins and checks spending and encourages savings; in periods of depression it encourages spending and illegalizes savings. How can such a system miss, Mr. Chase wants to know.

### 3- THE POTATO MODEL

The mere fact that a bourgeois "liberal" like Stuart Chase can heap such praise on the Fascist economies is a fair indication that the position of the Marxists that the economists of bourgeois democracy are moving very rapidly towards Fascist forms, is correct. But that statement by itself does not show the basic fallacy of the theoreticians of bourgeois democracy. It is necessary to take their system apart and put it together again.

Mr. Chase builds his them from the ground up. He starts off with a model which he claims is a model of the present money system. It is called the "potato model" and its designer is the president of a Minneapolis bank.

We are asked "to consider a small community where people produce and consume nothing but potatoes....they appoint a managing committee which gives out claim checks for work in the potato fields--a check for a day's work or a week's work or what you will. After the harvests there are found, say, 4000 bushels...; and two thousand claim checks have been distributed. Thus each check is good for two bushels of potatoes...the members of the community line up, present their claim checks and haul away their share." This is an economy Chase claims which "can never suffer from unemployment, booms, or depressions! It can only suffer from drouths, plagues, and frosts, genuine disaster."

Everybody works and at the end of the year they present claim checks (money) to get back that which they produced. If at the end of the harvest every potato grower goes back to the warehouse to redeem his claim checks, everything goes smooth and

swell. If however, you give the claim checks a permanent life and permit some people to put the potato claim checks "away for a rainy day," then you run into trouble. The claim checks remain in the farmer's sock while potatoes are permitted to rot in the community's warehouse. A similar crisis occurs when a person who produces nothing is given some claim checks to redeem at the warehouse. Under such circumstances, instead of the potatoes rotting in the warehouse, there is a shortage of them and the farmers are outbidding each other attempting to get potatoes, thus causing a rise in prices and a crisis. It is o.k., says Chase, if you take some of the workers away from directly growing potatoes and put them to work making wheelbarrows. The next season the community produces more potatoes per man hour and the claim checks are worth a little bit more. That is o.k. It is also o.k. if you add additional claim checks, providing additional workers are added to produce more potatoes. At the end of the year there will be more potatoes than the year before and, of course, more participants in the division of those potatoes. The crisis comes only under two circumstances:

1) when there is a hoarding of claim checks so that potatoes rot in the warehouse or

(2) where non-producers are given claim checks.

The rest of Mr. Chase's book merely develops this one theme. He attempts to show how the potato model can be made to work. All you have to do is see to it that the claim checks come back to the warehouse. There is no harm in anybody saving, providing they give or loan their saved claim checks to someone else so that they do not break the circuit between the claim checks and the warehouse.

The United States as a nation saves money from year to year. In 1929, for instance, it "saved" 18.8 per cent of the national income, or about 17 billion dollars. All through the '20's the rate of saving was approximately the same, about \$1 out of \$5. So long as you pumped the saved dollars back into the economy everything was o.k. During the 20's that "saved" money was put back into housing, highways, schools, public works, foreign loans, financing installment buying and building up inventories, according to Chase. By the beginnings of the '30's, however, the capitalists evidently had too much inventories, too much foreign loans and enough of housing and highways. Consequently the "savings", instead of going back into the "dollar circuit", were hoarded. The claim checks were not coming back to the warehouse. The potatoes were permitted to rot. There was a full scale depression. When Mr. Roosevelt came in and started priming the pump with government expenditures he ameliorated the situation--although, according to Chase, Roosevelt was much too conservative. He was afraid of raising the national debt.

Once we get over that fear of raising the national debt, once we learn to operate on the compensatory economy so that the dollars can be forced out of hiding in bad times and pushed into bank vaults in good times, the system will work.

#### 4- THE POTATO ECONOMY AND PRIMITIVE COMMUNISM

Now let us take the potato economy apart. In the first place, Stuart Chase paints an idyllic picture. Everybody works and everybody gets back precisely what he produces, or its equivalent. But is that the way capitalist economy operates? In fact, isn't Mr. Chase talking about something entirely different. Isn't he talking about something much closer to primitive communist economy than to capitalism?

If you take the potato system as your model you will find that it does not work, under capitalism, as Mr. Chase analyses it, but it works something like this:

First of all the potato community is divided into two classes one group of which is euphemistically called entrepreneurs (capitalists) and the other group is called workers. The capitalist starts with a legal right to the land, with some "savings", which he came by as a result of a long process of exploitation and predation and plain honest two-gun robbery, and some wheelbarrows. A worker comes into the system with nothing but his ability to work and to use the land, wheelbarrows, seed, etc. The 100 people in the potato system may produce 100 bushels of potatoes, but when the claim checks are given out the entrepreneur, who is only one person, will take for himself claim checks (dollars) for 50 bushels, while the other 99 workers will be forced to subsist on the other 50 bushels. The capitalists in this hypothetical potato system finds himself in the situation where he has claim checks for more than he can consume. The 99 workers on the other hand find themselves with claim checks for much less than they can consume and are therefore prohibited from making any savings. The capitalist is left with a surplus of claim checks, say 40 claim checks (assuming he has a standard of living 20 times as high as his average worker). Unless he can find an outlet for the 40 bushels of potatoes in the warehouse he will produce only 60 bushels next year and there will consequently be a layoff of help.

The capitalist must now find an outlet for his extra claim checks. Part of the labor power used in raising potatoes he converts into machinery, wheelbarrows, tractors, etc. for higher productivity. Part of the surplus he sells to the other communities next year. The new improvement in production, introduced by the capitalist productive process makes it possible in the coming year for the same hundred people to produce not

100 bushels of potatoes, but 200 bushels of potatoes. Even if you assume that Mr. Capitalist is exceedingly generous and he raises the wages of his 99 workers from 50 bushels to 70 bushels per year, he still is confronted in the coming year with a surplus exactly three times as large as the surplus of the year before, assuming that he still utilizes 10 claim checks for his own personal needs. Since the markets of the world are limited and since other potato systems are also confronting themselves with surpluses, Mr. Capitalist confronts himself with the inevitable depression. His warehouses are full; with enough potatoes for one and one-half years' consumption even at the high level of the second year. He thus must shut down production for a year and a half.

That is the actual model of capitalist economy, not the mythical model that Chase presents. It is quite true there would be no depressions if you had the system functioning on a socialistic schema such as Mr. Chase introduces in his potato model. But unfortunately capitalism has an entirely different dynamic than that presented by Chase.

The unadulterated fact is that the worker does not receive claim checks for what he produces. He receives claim checks only for the value of his labor power, subject to the fluctuations of the price of the labor power on the labor power market. In other words, the worker receives for his work the equivalent of food, clothing and shelter, necessary for him to subsist on. When his bargaining power is good, when there is shortage of labor and a strong union movement he gets a little more than that value. When the bargaining power is weak, he gets less than the value of his labor power. The price paid is for the labor power—in other words the claim checks which the worker receives under capitalism, are not doled out on the basis of his productivity of the amount he produces. It is measured purely by his subsistence needs.

Therein lies the whole basic fallacy of Chase's argument. Instead of analyzing the CAPITALIST mode of production Chase starts with a lifeless money economy far more approximating socialism than capitalism, but having absolutely no similarity with the present system of economy under decay capitalism. The evil of capitalism does not lie in the fact that people do not bring their consumption in line with production. The basic weakness of capitalism is that under its mode of production, production MUST outstrip markets. It's not an accidental phenomena or incidental phenomena, it is a permanent weakness of the system. The compensatory economy cannot work unless the market for goods and surplus capital is artificially brought into line with production. And since the markets of the world are limited, and the rationalization of capitalist production is inexorable under the system, production under capitalism will keep on outstripping markets.

Take the present war, for instance. At the start of the war the United States was consuming 157 thousand manhours in the construction of an airplane according to Charles E. Wilson, Exec. Director of the War Production Board. By the time the 1000th such plane had been produced the number of man hours had been reduced by 90 per cent, to 7,800 man hours. Construction of four motor bombers fell from 200 thousand manhours to 13 thousand manhours by the time the 2000th plane had been produced of this particular model. The amount of new machinery introduced into the productive process staggers the imagination. Mr. Charles E. Wilson, President of General Motors, testifies before one of the Congressional committees that from 1940 to 1943 General Motors increased its number of machines from 75,000 to 143,774. In a shorter period Chrysler's added about 89 percent more machines to its productive machinery. The government has invested approximately 14 billion dollars into the nation's means of production. Productivity in the American economy has more than doubled since Pearl Harbor. After the war America will be confronted with more idle machines, more idle men and more idle capital than at any time in its history.

The plain fact is that American capitalism is drowning in its own liquidity, Mr. Chase himself recognizes that. "In 1910 all savings institutions had assets of only 16 billions. In 1937 they had 69 billion dollars of savings." By 1945 this figure will probably be at least doubled. According to Under-Secretary of War, Robert F. Patterson, by the end of this year "the money-making corporations would have the equivalent of a post-war reserve of more than 42 billion dollars." According to other estimates the sum will be even greater, between 50 and 70 billion dollars. That figure will be divided as follows:

- (1) New plants financed by the government which will be practically given to the big corporations, 14 billions dollars.
- (2) New plants financed out of profits, (which because of the leniency of the present tax laws on depreciation have permitted the capitalists to build for absolutely nothing since they can amortize in the course of a couple of years) 5 billion dollars;
- (3) undistributed profits, 1941-44, 28 billion dollars; (4) possible war refunds from excess profits taxes, 2 billion dollars. In addition to this quite a few billion dollars in savings have been hidden in the form of philanthropic societies, foundations, grants to colleges, increased salaries, etc. The United States is drowning in its own liquidity. What shall the nation do after the war with this vast sum of 120 or 130 billion dollars in so-called savings. Mr. Chase forgets that there are two types of savings. There is the saving that the worker puts away of a dollar a week against a rainy day and medicinal expenses, and there is the tremendous savings from the capitalist productive process which the capitalist must either reconvert

into capital or die. It is this latter savings, this unconverted capital, which impels capitalism to wars for the redistribution of markets and the conquest of colonies. It is this latter "savings" which is forcing the whole capitalist world into a series of two or three world federations confronting each other and preparing for the next bigger and better war to re distribute the uninvestable capital. Even Mr. Chase recognizes this tendency. "When the war industry, the economic systems of the United States, Britain, Canada, Mexico, the Caribbean countries, New Zealand, Australia, North Africa may have been hammered into one supersociety which will make the old national tariffs and trade practices look like remnants of the Stone Age." Presumably Russia will have her federation of states. Presumably too the various have-nots will have their federation.

The savings of society are not "social" savings. Society, when confronted with a surplus of goods and money, does not divide it amongst the unfortunate, the oppressed and downtrodden. No, under capitalism these "savings" (surplus value extracted from the working class) are PRIVATELY, INDIVIDUALLY appropriated by the capitalists.

The system of capitalism, its mode of production, is so organized that the claim checks CAN NOT come back to the warehouse. On the contrary the claim checks FIGHT TO GET INTO OTHER COMMUNITIES and compete with the existing warehouses in those communities. Periodically therefore the capitalist system goes to war to find an avenue to invest those extra "claim checks" and the surpluses in the warehouses of all imperialist nations.

#### 5- WHERE DOES THE MONEY COME FROM?

We come now to the question that Chase asked in his opening remarks. Where did the Russians get the money to rebuild their economy? Germany? Japan? etc.?

As far as the Soviet Union is concerned, it gained its finances to rebuild its economy on the basis of an entirely different mode of production than that which exists in any other country on earth. There you really had, broadly speaking, the "potato community". From year to year the Soviet plan set aside part of its people's production for reinvestment into the productive process. The amount of such capital growth exceeded by 8 or 10 times the most rapid capital growth in the history of the capitalist world. Since the state was the owner of the productive process, in escrow for the working population, it could siphon off a portion of the produce from year to year for investment in new "wheelbarrows," etc. Stalinism unfortunately siphoned this produce off in such a way that it was not always judicious to the mass of people. Furthermore a certain



relatively small percentage of this produce was stolen by a cancerous bureaucracy. Nonetheless the growth of the productive machine was based primarily on the internal strength of the economy. PRIVATE appropriation was replaced by State appropriation.

But that was the Soviet Union. It is absolutely false to compare the Soviet Union with the rest of the world as Mr. Chase should know. But now where did the money come from in Germany? Here Mr. Chase is as blind as a bat. He is naive. He presents the bare facts of Schacht's financing system and completely leaves out what is fundamental to Mr. Schacht's economics, namely: the pauperization of large sections of the German population, and the conquest and pauperization of Europe. According to a high American government official Germany has exacted from the European continent in the last 7 years the astounding figure of 45 billion dollars in reparations and 65 billions in stolen properties and raw materials. If Mr. Chase wants to know where the money came from, that is one of the sources. The other source lies in the elimination of whole sections of the German population, i.e. the middle class, large sections of the working class, and even sections of the upper bourgeoisie, such as Thyssen.

How does the German economy work? Because of its defeat in the last war, the load of reparations, and its unequal competitive struggle with American economy, Germany has been unable to sell its merchandise on a world market on terms to compete with its main competitors. On the other hand, when Hitler came to power it became necessary to expand production for the inevitable imperialist war and to gain the necessary imports for that production. In view of the fact that German economy was unable to sell enough abroad to gain the necessary foreign credits, a system was devised by which the state as a whole subsidized the foreign exports so that credits would be available in Argentina, Brazil, Britain and wherever else Germany had its barter arrangements. In order to pay for these subsidies, however, the Nazis had to impose an enormous tax on imports. The tax was reflected internally in high prices and consequently in a lower standard of living. To partially offset this lower standard of living the German Fascists increased the number of working hours in an attempt to make the take-home pay approximate what it was before. But even that was not enough. The needs of the German war machine were too great. In order to maintain war production it became increasingly necessary to completely annihilate sections of the German population. Thus, for instance, the Jews, made up to a large extent of middle class elements, were thrown into concentration camps or thrown into ghettos, and their property expropriated. This expropriated property became part of the money used in the subsidy system. But even

with all this, even with the increase in hours (which the Nazis attempted to make more palatable by introducing certain petty reforms, through its labor fronts, in each factory, like having dentists available or recreation facilities at negligible charge, etc.) it was still necessary to get money--please remember money--elsewhere. They got it by taking Austria, by taking Czechoslovakia, by conquering Poland and France, Belgium and Holland, Norway and Denmark, and by exacting from the conquered people 110 billion dollars to feed into the maw of the German economic system.

Yes, Germany did get the money. But she got the money in the only way it is possible to get money under a "compensatory economy". By conquest, oppression and imperialist war. America, of course, despite Mr. Chase's protestations to the contrary, is following the same course. But the inevitable reckoning is not too long postponed, even as far as Germany is concerned. We have already witnessed the example of the German partner, Italy. So long as Italian Fascism was expanding outward, conquering Ethiopia and Albania, and parts of France; so long as Italian capitalism was reducing its middle class and its working class to abject poverty, it could obtain the subsidies to maintain its lopsided system. But once the conquests ended, in fact once some of the conquests were taken back from her, you have today in Italy that inexorable spectre that haunts all of capitalism, inflation. A Trotskyist comrade from Naples reports that prices on the black market for a loaf of bread are already higher than a day's pay, and the situation in Northern Italy is even worse. Inflation and all money matters are only a reflection of the capitalist mode of production. They are like a thermometer put into the patient's mouth. They tell you when the patient is sick but they are helpless in curing the patient. The sickness goes deeper into the body of capitalism, the productive process.

#### 6- THE NATURE OF MONEY

Mr. Chase is very entranced by the thought that capitalism can exist with a money that has no backing in gold. Not only that, but he seems to feel that such a money is superior to the old type money. "Modern money is not a physical entity but the transfer of numbers according to a set of rules. The numbers are in bank ledgers or stamped on bills and coins. Their connection with gold is remote."

The connection of money with gold may be remote on the surface but its basic connection is inavoidable. Mr. John Scissorbill may not be very much concerned if the dollar bill which he carries in his wallet is no longer directly convertible into gold or silver. But Mr. John Banker or Mr. John Exporter or Importer have an entirely different attitude to the matter. If the

Chase National Bank cannot get eight pounds sterling for one ounce of gold, if they can only get 7 pounds sterling for one ounce of gold or approximately 32 in American dollars, they get to be considerably worried about the situation. The government guarantees the value of the dollar by paying dollars for gold on the international gold market at a certain specified rate. Instead of the individual being able to convert his dollar into gold the government makes it possible for the banker to convert his dollars into gold at a certain stipulated rate by a very long and circuitous process. In other words, if America has sold more goods to Britain than Britain has sold to America the Bank of England must send the American banks gold in return at a certain stipulated rate approximately 8 pounds sterling to an ounce of gold. In that way the dollar is kept closely tied up to the value of gold. If the value of the American dollar in terms of gold does down, then there will be a rush to buy American dollars and a rush for foreign countries to import American goods. If it goes up the contrary will happen. But gold is definitely linked to the American dollar.

When the amount of gold backing the 19 billion dollars of American currency and the 200 billion dollars of debt of the United States government begins to fall below what the Bank of England considers to be a "safe backing" for that amount of currency and credit, the value of the dollar will increasingly go down, the costs of imports will increasingly go up, the costs of merchandise in America will increasingly go up, and the cost of living will go down. Unless the government steps in with sufficient subsidies (which again it must take out of the hides of the masses) the whole structure will come toppling down. And, of course, subsidies can not go on forever without bankruptcy, and civil and imperialist war.

Now in that light let us analyze what happened to the German mark when Hitler came to power. The backing in gold for the German mark was insufficient to make the mark acceptable currency for foreign importers. The Germans had to retreat. Instead of the best possible circumstances they had to retreat to the next best circumstances. They had to pay a SUBSIDY to foreign importers to take their money.

Money according to Marx is a universal equivalent for value. That means that in the course of years of usage all other commodities have learned to measure their values and their price in terms of gold. A bushel of wheat is worth 1/35 of an ounce of gold—approximately \$1, which means that the socially necessary labor time for 35 bushels of wheat is approximately the same amount of socially necessary labor time in the production of one ounce of gold. When there was not so much circulation of commodities, other commodities were the monies of their time, such as cows, maize, copper, silver and now gold. Money is merely the paper equivalent of the metal embodiment of the value

of the money commodity. No matter how much you try to juggle it that is all it is. No matter how remote it may appear on the surface money is nothing but a measure of the socially necessary labor time in the production of the money commodity—in modern capitalism, gold.

Now under capitalism in its best day, money is not only a measure of value, it is also a standard of price. A free commodity market permits money to act as the measure of the actual socially necessary labor time in the production of other commodities and it also permits supply and demand to work out their relations with each other.

Now what did Dr. Schacht do with money in foreign trade? He has completely eliminated money as a measure of value. He has merely made it a standard of price, a bookkeeping phenomena for a barter exchange. Instead of permitting a free exchange of goods and a free exchange of gold, the aski mark is merely a bookkeeping device for a barter exchange. This method could only survive so long as Hitler was able to pump billions of marks into the export system as subsidies. Dr. Schacht would have a thousand times preferred a sufficient amount of gold to back the reichsmark. In that way he could have gotten a good deal better deal from foreign exporters: he would have gotten more for his money. With the aski mark he had to give more of his money as a bonus for a barter trade; and that money as we have indicated above came out of the hides of the pauperized populations of Germany and particularly the conquered people of Europe.

That is where the money comes from. It comes from conquests, pauperization, lowering of standards of living, elimination of sections of the middle class.

#### 7- AFTER THE WAR

Yes, after the war, the spectre of unemployment will face capitalism again. They will attempt to ameliorate it with the only weapon they have at hand—Mr. Chase's compensatory economy (the equivalent of Mr. Schacht's compensatory economy or Signor Mussolini's compensatory economy). But the compensatory economy is meaningless and impossible unless it rests upon the complete enslavement of the proletariat and pauperization of the middle class; unless it rests, in other words, upon the political foundations of military dictatorship or Fascism. A compensatory economy, no matter how you work it, means an economy of scarcity where the scarcity is controlled rather than permitted to develop in an anarchistic fashion. A compensatory economy may delay the effects of inflation but it only drives those effects underground. When the explosion occurs, it is much worse.

Only a socialist economy of abundance can solve the present problem and only the proletariat can lead the struggle for that socialist standard. The first step in that direction is not to permit the present factories to become disemployed. The working class must defend the means of production and their right to a job and a decent level of living with all the powers at their command. In a recent article we stated that they must defend their right to a job even if the means of production must be held and defended at the point of a machine gun. The phrase machine gun, of course, is used not literally but in the sense that they must use working class action as a defense against capitalist reprisals.

The capitalists will not go back to the old forms of "free" enterprise. They need and will have ORGANIZED ANARCHY, discipline amongst their own class members, no matter who is elected to office in the coming period. They can find no outlet for their 120 billions in liquid capital WITHIN the country, because the liquid "savings" are owned not by the working class and poor farm population which could and would spend it, but are owned by the capitalist class which can not spend it, but can only re-invest it in the productive economy or permit it to lie unused in vaults and banks.

Mr. Chase speaks of the bugaboo of inflation throughout his book, and he fails to understand that somewhere in the shuffle the pauperizing methods of inflation have been replaced by other and more organized methods of pauperization. Inflation is only one of the methods by which the people are reduced to hunger and their savings robbed. It is an INDISCRIMINATE method in that it usually drags some of the rich along with it. Capitalism is learning; it prefers other methods of accomplishing the same thing: subsidies, rationing, increased hours of labor, higher taxes, forced savings, and above all the pauperization of the population PIECEMEAL. Thus Germany at first reduced the "Jews" and militant proletarians to hunger and death. Then the Poles, etc. Thus America discriminates against the Negro, against the Mexican, and against the Japanese-American. Needless to say, however, even if the one form of pauperization, inflation, is temporarily staved off, it does not mean that will be permanent. Italy today is a grim reminder of that fact. One thing is quite clear - and the theorists of the "compensatory economy" should have it drilled into their thick skulls - the total rate of pauperization and organized murder of the masses is today greater than at any time in history. If the FORMS have changed slightly, the total effect is still far more devastating - and, despite Mr. Chase (in a sense because of him) it threatens to grow worse.

America will be forced to be more harsh, more brutal in its imperialism abroad and its dictatorship at home, precisely because it has a greater problem, a greater sum of liquid capital. American Imperialism will be forced to organize the major portions of the earth, and reduce the oppressed populations to even lower degradation than previously existed. Organized decimation of population MUST AND WILL become a part of the beneficence of capitalism, during and after this war, because capitalism can not exist except by driving living standards down further. Hitler's brutality in Europe, the organized murders and slow starvation of the Gestapo, are not the results of abstract hate and sadism, but ECONOMIC AND POLITICAL NECESSITIES UNDER DECAY CAPITALISM. The western democracies are only a few months behind. They too are driven by the same economic laws.

Keep the factories open! Production for Use under a workers Council Government! Therein lies the only salvation. So long as we have PRIVATE appropriation, whether it be under the Fascist form (where the state has socialized losses to a great extent and replaced worthless stock bearing no dividends with valuable bonds guaranteed by the government, bearing interest) - or PRIVATE appropriation under the "democratic" form, we are bound to have crises, wars, unemployment. Juggling of money is only an ALJUNCT to conquest and to lowering the standards of the masses. THAT'S REALLY WHERE THE MONEY COMES FROM.