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**Ernest  
Mandel**

**The  
Debate on  
WORKERS  
CONTROL**



**THE FINANCIAL EMPIRES OF  
AMERICA'S RULING CLASS**

**BY DICK ROBERTS**

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**Ernest Mandel**

## **THE DEBATE ON WORKERS' CONTROL**

### **1. What is Workers' Control?**

The demand for workers' control is on the order of the day. The FGTB [Federation Generale des Travailleurs de Belgique—General Workers Federation of Belgium] is calling a special congress on this subject. Many British trade unions have adopted it. In France the most left-wing workers and students have made workers' control one of their main demands. And in numerous plants and factories in Italy the vanguard workers not only call for workers' control but do their utmost—as at Fiat—to put it into practice at the right times.

This is an old demand of the international working class. It arose in the course of the Russian revolution. The Communist International adopted it at its third congress. It played an important role in the revolutionary struggles in Germany in 1920-23. The Belgian unions raised this demand during the twenties. Trotsky incorporated it into the Transitional Program of the Fourth International. Andre Renard [Belgian left-wing trade union leader] took it up again towards the end of the fifties.

But in the course of the past two decades, the demand for workers' control has fallen into disuse in the broader labor and trade-union movement. Two generations of workers have received no education on this subject. It is, therefore, an urgent matter to define the meaning and the implications of workers' control, to show its value in the struggle for socialism, and to demarcate it from its reformist variants—codeter-

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*In trade union and political circles of England and Western Europe there is intense interest and growing debate around the question of workers' control of production. This is a contribution to this discussion by Ernest Mandel, the noted Marxist economist, which appeared in five consecutive issues of the Belgian weekly newspaper Mandel edits, La Gauche: December 21, 1968 to January 18, 1969.*

mination [mixed labor and management decision-making in the plants] and "participation."

Workers' control is a transitional demand, an anticapitalist structural reform par excellence. This demand stems from the immediate needs of broad masses and leads them to launch struggles that challenge the very existence of the capitalist system and the bourgeois state. Workers' control is the kind of demand that capitalism can neither absorb nor digest, as it could all the immediate demands of the past sixty years—from wage increases to the eight-hour day, from social welfare legislation to paid holidays.

At this point we can dismiss an objection raised by sectarian "purists": "Calling for anticapitalist structural reforms makes you a reformist," they tell us. "Doesn't your demand contain the word 'reform'?"

This objection is infantile. It is also dishonest—at least on the part of those who do not oppose fighting for reforms on principle. We might be able to understand the argument, difficult as it may be, if it came from certain anarchists who reject the fight for higher wages. These people are wrong, but at least they can be given credit for being logically consistent.

But what can be said of those who support all the struggles for increasing wages, for decreasing the workweek, for lowering the pension age, for double pay for vacations, for free medical care and free medicines, but who, at the same time, reject anticapitalist structural reforms?

They don't even realize that they, too, are fighting for reforms; but the difference between them and us is that they fight only for those reforms that capitalism has time and again proved it is capable of giving, of incorporating into its system, *reforms which thus do not upset the system itself*.

On the other hand, the program of anticapitalist structural reforms has these very special characteristics: it cannot be carried out in a normally functioning capitalist system; it rips this system apart; it creates a situation of equal power; and it rapidly leads to a revolutionary struggle for power. Wage increases—as important as they may be for raising the level of the workers' fighting spirit, as well as their cultural level—can do nothing of the sort.

Actually, the whole argument of our "purist" opponents is based on a childish confusion. Fighting for reforms doesn't necessarily make one a reformist. If that were the case, Lenin himself would be the number one reformist, for he never rejected the struggle to defend the immediate interests of the workers. The reformist is one who believes that the fight for reforms is *all that is needed* to overthrow capitalism, little by little, gradually, and without overthrowing the power of the bourgeoisie.

But we proponents of the program of anticapitalist structural reforms are not in any way victims of this illusion. We believe in neither the gradual advent of socialism nor the conquest of power by the electoral, parliamentary road. We are convinced that the overthrow of capitalism

requires a total, extraparliamentary confrontation between embattled workers and the bourgeois state. The program of anticapitalist structural reforms has precisely this aim — bringing the workers to start the struggles that lead to such a confrontation. Instead of this, our "purist" critics are generally satisfied with struggles for immediate demands, all the while talking in abstractions about making the revolution, without ever asking themselves, How will the revolution really be made?

### **An eloquent example: May 1968 in France**

The general strike of May 1968, following the one in Belgium in December 1960-January 1961, offers us an excellent example of the key importance of this problem.

Ten million workers were out on strike. They occupied their factories. If they were moved by the desire to do away with many of the social injustices heaped up by the Gaullist regime in the ten years of its existence, they were obviously aiming beyond simple wage-scale demands. The way they rejected, en masse, the first "Grenelle agreements" [reached between the de Gaulle government and the union federations May 27], which would have given them an average wage increase of 14 per cent, clearly reflects this wish to go farther.

But if the workers did not feel like being satisfied with immediate demands, they also did not have any exact idea of precisely what they did want.

Had they been educated during the preceding years and months in the spirit of workers' control, they would have known what to do: elect a committee in every plant that would begin by opening the company books; calculate for themselves the various companies' real manufacturing costs and rates of profit; establish a right of veto on hiring and firing and on any changes in the organization of the work; replace the foremen and overseers chosen by the boss with elected fellow workers (or with members of the crew taking turns at being in charge).

Such a committee would naturally come into conflict with the employers' authority on every level. The workers would have rapidly had to move from workers' control to workers' management. But this interval would have been used for denouncing the employers' arbitrariness, injustice, trickery and waste to the whole country and for organizing local, regional and national congresses of the strike and workers' control committees. These, in turn, would have furnished the striking workers with the instruments of organization and self-defense indispensable in tackling the bourgeois state and the capitalist class as a whole.

The French experience of May 1968 shows one of the main reasons why the demand for workers' control holds a prime position in a

socialist strategy aimed at overthrowing capitalism in industrialized countries.

In order for united struggles around immediate demands, culminating in the general strike with occupation of the factories, to lead to the struggle for power, workers cannot initiate the most advanced form as something abstract, artificially introduced into their battle by the propaganda of revolutionary groups. *It has to grow out of the very needs of their fight.* The demand for workers' control (which involves challenging the power of the bourgeoisies at all levels and which tends to give birth, first in the factory, later in the country at large, to an embryonic workers' power counterposed to bourgeois power) is the best bridge between the struggle for immediate demands and the struggle for power.

There are two other reasons why this demand is so important at the present stage of capitalism and of the workers' anticapitalist struggle.

Capitalist concentration, the growing fusion of the monopolies with the bourgeois state, the ever-increasing role played by the state as guarantor of monopoly profits in imperialist countries, the growing tendency toward organization and "programming" of the economy under neocapitalism — all these main characteristics of today's economy transfer the center of gravity of the class struggle more and more from the plant and from the industrial branch to the economy as a whole.

In the "managed" capitalist economy, everything is tightly interlocked. An increase in wages is annulled by a rise in prices and taxes, or by indirect fiscal manipulations (for example, increasing social security taxes or reducing workers' benefits). Regional employment levels are upset by capitalist rationalization or by moving investments to other areas. Every effort is made to impose an "incomes policy," tying wages to productivity, but at the same time denying workers' the means of accurately determining productivity.

The trade-union movement cannot make any serious headway if it limits itself to periodic fights for adjusting or increasing wages. All the logic of the national (and international) class struggle brings the unions to *challenge the relationship* between prices and wages, wages and money, wage increases and increases in productivity, which the employers — and the governments in their pay — seek to impose on them as "inevitable." But this challenge cannot be mounted effectively, that is, in an informed way, unless the books are opened, unless secrecy in banking is done away with, unless the workers drag out and expose all the secret mechanisms of profit and of capitalist exploitation.

It goes without saying that, in the same spirit, workers' control must be exercised by the elected delegates of the workers *in view of the entire working class and the nation as a whole*, and not by a few trade-union leaders meeting in secret with a few employers' leaders. We shall come back to this, because the distinction is extremely important.

We are living in a period of more and more rapid technological change—the third industrial revolution. In the course of these changes, various branches of industry, various occupations, various jobs, disappear in the space of a few years. The capitalists constantly strive to subordinate the work of men to the demands of more and more expensive and more and more complex machines.

At the same time that manual labor is little by little disappearing from the factories, the number of technicians directly involved in production is increasing. The level of training and education of workers is rapidly rising. The tendency towards general academic education up to the age of seventeen or eighteen, which is becoming more common, is a very clear indication of this.

But the more education workers have, the more inclined they are to fight for their rights—and the less will they stand for the fact that those who run society, the directors and the executives, often know less about production and the functioning of machines than the workers themselves, yet tell the workers what they must produce and how they should produce it. The hierarchical structure of the enterprise will weigh all the more heavily on workers as the gap in technical knowledge between workers and employers dwindles and becomes maintained only by an artificial monopoly on the details of the functioning of the enterprise as a whole, which the employer jealously keeps to himself.

It is a fact that statistics on the causes of strikes, in Great Britain as well as in Italy, reveal that industrial conflicts less and less concern questions of wages per se and more and more concern the organization of the work, the process of production itself. Belgium is a little backward in this connection but it will catch up soon enough!

The demand for workers' control, by involving the immediate right of inspection and veto for workers in a whole series of aspects of the life of the enterprise—while declining all responsibility for its management, as long as private property and the capitalist state are still in existence—thus answers a need born out of social and economic life itself. The structure of the enterprise no longer corresponds to the needs of the economy nor to the aspirations of the workers.

In this sense, this demand is eminently anticapitalist, because capitalism is not definitively characterized by low salaries nor even by a large number of unemployed workers (although periodic recessions remain inevitable and important). It is characterized by the fact that capital, that capitalists, rule men and machines. Challenging this right to rule, and counterposing another kind of power to it, means taking concrete actions to overthrow the capitalist system.

## 2. Participation, No! Control, Yes!

Experience teaches workers that their immediate and future fate depends on the functioning of the economy *as a whole*. They more and more conclude from this that it would be useless to fight just to defend their purchasing power or to raise their wages without concerning themselves with prices, with the cost-of-living index, with fiscal problems, with investments, and with the capitalist "rationalization" of the enterprises.

In fact, the capitalist class too often manages to "recoup" wage increases by way of price increases or increases in direct or indirect taxes which are saddled on the workers.

It cheats at the escalator-clause game by faking the index or by applying the notorious "index policy" (price increases that avoid or skirt around those products selected for calculating the index).

It nibbles away at the power of trade unions in areas where the working class is very militant by systematically removing investments and enterprises from those areas, thus re-creating unemployment (the Liege metalworkers know a thing or two about this!). It always assures itself a reserve supply of labor by arranging the coexistence of rapid-growth areas with areas that are underdeveloped or on the decline.

In short, it pulls all the strings of economic life and economic policy to defend its class interest.

If from now on workers are content with demanding wage increases, they are sure to be fleeced. This does not mean that struggles for wages and immediate demands are no longer needed or useless — indeed, the contrary is true. But it means that we must not *limit ourselves* to demanding for labor a larger portion of the new value it alone has created. It means that labor must challenge the functioning of the capitalist economy as a whole.

In the old days, employers were content to defend their divine right to be "captain of the ship" — the sacred right of property. Every trade-union demand that required some sort of interference in the management of the enterprise (to say nothing of the management of the economy as a whole) was rejected with indignation as a "usurpation," a first step toward "confiscation," "theft."

But today the capitalists' arguments have become more flexible. From the argument of the divine right of employers, the bosses have prudently retreated to the argument of "defending the enterprise." They admit implicitly (and sometimes explicitly) that workers should "have something to say" on what happens in their enterprise, their locality, indeed the economic life of the country as a whole (certain international treaties, such as the one creating the European Economic Community or the Common Market, even circumspectly mention the right of wor-



kers to be "associated" with solving the problems of the international economy).

This evolution in the thinking of the owners of industry obviously corresponds to an evolution in the relationship of forces. When capital was all-powerful and labor feeble and divided, the employers were able to rule by brute force. When capital becomes weak, because its system has entered the stage of incurable structural crisis on a world scale, and labor organizes and becomes considerably strengthened, more subtle means of domination have to be invented; otherwise, the whole system of domination runs the risk of disintegrating.

Thus we pass almost imperceptibly from the cynical doctrine of the "sacred rights of property" (that is, "might makes right") to the sugar-coated and hypocritical doctrine of "human relations." Thus is born the mirage of the "plant community" in which capital and labor should be associated "in due regard for their legitimate interests."

But the evolution of industrial doctrine is not simply a passive reflection of the evolution of the relationship of forces between social classes. It also reflects a tactical aim of the capitalists. This tactic seeks to involve the trade-union organizations, or even representatives elected by the workers, in a *daily practice of class collaboration*. It is supposed to defuse the explosive character of the social conflict and immerse the working class in a permanent climate of conciliation and bargaining—a climate that blunts all militancy and all attempts to *counterpose* the organized power of the workers to the financial power of the capitalists.

An analogy can be made between the change in the bourgeoisie's attitude beginning in 1914, first with respect to the social democracy, then the trade-union leaderships, and now this evolution towards a more flexible attitude concerning the "exclusive and sacred rights of private property."

In all three cases, the bourgeoisie sought to weaken its class adversary by seduction, after having vainly tried to smash it by violence, repression, or economic pressure. Thus social-democratic ministers have been "integrated" into coalition governments. Union leaders have been "integrated" into labor-management committees. Why not "integrate" workers' delegates into factory councils "associated with management"?

The experience with codetermination in West Germany is especially revealing on this subject. It has been a powerful means of sapping the strength of the trade unions and militancy of the workers.

The workers had the illusion of having acquired "rights" within the plants; the plants became, in their eyes, to a certain extent "their" plants. But when a turn in the economic situation took place, they lost not only their bonuses (accorded by the capitalists in the period of great labor shortage), but even a part of their "normal" income, if not their jobs.

The *capitalist* plants once again revealed their nature: that is, a domain where the employer is the reigning monarch, leaving to his be-

loved workers only the illusion of an "association"—a booby-trapped "association."

De Gaulle invented nothing new with his "participation." Having to sell their labor power to employers who are free to hire them when the "profitability of the enterprise" requires it, workers remain proletarians. Having free command over men and machines (very often acquired with the money of others, that is to say, the state's), employers remain what they were before—capitalists.

Naive pundits, advocates of class collaboration, retort: "You, wicked Marxists that you are, preach class warfare to the bitter end, while the sweet and reasonable capitalists are ready to make concessions and to put their class struggle under wraps." Obviously, the reality is nothing like this.

Seeking to ensnare the workers' organizations and the workers in the trap of class collaboration, the employers pursue, from their side, a *relentless class struggle*. They keep their weapons intact: financial riches, capitalist ownership of industry and banks, subordination of economic life to their profit needs.

But, at the same time, they paralyze or seek to destroy the sole weapon workers have at their command: their capacity to organize and to launch a common struggle for their class interests, that is, operating workers' organizations for the benefit of workers. In looking to subordinate these organizations to "the general interest," while the economy is more than ever dominated by capitalist profit, the capitalists have obtained a resounding victory in the class struggle against the waged workers.

This is why trade unions and workers must refuse to make the slightest concession to the "team spirit" the employers spread around. Workers must systematically refuse to take the slightest particle of responsibility for the management of capitalist enterprises and the capitalist economy. Inspection in order to challenge, yes; participation in, or sharing of, management, no. That is where the interests of the workers lie.

Two arguments are often counterposed to this traditional position of the working-class movement, which Andre Renard was still strongly defending in "Vers le Socialisme par l'Action" [Towards Socialism Through Action].

First of all, it is claimed that the workers have, despite everything, a stake in the survival of the enterprises: Doesn't the disappearance of a large plant mean the loss of thousands of jobs, an increase in unemployment? This argument overlooks the fact that in the capitalist system competition and capitalist concentration are *inevitable*. In "associating" the fate of the workers with that of the plants, one not only risks tying them to the losers in a fierce battle. One also carries capitalist competition into the ranks of the working class, when all experience has shown that it is only by their class organization and their

class unity that the workers have any kind of chance of defending themselves against the capitalist system.

The same argument has no more validity when applied to regions. "We don't want socialization of cemeteries; that's why we have to join the bosses to save our [!] industries," certain trade unionists say.

The sad thing about this that these industries are not at all "ours" but the capitalists', even if nine-tenths of the capital does come from state subsidies. These industries are subject to the laws of capitalist competition. To drag the workers onto that path is to subject them to the dictates of profit making and profit. It is to acquiesce to "rationalization," to increased productivity, to the speed-up, to intensified exploitation of the workers. It also means accepting reductions in the number of jobs. From that to accepting layoffs, even reductions in pay, is only a step.

As soon as you take the first step on this path, the employers' blackmail becomes all-powerful. In order to smash it, it is necessary to reject collaboration from the very beginning and start to enforce maintenance of the level of employment by structural anticapitalist reforms.

### **'Workers' Control and 'Participation' are exact opposites**

And then there is a more subtle argument. "In order to control, you have to be informed. Why not participate with the sole aim of gleaning information?" The sophist adds that there is no absolute distinction between participation and control.

The answer is very simple: everything depends on the objective to be achieved by the action and on the practical course that is followed. Is it a question of "participating" but not accepting the slightest responsibility for the management of the enterprise? But what opportunity should we wait for then, before revealing to all the workers the much touted "gleaned information"? Such a course is out of the question; the capitalists would refuse to play this game; the cards are stacked against them! Right! But if we didn't reveal this information, if we accepted secrecy, "cooperation" and bits of "coresponsibility," wouldn't we be playing the capitalists' game? *In appearance*, the difference between "participation" and "confrontation" is hard to establish; but all we have to do to realize the difference is to record, in each instance, the reaction of the employers, even the most "liberal" employers.

"Then you just want agitation for the sake of agitation, demanding the impossible," reply the defenders of the bourgeois order. Not at all. We want to replace one system with another, the class power of capital with the class power of the workers.

To this end we want the workers to have a very clear understanding of the thousands of ways the bourgeoisie has, in the present system, of

deceiving them, exploiting them, fleecing them. That's why we demand workers' control. And if a radical change in the relationship of forces makes this demand realizable—for a brief transitional period—we would want, in order to realize this demand, the workers to organize in such a way as to create, within the plants and the economy as a whole, a counterpower that would rapidly become the nucleus of a new state power.

"Participation" means: associating the workers with capital; accepting secret arrangements with capital, permanent secret meetings, economic "coordinating" committees, and even "control committees" (such as those in gas and electricity), where the workers actually control nothing at all but become coresponsible, in the eyes of public opinion, for the exorbitant rates charged and for the fat profits of the monopolies.

"Workers' control" means: full and complete disclosure; discussion of all "secrets" of the enterprise and the economy in front of general assemblies of the workers; baring all the intricate machinery of the capitalist economy; "illegal" interference of the workers in all the prerogatives of Property, Management, and the State. This in itself signifies birth of a new kind of power, infinitely more democratic and more just than that of bourgeois "democracy," a power in which all the workers (85 per cent of the active population of this country) together would make the decisions that determine their destiny.

### **3. The CSC's Position: Participation, Yes But . . .**

On several occasions the CSC [Confederation des Syndicats Chrétiens—Confederation of Christian Unions] has tried to bend its efforts toward the problem of the nature of the plant. In 1964 it had already devoted a report to the problem. The report, "Responsible for the Future," presented at its twenty-fourth congress in October 1968, goes back to that subject at great length. The swan song of Gust Cool, as president of the CSC, was precisely the presentation of that report to the congress. A special resolution on "The Reform of the Plant" was presented to the same congress.

All these documents bear the seal of the same contradiction. The CSC holds a certain doctrine: class collaboration. Its rank and file activists, and especially its members, engage in a practice and are subjected to an experience which, whether one likes it or not, is called: class struggle. What the leadership of the CSC is trying as hard as possible to do is to reconcile these two irreconcilable elements.

When the leaders of the CSC *describe* what the workers go through in the enterprise system—which they don't want to call by its proper name, *capitalist* system, so that they have to resort to all kinds of meaningless and innocuous euphemisms, such as "today's enterprises," "present-day enterprises," "the modern system," etc.—they often put their finger on their members' sorest spots.

Plants are often closed (without sufficient grounds, adds the resolution of the twenty-fourth congress. But "insufficient grounds" from what point of view? From the point of view of the stockholder who wants to protect his interests?). There are mass layoffs. Even in good times, unemployment reappears, because production, which has increased, is accomplished by a decreasing number of workers. This unemployment stands to increase still more, because of the "successive waves of automation, the continuous installation of computers, or very pronounced mechanization." The individuality of the man on the job is more and more threatened by "new techniques of organization, of production and management." The hopes of the younger generation are cruelly dashed by the way in which economic life is developing. Etc., etc.

Those are contentions which undoubtedly would meet with the approval of the majority of the 900,000 members of the CSC. They live through this, daily or periodically, and feel it in the marrow of their bones. It is not necessary to add any lengthy discourse to explain these elementary truths: in the factory, it is the capitalist who is in command. His profits come before the interests of the workers and of "human people."

What Cool, Keulers, Dereau and Houthuys—the new president of the CSC—did not add, but which nonetheless is of very great importance, is that these wounds result neither from the bad will of the employers nor from lack of mutual understanding between employers and workers, but from the implacable logic of the *capitalist system*.

If the employer does not subordinate the operation of the enterprise to the imperatives of profit-making, he will realize less profit than his competitors; he will receive less credit; he will be able to accumulate less capital; he will not be able to keep up with the latest techniques. At the heightened tempo of today's competition between capitalists, nationally and internationally, he would soon be liquidated by his competitors.

It follows, therefore, that it is *impossible* to eliminate these sore spots and at the same time maintain the capitalist system. "Humanizing" production relationships while maintaining private property and the capitalist economy, is like wanting the animals of the jungle to stop eating one another while maintaining the jungle itself, with all that it implies.

Listen to the worthy Mr. Cool as he sheds a tear on the altar of the "economy of service":

"We are really at the service of the worker, at the service of his real happiness, and doesn't our era prove that happiness consists in 'being' as well as 'seeing'? Happiness, that is to say, is not only thinking of

one's self but also of others in the world who are hungry, who not only know poverty but who die of starvation. . . ? Don't we attach too much importance to money, to material well-being, even to the extent of sacrificing to them our freedom as producers and consumers, our freedom as human persons? Doesn't material well-being feed a growing selfishness, to the detriment of the solidarity that unites us, not only with the workers in our plants, in our community, in our country, but with all workers, with citizens throughout the world, especially those who are bent beneath the yoke of injustice?"

A beautiful flight of eloquence—even if we find the reproach aimed at Belgian workers that they attach "too much importance to money" in rather bad taste, considering the average level of wages (especially for youth, women, the less skilled, who are especially numerous in the ranks of the CSC).

But where does this "growing selfishness" come from, if not from the sacrosanct "free enterprise" system, which has elevated to the level of a religious dogma the principle of "every man for himself"? Can private ownership of the means of production, the market economy, lead to anything but competition? Can competition, in a money economy, lead to anything but the desire to obtain the maximum income? The whole social climate, the whole educational system, all the mass media, the entire economic life, don't they inculcate in everyone, day and night, that what matters most, above all else, is to "climb the ladder of success"—if you have to step on the necks of others to do it?

That celebrated "freedom of the producer," how can it be achieved under the iron rod of capital, which produces for profit and not for the self-realization of the human being? That celebrated "freedom of the consumer," how can that be achieved under the rule of the advertising industry, behind which lurk the ten financial groups that control the economic life of the nation?

Gust Cool, Keulers, Dereau and Houthuys don't want to abolish private ownership of the means of production. They don't want to get rid of capitalism. They don't want to eliminate national and international control of the economy by holding companies, trusts and other monopolies. They don't want anyone to touch competition or the market economy—those beauties of the jungle.

But how will "participation" by the unions in the management of plants based on profit prevent shutdowns when profits are threatened or disappear? How will "participation" by the unions in the management of the economy prevent the concentration of enterprises, when these are precisely the result of competition? How will "participation" by the unions reestablish the "freedom of the producer and the consumer," when in the framework of capitalist economy, which is more and more automated, man more and more becomes simply an appendage of the machine, and the consumer more and more becomes a victim of television commercials, more and more manipulated?

The leaders of the CSC are inextricably entangled in a web of theoretical contradictions. They will not be able to get out of it, except by verbal gymnastics which serve only to reflect the lack of respect they have for their members.

But among these members, the number of those who will grasp these contradictions will not stop growing. To the extent that the members of the CSC experience class struggles, experience the contradictions of the capitalist system, they are brought to the point of asking themselves questions about the *nature of that system*, questions that the CSC heads seek only to dodge. And the more the members grasp the nature of the system, the more they will understand that their interests and their convictions demand that, far from collaborating with it or "participating" in it, they have to overthrow it and replace it with a socialist system based on the collective self-management and planning of the workers.

In France, this idea has made enormous progress among the members of the CFDT [Confederation Francaise et Democratique du Travail—French Democratic Confederation of Labor] during the last few years. This progress was further accelerated during the last few months, after the bracing experience of the May 1968 general strike. We can bet that Cool would like to avoid, at any price, such an explosion in Belgium, lest the members of the CSC draw similar conclusions from analogous experiences.

After having denounced the innumerable "violations of the human person" of which the capitalist economic system (excuse me, the *present* economic system) is guilty, the leadership of the CSC is satisfied with demanding—passage of a law on bookkeeping records, extension of the rights of the plant councils, and constitution of a labor-management study commission with a view to reforming the plant. The mountain labored and brought forth a mouse—and the poor little animal seems pretty sickly and unlikely to survive.

Let's pass over the farce of the labor-management study commission for a reform of the enterprise that would eliminate all the sore spots mentioned above. Does anyone believe for a single minute that the employers can accept keeping surplus personnel on the payroll—given the laws of competition? But all the "progress" they boast of, including the famous "technological progress," has the exact aim of eliminating these workers. We can bet that the results of these talk-fests will not be the curing of the sore spots but the adoption of lots of bandages and sugar-coated pills, so that the patient won't suffer too much. That, of course, is right in line with the noblest of charitable motives, but it eliminates neither the ills nor their more and more frequent appearance.

The law on bookkeeping records constitutes a useful reform, *on condition that it serve a policy of workers' control*. If not, it represents only a measure for rationalization of capitalist economy, which the

workers should not get involved with, and which will, moreover, wind up being used against them.

But, of course, workers' control is not what the CSC has in mind.

The CSC talks a lot about layoffs and "groundless" shutdowns. But wouldn't the first thing to demand, in line with this, be the opening of the company's books? And not only those of the employers who went bankrupt, but those of *all* the employers, especially since the coal crisis taught us how holding companies and financial groups can manipulate their accounting procedures so that losses appear in all sectors that claim (and receive) public subsidies, while profits appear in all the sectors that "rely on private initiative," and where they want prices to rise on the stock exchange? Since these groups balance off, on an over-all basis, "profit and loss" of the companies they control, it is therefore necessary to open the books of all these companies.

How can we determine which shutdowns are "justified" and which are not, without opening the books and eliminating secrecy in banking? But doubtless the leaders of the CSC don't like to "violate the rights of property," that is of capital. They actually prefer, regardless of what they say, that capital constantly violate those famous "rights of the human person" that they do so much talking about—except when it comes to drawing some conclusions about the demands necessary to gain those rights.

#### **4. The FGTB: Differences Between Theory and Practice**

The problem of workers' control was reintroduced into the doctrine of the FGTB by the "Renard Tendency" during the fifties. It ripened in the aftermath of the great strike of 1960-61, the culminating point in the radicalization of the workers of this country since the 1932-36 period.

Inasmuch as "participation" is in fashion, and inasmuch as the CSC has several times taken up "reform of the enterprise," the FGTB cannot in all decency remain silent on the subject. It is, therefore, preparing a special congress on the problem of workers' control—the preparations for which are taking place, unfortunately, in secrecy, as if they were of no interest to trade-unionists as a whole! The discussions on this merit very careful attention.

The FGTB obviously finds itself at an ideological crossroads. For a good ten years now, a more and more distinct cleavage has appeared between its theory, which is becoming more and more radical (at least in Wallonia as well as in Brussels and in certain Flemish regions), and its practice, which keeps turning to the right in Flanders and which has also begun to deteriorate in Wallonia during the past



few years.

For a problem as clearly defined and of such burning importance as workers' control, we must know if this doctrine will be interpreted as class collaboration in practice or if a new radicalization in theory will force practice to bend to the left, as was the case, in part, between 1956 and 1962.

From the point of view of theory, all coresponsibility in capitalist management is excluded. We are thus talking only about *control*. When the demand for nationalization of the electric plants was abandoned in exchange for the establishment of a control committee, a great deal of care was taken to distinguish the latter from the "management committee," which was reserved for employers only.

*Control* under a capitalist system; *codetermination* under a socialist system: that was the praiseworthy principle that was invoked.

Let us see, however, how it worked in practice.

By being satisfied with a sham control, which respects the secrecy of company books and which, moreover, introduces a new secrecy in the relationships between union leaders and union members, one can in fact serve as a *cover* for capitalist management. It is a participation that doesn't dare call itself "participation," but which in practice is close to that principle of class collaboration.

Thus, after several years of the "committee of control of electricity," Andre Renard and the comrades who led the Gazelco sector realized that they controlled nothing at all; they were running the risk of getting a capitalist management off the hook, in the eyes of the workers and consumers—a capitalist management that was more than ever imbued with the profit motive and not at all with the spirit of the "common good." They therefore began by demanding *real control over the calculation of cost prices*, which is inconceivable without opening the books and without an on-the-spot confrontation (right in the plant) of the employers' accounting figures with the economic and financial reality as directly perceived by the workers and technicians. They added to that, moreover, exact demands, calling for a kind of veto right over rate-fixing, investments, and rationalization.

None of this was obtained. They were satisfied with stretching the "Round Table" agreements to cover the gas business, at the time of the renewal of the agreement in 1965. As for the Gazelco sector, the union once again put forth—and very opportunely—the demand for nationalization of the electric companies, but without ever succeeding in getting the FGTB to wage a genuine campaign on this demand.

Allocating the distribution of natural gas from the Netherlands to private industry compounded the scandal of profit from a public service monopoly going to the gas and electric trusts. But the FGTB put this scandal on ice. It doesn't even conduct an educational campaign any more for its members and for the public on the theme of nationalization under workers' control.

At the end of the brochure that it devoted in 1962 to nationalization of the electric companies, the Gazelco sector wrote as follows:

"Our joining the institutions of the 'Round Table,' the management committee and the control committee, thus has a definite meaning. In a capitalist system the trade-union organizations have, in fact, to fulfill the mission of control. That mission cannot always lead them toward associating themselves with private management of industry and toward sharing the responsibility for it."

The authors of this brochure themselves call attention to the contradiction present in this doctrine, in this era. Actually, they do not reject every program of rationalization, but state:

"We cannot lose sight of the fact that, in a capitalist system, rationalization is almost always accomplished at the expense of the working class." They are then led to add (in bold-face type): "Also, never will we permit workers, manual or intellectual, to become victims of rationalization measures."

Several years later, the FGTB Metalworkers Federation was confronted with an analogous problem. Having gone astray in agreeing that the resolution of regional problems— independent of the class nature of the economy!— be given priority, this federation decided to enter the Comite de Concertation de la Politique Siderurgique [Iron and Steel Industry Policy Coordinating Committee].

It was inevitable that this committee would engage in rationalization. The FGTB trade-union movement thus accepted associating itself with rationalization measures. Practice as well as theory had slipped a notch as far as the excellent principles of 1959 and 1962 were concerned. They *did* permit rationalization measures that victimized the workers (that is, a big reduction in employment). They were satisfied with demanding palliative social-welfare measures, so that the workers wouldn't suffer too much.

Their practice slid from workers' control towards codetermination and that under the worst conditions: codetermination of a sector in relative decline, where the problem of cutting down employment was posed. Will theory follow practice? This is one of the things we shall learn at the special congress of the FGTB.

This is also one of the tasks of the militants of the FGTB: to prevent the introduction into trade-union theory of the disastrous confusion between workers' control and codetermination (or participation). The latter transforms trade-union organizations from instruments for the defense of the interests of the workers against the bosses into instruments for the defense of capitalist enterprises (including interests against those of the workers).

If trade union doctrine continues to reject codetermination at the plant and industrial branch level, the same doesn't hold true, and hasn't for a long time, for its practice as far as the economy as a whole is concerned.

In the Central Economic Council, in the National Committee for Economic Expansion, in the Programming Bureau, and in numerous similar bodies, representatives of the unions amicably sit side by side

with employers' representatives and together draw up analyses, diagnoses, syntheses and programs. Sometimes their formulations do not agree. Often, they arrive at common conclusions.

An atmosphere of mutual understanding and collaboration—not to mince words, class collaboration—stems from this. It is this atmosphere that enabled Louis Major to exclaim, in the speech ending his career as general secretary of the FGTB (to start a new one as king's minister): "The relationships between unions and employers in Belgium are the best in the world."

We do not believe that knowing whether to sit on this or that committee is what matters. What is important is the *reason* you sit there, and what you do in practice. To take a seat for the purpose of gathering information useful for the day to day trade-union struggle; to denounce short-changing and abuses on the part of employers; to bare the structural deficiencies of the capitalist mode of production, so flagrant and so visible throughout the country, to improve the quality of, the audience for, and the forcefulness of the agitation conducted among the workers—we do not see what would be wrong in such a tactic of challenge, to use a fashionable term.

But that is obviously not the tactic of the FGTB representatives. They don't challenge anything; they collaborate.

Speaking at the study weekend held by the Andre Renard Foundation November 26-27, 1964, at Ronchiennes, Jacques Yerna commented about the Programming Bureau:

"We have let neocapitalism absorb planning, just as it has absorbed so many other things in our program; and instead of going a step further, of forcing acceptance of our concept, the trade-union movement was satisfied to pick what suited it from what was offered, and to reject the rest."

Note that at the regional level in Wallonia, the FGTB leadership is now running the risk of repeating the same experience, but on a much bigger scale, and with repercussions that may be even more disastrous.

Haven't they associated themselves with the capitalists of the Wallonian Economic Council to formulate jointly all kinds of "regional programs," programs that cannot help but respect and enforce the capitalist profit motive? That is a far cry from "forcing acceptance of our concept." They are no longer even prepared for "rejecting the rest." They are content, humbly content, to beg for a minimum agreement with the "Wallonian" employers before defending the interests of X trust or holding company against Y trust or holding company, which is accused of favoring "Flanders." "Our concept" of structural anti-capitalist reforms, especially the principal idea of seizing control of the economic life of the country from the holding companies, no longer serves as a guide to action.

When they study the documents on the subject of workers' control that some day will have to be submitted to them, FGTB activists

will have to avoid three dangers:

1) that of seeking to adapt theory to practice, that is, of developing theory around, and accepting as doctrine, the concept of codetermination and participation. We shouldn't jump to the conclusion that such a thing is impossible. There is a temptation—especially among the Flemish leaders of the FGTB—to systematically align themselves with the positions of the CSC. And in other countries, such as West Germany, there are examples to show that an entire generation of trade-union militants can become bewildered in the face of the confusions to which "participation" gives rise.

2) that of the "whistling in the dark," that is, throwing a veil of modesty over the contradiction between theory and practice, and being satisfied with theoretical tinkering while doing nothing to change the practice (which obviously implies that such theory would be condemned to remain a dead letter).

3) that of deliberate confusion, which would consist in mixing "confrontationist" and "participationist" formulas and objectives, under the pretext of "unity," "realism," and "comradely compromise." This will only emasculate theory still more and accentuate the slide towards generalized class collaboration and intensified integration into the capitalist system.

FGTB activists, who are conscious of the workers' interests and of the crisis of the system under which we live in this country, will have to counterpose to the above three dangers a *concrete program* of workers' control, which, taking off from the immediate concerns of the masses and from the problems the country faces, tries to raise to a higher level the total challenge to the capitalist economy and the unitary state [that is, a centralized government which rides roughshod over the interests of the two nationalities combined in the Belgian state—the Walloons and the Flemings]. This is the only realistic possibility for assuring the future of the working class.

I must insist on the fact that the adoption of an *action program* would be just as important as the adoption of a program of demands going in that direction. Such an action program would signify a willingness to break with the practice of class collaboration and would outline a plan for phased mobilization of all the energies and all the fighting potential of the workers, with the perspective of winning workers' control by any and all means necessary.

## 5. Six Propositions, in Conclusion

How can the theme of workers' control be integrated into real struggles waged by the workers? How can agitation for workers'

control contribute to stimulating the combativity of the toiling masses, to raising their level of class consciousness, to triggering struggles that go beyond the framework of the capitalist system, that is, contribute to creating a prerevolutionary situation?

I have tried to answer these questions first by an analysis of the problem in general, refuting the current objections to this strategy and critically examining the timidity of the CSC and the FGTB in dealing with, if not a genuine struggle for workers' control, at least the problems raised by this slogan.

Obviously, I don't pretend to close the question in this way. I want to set off a real debate. I hope especially that the rank and file, union activists, genuine representatives of the workers in the plants, will participate in this discussion.

The more that workers' control is discussed among the workers, the more will controversy be aroused by this problem, and the more numerous will become the blue-collar workers, the white-collar workers, and the technicians who will enlarge the horizon of their perspectives beyond the limits of reformism and neoreformism.

But theoretical discussion, abstract discussion (it makes little difference if it is directed toward grasping the question as a whole), is not enough to stimulate the kind of perspective-changing discussion we refer to above. Something else is needed, a complementary factor, in the way of practical proposals, and I am anxious to end this series of articles with these proposals.

They must all correspond with the criteria set forth in the beginning of our analysis: they must be based on the immediate needs of the workers; they must be of such nature that capitalism cannot integrate them into a normal functioning of its system; they must thus create a situation of dual power which will tend towards a global confrontation between capital and labor; they must enlarge the workers' practical experience as to the fundamental nature of the capitalist system and the ways in which it can be challenged in its entirety, that is, they must prepare the masses to approach this challenge under optimum conditions of consciousness and organization.

### *1. Open the Books*

Innumerable sources—most of them non-Marxist, indeed distinctly bourgeois in origin—attest to the impossibility of relying on employers' statistics to learn the truth about the economic life of this country (as well as all capitalist countries). The employers' balance sheets, their financial statements, their declarations of inheritance, falsify economic reality.

These falsifications are not manufactured gratuitously. They have very definite ends in view, whether it be cheating on taxes; understating profits in order to justify refusing a wage increase; or deceiving the public about the real facts behind a particular trade-union demand.

Every time negotiations with the employers are opened, whether they be on wage increases, an increase in productivity, or on the economic consequences of a trade-union demand, we must routinely reply:

"We refuse to discuss this blindfolded. Lay the cards on the table! Open your books."

The value of this demand as an anticapitalist structural reform, that is, as a transitional demand, will be all the greater if three conditions are added to it:

First, opening of the company's books must be done publicly and not be limited to a closed meeting with a few trade-union leaders, whose tendency towards good fellowship with the bosses is well-known. Secondly, analysis of the balance sheets and of the bookkeeping system should be facilitated by the adoption of legal measures for uniformity in accounting procedures. Finally, and especially, verification of the balance sheets and the general accounts need not necessarily be made on the basis of the figures, but must be effected at the plants themselves, so that the mass of workers are in on this examination.

It is easy to doctor a balance sheet by undervaluing a supply of raw materials. But this value, although it has disappeared from the figures, cannot remain hidden from the workers who receive, warehouse, maintain, and regularly check this same merchandise.

The objection is often heard that workers would be incapable of verifying balance sheets. We shall soon publish in *La Gauche* some concrete suggestions, advanced in Great Britain by the comrades of the Campaign for Workers' Control, that will facilitate study of balance sheets and of capitalist accounting procedures by workers' representatives. Generally, these objections are greatly exaggerated by those who wish property "rights" to remain untouched. They are the identical twin of objections that used to be advanced by reactionary regimes to justify their denial of universal suffrage: the workers are too "ignorant," "badly educated," "unprepared to assume this grave responsibility," etc. etc.

## 2. *Right of Veto Over Layoffs and Plant Shutdowns*

The major motivating force behind the workers' struggles for the past few years has without doubt been fear of unemployment, layoffs, and reduction in the volume of employment, in Wallonia and in many Flemish regions.

The reclassification and occupational retraining program has proved a failure. It has not been able to prevent a rapid decline in the level of employment in the target districts. As far as industrial reconversion is concerned, experience teaches that you can rely neither on big business nor on its unitary state, neither on various bourgeois governments nor on coalitions with the bourgeoisie, to make reconversion operational.

In these conditions, the workers more and more have the feeling that it is wrong for an economic system, for which they do not have the slightest responsibility, to make them bear the brunt of the costs of industrial changes. To obtain an effective guarantee of the volume of employment, what the workers must demand from now on is an effective veto right over layoffs and shutdowns.

This concrete application of the principle of workers' control involves the forcible reopening of plants shut down by their owners and the management of these plants by the workers themselves. It also involves making funds available, at the expense of the capitalist class as a whole, to enable these plants to operate during the transitional phase, before newly created modern plants, publicly owned and administered under workers' control, outdo these old rattletraps.

Our comrade Pierre Le Greve proposed a bill along this line when he was a deputy [in parliament]. It is useful to come back to this every time a shutdown or a layoff of workers occurs—not to encourage any illusions that that particular item of workers' control can be obtained through electoral or parliamentary means, but to stimulate the critical awareness of the workers and oblige the leaders of the mass organizations of the working class, which are making the demand, to take a position on these proposals.

### *3. Workers' Control of the Organization of Work in the Plant*

The hierarchic structure of the plant seems more and more anachronistic, to the extent that the level of technical and cultural qualifications of the workers is raised.

In the most streamlined, modern industrial plants, where a high percentage of personnel is composed of technicians with middle or high level technical education, this anachronism is especially striking. But even in industry as a whole, the growing complexity of production processes results, for example, in teams of maintenance workers often understanding the exact mechanics of manufacturing, and the bottlenecks that periodically arise, better than highly placed engineers—not to mention members of the board of directors!

To the many on-the-job conflicts that stem from the hierarchic character of the relationships between blue- and white-collar workers on the one hand, department heads and foremen on the other, must be added the stresses in the workers' life occasioned by the more and more frequent changes in organization of the work.

Changes in techniques often do away with trades and skills acquired through hard work and years of experience. Speed-up increases workers' nervous tension and fatigue, and adds to the number of occupational accidents. The principal victims of these changes cannot be satisfied with the modest right to make suggestions, accorded them by legislation presently on the books, in the plant councils and the health and safety committees. They have to demand overall workers' control of organization of the work, a control that involves not only

the right of being informed in advance of all proposed changes, but also the right to be able to oppose and prevent these changes.

When workers adopt the habit of answering each incident that sets them against a department head or a foreman with the demand for workers' control, a big step will have been taken in the direction of overturning hierarchical relationships and of replacing the "heads" by workers elected by their fellows, recallable at any time, and responsible only to the rank and file, not to the boss.

#### 4. *Workers' Control of the Consumer Price Index*

In Belgium we live under the system of a sliding wage scale, that is, automatic adjustment of wages to every increase in the official cost-of-living index above a certain threshold, which varies according to the parity agreements (generally, 2.5 or 2 per cent). This system *partially* protects the workers against the erosion of the purchasing power of their wages and salaries. This guarantee is only partial for reasons explained many times in this newspaper. In this article it is sufficient to demonstrate one of these reasons: the lack of the representativeness and honesty in the retail price index.

The index is, of course, put out by the government. And the government is only too often tempted to give a bit of a push in the direction of its "index policy," (i. e., it's cheating), not only to please the employers, but also and especially to space the periodic adjustment of civil service workers' salaries — which weigh heavily on the budget.

It is true that the Price Commission has the right not to recognize the honesty of the index, to oppose this or that decision of the government concerning prices or price increases. But this right of opposition carries with it no power to enforce any changes.

A genuine workers' control over the consumer price index — an indispensable measure to efficiently protect the purchasing power of the workers against the permanent rise in the cost of living — would therefore involve some power of the trade-union opposition to act (right of veto) on the government index. It also involves this control being instituted at the bottom, where teams of workers and housewives would regularly determine the real price increases in different parts of the country.

#### 5. *Elimination of Secrecy in Banking*

Fiscal manipulation has been one of the bonanzas for all those who have claimed to rationalize management of the capitalist economy of this country in the course of the last fifteen years. This is reflected in one of the most striking swindles of the system, a swindle that results in wage and salary earners paying, at the same time, the major part of both indirect and direct taxes.

The proliferation of legal measures, fiscal reforms, administrative controls, is admittedly unable to eliminate this flagrant injustice. Elimination of secrecy in banking and introduction of workers' control on



all financial operations, would quickly put an end to this scandal.

We recently witnessed a tremendous flight of capital from France. Everybody wondered who started it. The de Gaulle government was very careful to state that it isn't hard to answer that question, at least in large part.

Actually, in the private property system, confidence between bankers and large depositors never prevails to the point that vast financial operations can take place without leaving any written traces. A workers' control over bank records—especially one exercised by bank employees devoted to the people—would quickly ferret out most of the guilty.

### 6. *Workers' Control Over Investments*

One of the most striking characteristics of neocapitalism is that there is a socialization of a growing part of production and overhead costs, while profits and property obviously remain private. In this country, a large part of long-term investment has been financed by the state in the course of the last twenty years. The study of successive balance sheets of the Societe Nationale de Credit a l'Industrie [National Industrial Credit Society] is particularly instructive on this question. *Sidmar* as well as *Chertal* have in large part been financed with the help of public funds. It will be the same for the rationalization proposed by the Cockerill-Ougree-Providence-Esperance merger.

But while an increasing part of the funds come from the pocket of the taxpayer (that is, mostly from the pocket of the workers), profits and stocks and bonds are not the only things that remain in the private domain. The right of decision on the regional distribution of investments and on their destination also remains in the private domain.

To demand workers' control over these investments is thus to demand not coresponsibility of union leaders for capitalist management of industry, but the right of union veto over these investments, as to the geographical apportionment, form, and destination projected by the employers.

It is clear that this kind of control opens the way to formulating a developmental plan for the economy as a whole, based on priorities established by the workers themselves. The MPW [Movement Populaire Wallon—Walloon People's Movement] used to speak about this a great deal, when the "Walloonian People's Plan" was being discussed. But this "plan" was discarded along with a lot of other things when Andre Renard's successors trod the path leading to their reabsorption by the PSB [Parti Socialiste de Belgique—Socialist Party of Belgium].

The campaign for workers' control forms a whole which, without neglecting the day to day problems of the workers, acts in a definite direction: accentuating their distrust of the capitalist system, increasing their confidence in their own strength, and resolving to take their economic future into their own hands—by their own anticapitalist action.

Dick Roberts

## THE FINANCIAL EMPIRES OF AMERICA'S RULING CLASS

Who owns and controls U. S. corporations? Do the banks play a major role in this pattern of ownership and, if so, what is it? Many people apart from specialists in economics would have a ready answer to the first question. But they would probably grope for an answer to the second question and might even brush it aside as unimportant.

Adolph A. Berle, Jr. expressed what are still the most widely held and academically approved notions about stock ownership and corporate control in his *Power Without Property*, published in 1959. According to Berle, American capitalism entered a stage of what he called "management control" following the stock market crash of 1929. Berle stated that "management control is a phrase meaning merely that no large concentrated stockholding exists which maintains close relationship with the management or is capable of challenging it, so that the board of directors may regularly expect a majority, composed of small and scattered holdings, to follow their lead. . . . This is the locus of power over and the norm of control of the bulk of American industry now."

Berle was one of the first leading "establishment" economists to draw attention to the growing role of mutual and pension funds, and life insurance companies, in stock investment. In fact, Berle predicted that the "management control" stage of American capitalism would be replaced by a stage in which these fiduciary institutions dominated the corporations. Making their appearance in American economic life mainly following the second world war, these institutions have since grown to hold the dispersed stockholdings of millions of individuals. The stockholdings concentrated in the hands of the "institutional investor," Berle argued, would eventually give these financial managers the controlling interest in corporations.

Certain aspects of Berle's viewpoint are shared by some economists of the Marxist school. The late Paul Baran and Paul Sweezy agreed with Berle in their *Monopoly Capital* (1966) that the "absolute control" of the old-type plutocrats had been largely replaced by management control.

"The domineering founders of family fortunes were dying off," Baran and Sweezy wrote, "leaving their stockholdings to numerous heirs, foundations, charities, trust funds, and the like, so that the ownership unit which once exercised absolute control over many enterprises became increasingly amorphous and leaderless. Thus the larger corporations gradually won more and more independence from both bankers and dominant stockholders, and their policies accordingly were geared to an ever greater extent each to its own interests rather than being subordinated to the interests of a group."

The idea that corporations have become more and more independent from stockholders through management control and that mutual and pension funds and life insurance companies are gaining an increasing control over corporate management, leaves banks out of the picture altogether. But banks are at least as omnipresent as corporations in the everyday life of a capitalist society. Most American adults have a savings account, checking account, perhaps a mortgage on their house, or auto or some other bank loan or "credit" card.

It would not be surprising if banks, which play so highly significant a role in the determination of capitalist economic life, should also exert considerable influence over corporate decision making. A closer look will show how great this role is and serve to shed light on the question posed at the outset of this article, "who owns and controls U. S. corporations?"

### Finance capital and 'self-financing'

The big banks came to the forefront of capitalist development in the epoch of "classical" imperialism, the rapidly expanding capitalism of the last quarter of the nineteenth century. The domination of banks in the hectic construction of European industry and the plundering of the colonial world—that is, in the division of world markets which led to the first world war—was strongly emphasized by Luxemburg, Hilferding and Lenin. Corporations lacked sufficient capital to meet the opportunities opening everywhere for investment; investment was spurred on by the banks.

Finance capital, that is, banking capital invested in industry and controlling it either directly (by the purchase of shares, the presence of bank representatives on the board of directors, etc.), or indirectly (by establishing holding companies, concerns and "influence groups") brought corporations under its sway. The gist of Lenin's viewpoint on this question, contained in the following lines from *Imperialism* (1917), is worth quoting in full:

"When carrying the current accounts of a few capitalists, the banks, as it were, transact a purely technical and exclusively auxiliary operation. When, however, these operations grow to enormous dimensions

we find that a handful of monopolists control all the operations, both commercial and industrial, of the whole of capitalist society. They can, by means of their banking connections, by running current accounts and transacting other financial operations, first *ascertain exactly* the position of the various capitalists, then *control* them, influence them by restricting or enlarging, facilitating or hindering their credits, and finally they can *entirely determine* their fate, determine their income, deprive them of capital, or, on the other hand, permit them to increase their capital rapidly and to enormous dimensions, etc."

This "absolute control" of industrial capital by finance capital has proved to be a passing phenomenon in a number of the advanced capitalist nations (United States, Great Britain, Japan, Belgium, Netherlands, etc.), because giant corporations are not now so dependent upon banks for funds. Berle was among the first to note this process: "Since 1939," he wrote in *Twentieth Century Capitalist Development* (1954), "undistributed real profits have formed a much more important source of financing than the contribution of the capital market. Since that date, self-financing has always provided over half of the total of the funds under consideration, over 60 per cent in the years 1948-50. . . . In this way, the structure of financing in this post war period differs from what it was in the first such period."

The shift corresponds to the evolution of world imperialism from a stage predominantly characterized by rapid expansion in the world market, where capital funds quickly found arenas for productive investment, to a stage predominantly characterized by saturation of the world market, leading to a vast accumulation of surplus capital. Ernest Mandel has explained this in his *Marxist Economic Theory* (1962): "The trusts no longer suffer from a shortage of capital but rather from an excess of it. They resort less and less to obtaining advances from banks. Thus, they can no longer be controlled by banks supplying them with investment credit. They themselves create their own banks, in order to ensure that their available surpluses bring a 'return.'"

However this has not deprived banks of their importance. As monopoly profits pile up in the banks, their job of ensuring that available surpluses bring a return, i. e., that they are advantageously invested, gives the banks new power over whole layers of industry. Further, although industry has been able more and more to raise investment funds internally, there is still a need for banks to finance outstanding corporate debts.\* And finally, the close interweaving of bank and industrial interests in the early part of the century produced a melding of certain banking and industrial trusts which has not dissolved even though its initial necessity has disappeared.

The result is a new stage of the "interpenetration of industrial and finance capital," as Mandel explains. "A few big trusts dominate whole

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\*Total government and private debt in the United States reached the astronomical figure of \$1.747 trillion in 1968: individual, \$517.8 billion; corporate, \$724.1 billion; state and local government, \$132.3 billion; federal government, \$373.1 billion.

sectors of industry, including banks which they control, and certain banks hold key positions in the national economy."

This interpenetration of banks and industry in the United States has recently been documented by the Subcommittee on Domestic Finance of the Committee on Banking and Currency of the U. S. House of Representatives. The subcommittee issued the first two volumes, 1,945 pages long, of its "Commercial Banks and Their Trust Activities: Emerging Influence on the American Economy," in July 1968.

The key "discovery" of the House finance subcommittee erases in one stroke the notion that mutual funds, pension funds or even life insurance companies, have monopolized institutional stock ownership. By far the largest institutional investor in the United States is the banks themselves. Of the staggering sum of slightly over \$1 trillion in assets held by all institutional investors in 1967, \$607 billion, or approximately 60 per cent was held by commercial banks (see Table One).

TABLE ONE  
TOTAL ASSETS OF ALL INSTITUTIONAL  
INVESTORS IN THE U. S., 1967

	(Dollar amounts in billions)	
	Amount	Percent of total
Commercial bank financial assets	\$357	34.4
Bank trust department assets	250	24.0
Mutual savings bank assets	61	5.9
Savings and loan assets	134	12.9
Life insurance companies	162	15.6
Other insurance	40	3.8
Open end investment companies	34	3.3

The voluminous banking committee study, as its name suggests, focused on the bank trust departments which held approximately \$250 billion of the \$607 billion in total assets held by commercial banks. The bank trusts, in turn, fell into two categories: approximately \$180 billion in privately-owned trusts; and roughly \$70 billion in pension funds. Since, in fact, the majority of pension funds are held by banks, they do not function as "competing" institutions in the investment field! Although the private trusts and pension funds receive the dividends from stocks held in these funds, *the banks normally vote the stocks as trustees.*

This is the source of the "emerging influence on the American economy" of commercial bank trust departments. Holding 24 per cent of institutionally controlled assets, the bank trust departments silently wield a bigger influence on corporations through stock ownership than the more highly publicized mutual funds and life insurance companies combined.

It should be underlined that the finance subcommittee primarily examined the structure of these trust department holdings and did not

at all examine the even larger holdings owned by the banks themselves. These constitute 34.4 per cent of institutionally controlled assets. Noting this in passing, the finance subcommittee refers to a revealing charge in the first volume of its report. This occurred "in connection with the attempt of Crane Co. to take control of Westinghouse Air Brake Co. Mr. Thomas M. Evans, chairman of Crane, stated that he was curious about the ownership of Westinghouse Air Brake stock and pointed out that four of the nine Westinghouse Air Brake directors were also on the board of Mellon National Bank and Trust Co. of Pittsburgh. Among these four was John A. Mayer, president of the bank. Mr. Evans wondered why the bank was so interested in Westinghouse Air Brake that it would have four director interlocks with that company. Of course, under the present situation," the committee concluded, "it is difficult if not virtually impossible, for Mr. Evans or anyone else to find out if Mellon National Bank holds Westinghouse Air Brake stock and how much it holds."

An interesting admission! The U. S. government's "banking" committee is not able to find out how much stock banks privately own, although this constitutes the largest stockholding in the financial arena. The capitalist ruling class imposes limits upon the penetration of its government agencies into its business and banking secrets.

In addition to investigating bank trust stock ownership, however, the banking committee did tabulate the director interlocks of banks with major corporations. This likewise revealed a weighty interpenetration of bank and industry control. The committee compared trust stockholdings and director interlocks between the 49 largest banks in ten metropolitan areas and the 500 largest U. S. industrial corporations as compiled by *Fortune* magazine.

There were 176 separate instances involving 147 of the top 500 corporations, where these 49 banks held 5 per cent or more of the common stock of an individual company in trust. At the same time, these banks held a total of 768 interlocking directorships with 286 of the 500 largest industrial corporations. That is an average of almost three directorships for each corporate board on which bank director representation is found.

Similar facts were cited for the 50 largest merchandising, transportation, utility and life insurance companies. The last category is most interesting. Of the 50 largest life insurance companies, these banks held the very large number of 146 interlocking directorships with 29 of the life insurance companies—averaging 5 directorships per insurance company on whose board these banks were represented.

But bank trust stock ownership and director interlocks were found to go far beyond these biggest industrial and financial corporations. In each area the largest bank or group of banks extend their stock ownership and directors down to the smallest of profitable enterprises. The case of the Mellon National Bank and Trust Co. of Pittsburgh is an example.

The Mellon bank, the fifteenth largest bank by size of total deposits in the country and the sixth largest by size of bank trusts, towers over everything in sight of its Western Pennsylvania domain. It holds 52.1 per cent of all commercial bank deposits in the Pittsburgh metropolitan area and 72.3 per cent of the bank trust assets. The Mellon National Bank holds between 5.1 and 47.3 percent of the common or capital stock of 21 major corporations and has 74 director interlocks with major corporations. Including smaller corporations, the Mellon bank has 229 director interlocks with 176 companies.

### Accumulation and centralization of capital

These facts and figures make it clear that the banks have become repositories for enormous reserves and that these reserves, in turn, have been employed to extend the banks' areas of influence and control. By comparison with the assets held by all institutional investors shown in Table One, of slightly over \$1 trillion, assets of all manufacturing corporations totaled to approximately \$410 billion in the same year.

The trend is towards a strengthened reign of finance capital. But now it is finance capital owned by banks *and* industry. The interpenetration of banks and industry has resulted in the development of mammoth "finance corporations," whether these were originally banks or industries.

The widespread and accelerating phenomenon of corporate "merger" has been matched by a continuous and quickening centralization of commercial banking companies. Indeed, the banks have joined the scramble to "conglomerate" through the establishment of "one bank holding companies."

In the financial capital of New York City, for example, the past 15 years have seen the merger of the Chase National with the Bank of the Manhattan Co.; J. P. Morgan and Co. with Guaranty Trust Company of New York; Chemical Corn Exchange Bank (itself the result of a merger in 1954) with the New York Trust Company; and Manufacturers Trust Co., with Hanover Bank.

The result is that six banks in New York City—the Morgan Guaranty Trust Co., the Chase Manhattan Bank, Bankers Trust Co., First National City Bank, Manufacturers Hanover Trust Co., and the Chemical Bank New York Trust Co.—have in their trust departments alone, \$81.3 billion worth of assets. This is approximately one third of all bank trust assets in the entire country! These six New York banks had a total of 1,489 director interlocks with 1,295 companies. This is an average of 248 director interlocks per bank with an average of 215 companies per bank.

The "one bank holding company" develops when a commercial bank turns itself into a general business corporation. Under this um-

brella the bank becomes a subsidiary which can then sop up a variety of other enterprises. Already, some 500 commercial banks have taken this step. A recent spectacular instance was the acquisition by the First National City Corp. of a big insurance holding company, the Chubb Corp. This takeover cost First National City Corp. something over \$300 million.

TABLE TWO  
ASSETS OF AMERICAN TRUSTS

(Dollar amounts in billions)

<u>Industrial Companies</u>	<u>1935</u>	<u>1945</u>	<u>1958</u>	<u>1967</u>
Standard Oil of New Jersey	\$1.9	2.5	7.8	15.2
General Motors	1.5	1.8	7.5	13.3
U. S. Steel	1.8	1.9	4.4	5.6
Ford	.7	.8	3.3	8.0
Gulf Oil	.4	.6	3.2	6.5
Pennsylvania Railroad	2.9	2.2	3.0	6.3
E. I. du Pont de Nemours	.6	1.0	2.8	3.1
Texaco	.4	.8	2.7	7.2
New York Central	2.4	1.7	2.6	
Standard Oil of Indiana	.7	.9	2.5	4.1
 <u>Financial Companies</u>				
Metropolitan Life Insurance	4.3	7.6	15.3	24.6
Prudential Life Insurance	3.1	6.4	13.9	25.1
Bank of America	1.3	5.6	10.6	21.3
Equitable Life Insurance	1.8	3.8	8.9	13.1
Chase Manhattan Bank	2.9	7.4	7.8	17.7
First National City Bank	1.9	5.4	7.8	17.5
New York Life Insurance	2.2	3.8	6.4	9.6
John Hancock Mutual Insurance	.9	1.8	5.2	8.9
Northwestern Mutual Insurance	1.1	1.9	3.7	5.5
Manufacturers Trust Co.	.7	2.7	3.3	9.2

\*Subsequently merged to become Pennsylvania New York Central Transp. \*\*Subsequently merged with Hanover Bank to become Manufacturers Hanover Trust.

Ernest Mandel has documented the parallel accumulation of assets in the major American industrial and financial trusts for the years 1935, 1945 and 1958 (*Marxist Economic Theory*, Vol. II, p. 514). I have added figures for the year 1967 to compile Table Two. These figures are only indicative, considering the decline of purchasing power of the dollar. Nevertheless, the trend is evident.

The giant trusts have piled up huge reserves, continuously absorbing lesser giants in their paths. In this select group of twenty are included three of the seven members of the international oil cartel which produces over 90 per cent of traded "free world" oil; a corporation which manufactures over one-third of all motor vehicles in the



capitalist world; two of the world's largest banks and two of the world's largest insurance companies. The total assets of the twenty corporations shown in Table Two was over \$210 billion in 1967. This amount is approximately equal to the gross national products of Great Britain and France combined.

### Separation of ownership

The separation of stock ownership from corporate management is not a new phenomenon in the history of capitalism. "It is characteristic of capitalism in general," Lenin wrote in *Imperialism*, "that the ownership of capital is separated from the application of capital to production, that money capital is separated from industrial or productive capital, and the rentier, who lives entirely on income obtained from money capital, is separated from the entrepreneurs and from all who are directly concerned in the management of capital." But Lenin did not conclude from this fact that the capitalist ruling class had forfeited its "absolute control" of capitalist corporations to a new "managerial class."

On the contrary, Lenin saw this process as one which *strengthened* and *extended* the control of the capitalist rulers. It is easily understandable why this should be so. Let us say that General Motors issues extra common stock and an individual is able to purchase 100 shares. This would cost in the neighborhood of \$8,000, and suggest that the purchaser is "on his way up. . . ." But between 100 shares of GM stock and the board of directors of this corporation, where decisions are actually made, there is still quite a distance.

In 1966, the 28 members of the GM board of directors reported that they and their families owned 2,157,859 shares, averaging 75,000 shares—\$6 million worth—per family. The 1966 directors included Richard K. Mellon, whose family owned 259,221 shares valued at roughly \$21 million and John L. Pratt who individually owned 646,426 shares, nearly \$60 million worth.

Paradoxically, the most interested family has no members on the GM board—and for an obvious reason. Federal law would require it to make public its total holdings. This is the du Pont family, which, at last count in 1937, owned 44 per cent of outstanding GM stock. Ferdinand Lundberg has estimated the value of these 66 million shares at \$4.9 billion in 1964 (*The Rich and the Super-Rich*, p. 142).

The purchase of 100 shares of GM stock could not bring the owner anywhere near the "power nexus" of this giant corporation. But it would place \$8,000 in the hands of those who do control that corporation, i. e., the Pratts, Mellons and du Ponts, to employ as they see fit. The vast spread of stock ownership consequently puts more and more capital at the disposal of the few dominant interest groups

and makes it possible for these groups to wield greater power with smaller stockholdings.

The latter point has been stressed in a series of House finance subcommittee reports: "When a corporation has thousands of shareholders almost all holding a small number of shares, a holder of even 1 per cent of the shares may be by far one of the largest shareholders. . . . Many very small holdings are voted almost routinely and automatically for management for one reason or another. Therefore management, who are 'employees' of the shareowners, will be more apt to listen to and cater to the interests of the few larger and more alert [!] holders of shares. . . ." ("Bank Stock Ownership and Control," Staff Report for the Subcommittee on Domestic Finance of the Committee on Banking and Currency, December 29, 1966.)

Lenin wrote in *Imperialism*: "The 'democratization' of the ownership of shares, from which the bourgeois sophists and opportunist 'would-be' Social Democrats expect (or declare that they expect) the 'democratization of capital,' the strengthening of the role and significance of small-scale production, etc., is, in fact, one of the ways of increasing the power of the financial oligarchy. Incidentally, this is why, in the more advanced, or in the older and more 'experienced' capitalist countries, the law allows the issue of shares of very small denomination."

### **Banks and dominant interest groups**

Banks perform the special function of mobilizing every penny that they are capable of drawing from the populace for the use of the ruling class. These channels range from the bank's receipts from all kinds of savings and loans to the few dollars a week deposited by its "Christmas Savings Club" members.

In most cities the banks have financed loans for metropolitan construction, the building of schools, hospitals, airports, subways, etc. In such cases, the residents of the city, when they pay various city taxes or bus and subway fares, are, in the last analysis, paying interest on bank loans to the city.

This siphoning of funds extends to housing and real estate as well. The slumlords who perform the job of collecting rent turn around to pay off most of it in mortgages to the banks. A few banks in every city will be found to dominate vast portions of real estate. Not even cemeteries are so sacred that one can avoid doing business with the banks even after death; life insurance policies provide for posthumous payment of rent. The actual transactions in practically all these categories are hidden to the public eye. The tenant of an apartment house would find it extremely difficult to find out which bank actually owned, through mortgages, the house where he lives.

The House finance subcommittee itself has been unable to find out who owns the banks. In an examination of the "Twenty Largest Stockholders of Record in Member Banks of the Federal Reserve System" in 1964, the Subcommittee on Domestic Finance reported that "a large proportion of the stock of the nation's commercial banks, especially of the larger banks, was held in the name of nominees or trustees. As a result, it was impossible to determine who actually owned, or more importantly, who controlled most commercial banks."

The reference here is to the private brokerage houses of the ruling capitalist families which hold these families' trusts and vote their stocks as "nominees." The ruling class stock ownership of banks is consequently entered in the books under the "street names" of these brokerage houses. For example, King and Co., Sigler and Co., Cudd and Co., are the three largest recorded stockholders in the First National City Bank of New York. These names, unknown to most Americans, stand for ruling-class families known only to Wall Street's innermost circles.

Nevertheless, it is common knowledge that certain banks are owned and controlled by these interest groups. A closer examination of one of them, the Mellon National Bank and Trust Co. of Pittsburgh, will enable us to see how the banks function to strengthen and expand the dominance of the plutocracy. Although the Mellon family's holdings in its own bank are unknown, its controlling ownership in three of the nation's largest corporations was revealed by a Senate committee in 1937: 33 per cent of the outstanding shares of ALCOA; 70 per cent of the outstanding shares of Gulf Oil; and 55.5 per cent of the outstanding shares of Koppers (*The Rich and the Super-Rich*, p. 152).

The Mellon ownership of Gulf Oil, it might be mentioned, is an example of the passing dominance of banking capital as such. The Mellons acquired this corporation in the first years of this century when they financed a budding petroleum company in Texas. But Gulf has subsequently grown to become the nation's ninth largest corporation as well as one of the seven members of the international oil cartel. Today Gulf is self-financing. However, this evolution did not free Gulf from control by its original financial backers.

The finance subcommittee survey of the stock ownership in the trust department of the Mellon National Bank discloses that these stocks have been used to strengthen the Mellons' hand in corporations they already are known or thought to control. At the same time they have been used to vastly extend this control. In the former category, the following stock ownership should be mentioned: Koppers Co., 18.5 per cent (of outstanding common stock); Gulf Oil, 17.1 per cent; Jones and Laughlin Steel Corp., 6.6 per cent;\* ALCOA, 25.3 per cent. In the lat-

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\*This corporation, one of the "Big Eight" U.S. steel producers, was "captured" in 1968 by Ling-Temco-Vought, Inc., the most rapidly growing U. S. "conglomerate." A federal antitrust suit was brought against Ling-Temco-Vought in 1969 to divest it of the steel company. It is one thing for an "established" family to own dozens of corporations, something else again when this is undertaken, even on a considerably smaller scale, by a "young upstart."

ter category, the Mellon trust department holdings include: Diamond Alkali, 14.5 per cent; Nalco Chemical, 15.2 per cent; Harbison-Walker Refractories, 11.7 per cent; National Steel Co., 6.6 per cent; Allegheny-Ludlum Steel, 5.1 per cent; H. H. Robertson, 7.9 per cent; Mesta Machine, 7.8 per cent; TRW, Inc., 5.6 per cent; Mine Safety Appliance, 13.5 per cent; Armstrong Cork, 5.9 per cent; Fischer Scientific, 25.3 per cent; National Life Insurance, 5.5 per cent; etc. etc.

Such financial groups as the Mellon family own and control the principal corporations, financial and industrial in this country, as in all advanced capitalist countries. They own banks and insurance companies, industrial, commercial and transport companies. The foundations which bear their names, besides getting around federal taxes, serve as internal holding companies. Thus the Rockefellers' control of Chase Manhattan Bank is secured through big stockholdings in Chase Manhattan held by the Rockefeller Bros. Fund and the Rockefeller Foundation.

Formerly a single entity such as the Mellon Bank of the Mellons, the Standard Oil Company of the Rockefellers, the du Pont Company of the du Ponts, towered over the other trusts held by the group. This is no longer the case. The accumulation of enormous monopoly superprofits in reserves, both in their banks and their industrial companies, has given various enterprises in these complexes an "independence" they did not have fifty years ago. But it is an independence within the entire interest group and each enterprise remains an integral and subordinate part of the particular financial empire it belongs to.

### **Personal wealth and corporate wealth**

The expansion of the financial empires of the capitalist ruling families does not require "proportional" expanding of their stock ownership. It is precisely because they own a few big banks and insurance companies that these families' domains of control can extend far beyond the corporations they immediately control.

But this fact should not lead one to underestimate the personal wealth of the capitalist rulers. An indicative comparison of personal and corporate wealth in the United States can be based on two U. S. Treasury Department publications of 1966 and 1967. These refer to the years 1962 and 1963 when the total value of common and preferred stock was less than \$400 billion (today it is closer to one-and-a-half trillion dollars). Consequently figures are not directly comparable with figures that have been cited earlier in this article for the years 1966 and 1967. Further, these figures refer to tax returns in which case there is undoubtedly a certain underestimation of values. In the comparison, however, one can assume that "errors" cancel each other.

The first Treasury Department publication, "Corporation Income Tax Returns for 1963," (April 5, 1966), computed the total assets of all U. S. corporations as follows:

Agriculture, forestry, and fisheries, (in billions of dollars)	\$4.0
Mining	13.6
Contract Construction	15.5
Manufacturing	288.2
Transportation, communication, electric gas, and sanitary services	156.2
Wholesale and retail trade	88.3
Finance, insurance and real estate	738.8
Services	18.2
Total	1,322.8

The second Treasury Department paper, "Personal Wealth, Estimated from Estate Tax Returns" (May 31, 1967), calculated the total wealth (real estate, bonds, corporate stock, life insurance equity, etc.) of all American citizens whose net wealth was believed to be higher than \$60,000 in 1962, the year previous to the figures just cited for corporate assets.

This revealed that 4.1 million Americans, approximately 2.2 per cent of the 1962 population, had a total wealth of \$752 billion. These plutocrats were privately "worth" more than the finance, insurance and real estate companies combined. The value of their property was higher than the gross national product of the United States and twice as much as all manufacturing industries. The figure of \$752 billion is not a great deal smaller than the total corporate wealth of the nation in the same period of \$1.3 trillion.

The Treasury Department publication revealed the stock ownership concentrated at the peak of the capitalist social pyramid. These 4.1 million Americans, 2.2 per cent of the population, owned 86 per cent of the corporate stock.\* Proceeding "upwards": 1.8 million individuals, 1 per cent of the population, owned 76 per cent of the corporate stock; 177,000 people, 0.1 per cent of the population, owned 41 per cent of the stock; and at the pinnacle, 64,000 persons, .003 per cent of the population, owned 28 per cent of the corporate stock. Each individual at this pinnacle was "worth" over \$1 million.

Much of this wealth is held in the bank trust departments investigated by the House finance subcommittee. Even more of it is held by the private semi-anonymous brokerage houses mentioned earlier. These giant accumulations of *personal* wealth are the primary source of the power wielded by the capitalist rulers. The various industrial and financial corporations they control are diverse depositories for their capital investments. Through these financial empires they are sovereign over the whole American economy.

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\*In 1962 the total corporate stock was \$379.8 billion according to the Economic Almanac for 1964.

# AUSTRO-MARXISM AND STALINISM

## 1. Otto Bauer: A Representative Theoretician of Austro-Marxism

by Pierre Frank

The arguments to prove that Stalinism was the natural outgrowth of Bolshevism have been innumerable. Wasn't Stalin a member of the Political Bureau? Didn't he always identify himself with Lenin and Leninism? Weren't the methods of Stalinism "embryonic" in Lenin's "amoralism," in the centralist conception of the party, in the ban the Tenth Congress placed on factions? And so on.

How many times Trotsky had to refute such arguments, to show that Stalinism had no theory of its own, that it was the political expression of a social stratum—the Soviet bureaucracy—that this bureaucracy destroyed the Bolshevik Party, which had been the political expression of the revolutionary proletariat. Trotsky did not neglect also to point up the social, political, psychological, and other affinities between the Soviet bureaucrats and the bureaucrats of the Social Democratic parties and the reformist trade unions.

This correspondence is striking in the realm of ideology. It is evident when you compare the fundamental views advocated by the Stalinists with those that have been put forward by the reformists, most especially by the left Social Democrats, who were the last in the Social Democracy to give lip service to Marxist theory—that is the Russian Mensheviks, the Austro-Marxists, the Italian Maximalists, and the Guesdists, Bracke and Zyromski, in the SFIO [Section Française de l'Internationale Ouvrière—French Section of the Workers (Second) International—the French Social Democratic party].

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*This and the following two articles fall into a single unit: a study of the evolution of Otto Bauer's thought and the affinities between the Austrian Social Democracy he represented and Stalinism. The article by Pierre Frank, a leader of the French Trotskyist movement, was translated from the January 1969 issue of Quatrième Internationale.*

It is these profound ideological affinities, moreover, that explain why, when these circles have experienced crises, some left Social Democrats—and not the least prominent—capitulated to Stalin or even joined the Communist Party. This was the case of Dan for the Mensheviks; of a wing of the Italian Socialists; and of Zyromski, who joined the PCF [Parti Communiste Français—French Communist Party]. This was also the case of Otto Bauer, the dean of Austro-Marxism in the last years of its existence.

The case of Otto Bauer is by far the most illustrative because he was the most inclined to offer theoretical justifications for his positions. He did not lack culture and a certain agility in the game of ideas, which made him much more subtle than Kautsky in this regard. The younger generations know nothing about Austro-Marxism generally, even the name of Otto Bauer.

A French writer, Yvon Bourdet, has taken up the study of Otto Bauer, along with other Austro-Marxists like Max Adler. His book *Otto Bauer et la Revolution* [Otto Bauer and the Revolution]\* is especially interesting because it offers a compilation of the essential body of Otto Bauer's major theoretical and political writings from 1917 to 1938. Thus this book enables us to make an instructive comparison of the Austro-Marxists' thought with that of the Stalinists or post-Stalinists.\*\*

Otto Bauer's idea of Marxism is characterised primarily by fatalism. For him what happens in most cases is "inevitable" and "necessary." These adjectives dropped repeatedly from his pen. I stress them in the quotations that follow in this article.

His conception was also marked by a view that socialism would develop country by country—that is fundamentally of socialism "in one country." He had no idea of *combined* development, of societies where features belonging to different epochs or modes of production are combined.

Thus in 1917, since Czarist Russia was a backward country, he drew the conclusion that the revolution, which the Russian workers carried out in alliance with the peasants, would not lead to the dictatorship of the proletariat but . . . bourgeois democracy: "I consider from now on (October 1917) the transitory rule of the proletariat

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\*EDI, Paris, 1968.

\*\*I will refrain from any criticism of the part of the book written by Y. Bourdet. On reading this book and other writings by the same author I was immediately struck by certain astonishing remarks. For example, in his articles in the journal *Autogestion* [Self-Management] (No. 4, December 1967) he says: "The general attitude of the Austro-Marxists—quite like that of Rosa Luxemburg—toward the Russian revolution," "Lenin did not follow his theory but Bauer's, it is true without ever admitting it," etc. Finally, I reached the conclusion that this writer did not mean to distort deliberately or intentionally, as might be thought from a first reading. In comparing all his interpretations of writings by Lenin, Trotsky and Rosa one can only conclude that he is totally incapable of comprehending these revolutionary thinkers. He literally does not grasp the meaning of their ideas. His distorted view of the socialist revolution rather resembles a color-blind man's conception of colors.

allied with the peasantry as a *necessary* phase of Russia's evolution in her march toward bourgeois democracy" (*"Neue Kurs" in Sowjetrussland*, p. 73).

For him, Russia had necessarily to follow the road followed by France, England, etc. He very frequently refers to the French revolution and the period of the Jacobin dictatorship. He adduces that this dictatorship was necessary, as well as the "illusions" of the plebeian masses on which it depended, in order to clear the way for the capitalist system. He concludes that the Bolsheviks had the "illusions" which all fighters need but that history would use them as a means of advancing to a bourgeois democracy:

"Their [the plebeian masses'] rule . . . cannot achieve their communist ideal. It has only been the means used by history to destroy the vestiges of feudalism and thereby create the preconditions for the development of capitalism on a new extended base" (pp. 79-80).

Thus, he was one of the creators of the theory that the Soviet system constituted "state capitalism," which was to find popularity in the most diverse political circles (Eisenhower-type capitalists, Guy Mollet reformists, Bordigist ultraleftists).

When the Bolsheviks instituted NEP he considered himself fully vindicated: "The *inevitable* results of free commerce (NEP) are the restoration of commercial and industrial capital and the reestablishment of capitalism" (p. 79).

Of course, while he was for the defense of the USSR, it was in a very Austro-Marxist sense, in order to better assure the transition to bourgeois democracy: "It is in the vital interests of the Russian proletariat and the international proletariat that the *inevitable* liquidation of the dictatorship be accomplished through a peaceful transformation and not through the violent overthrow of the Soviet regime" (p. 82).

In his own country, in Austria, where he was the theoretical guide of the Social Democratic Party which embraced the very great majority of the working class, he held that there could be no question of using force in the struggle for socialism. The world war victors would not permit it. In a pamphlet *The Road to Socialism* (1919), he wrote:

"Let us imagine that in a single day the workers seize the factories, kick the capitalists and the bosses out just like that, and take over the management themselves! Naturally, such an upset would be impossible without a bloody civil war . . . The foreign capitalists would deny us raw materials . . . and the indispensable credit . . . America and the Entente would maintain a blockade . . ." (p. 90).

But he, Otto Bauer, had found a solution. He developed a whole program fitting into the framework of the democratic republic:

"Socialization begins with *expropriation*. The state [the bourgeois state—P. F.] declares the present owners of big industry divested of their property. *Compensation* must be paid. It would be unjust to de-spoil the owners of mine and foundry stock while the other capitalists



remained in possession . . . The cost of compensation must be borne by all of the capitalists and landowners. To this end, the state will level a progressive capital tax on all capitalists and owners, the proceeds of which will be used to compensate the dispossessed owners of stock in big industry. In this way, no harm will be done to stockholders in big industry . . ." (p. 93).

Would the reactionaries permit such a program, which has great similarities to the "transitional programs" of the Togliattis and other advocates of "renovated democracy"? What is to be done if the bourgeoisie resists? Otto Bauer's answer, while reformist, is—let us give it its due—superior to that of our contemporary post-Stalinists. He does not only say, like them, that in that case the workers must resort to force. He also advocates political propaganda in the army and aimed at the state repressive forces. Still more, he has an armed workers militia in mind, the Republikanische Schutzbund, a vestige of the aborted Austrian revolution of 1918. Listen to what he said in 1924 in a pamphlet entitled *The Struggle for Power*:

"We cannot use our soldiers' arms to take power. No, we must win power by the ballot. But our soldiers' arms can protect us from a counterrevolution, which would tear the ballot out of our hands at the precise moment it could bring us power (p. 157) . . . If the soldiers remain in our camp, if we manage to win a part of the police and security forces, if the Republikanische Schutzbund remains powerful and alert, then reaction will not dare rise up against the Constitution of the republic. And then we can take power without resorting to violence and without civil war but simply by availing ourselves of the right to vote" (p. 158).

We must also recognize that in 1934 Otto Bauer applied his theory of "defensive force" fully. The tragic example of the heroic but hopeless struggle of the Vienna workers implacably condemned this too subtle theory that claimed that class struggle could be won from all positions—either within the framework of bourgeois democracy, or failing that and leaving the decision up to the enemy, in armed combat.

Having taken Germany and Austria, Nazism advanced throughout Europe. In exile, Otto Bauer erected new "Marxist" theories. He had lost his illusions about bourgeois democracy but not his fatalistic interpretation of Marxism: "Bourgeois democracy necessarily ends in fascist counterrevolution" (p. 222).

I will come back later to this proposition in examining Otto Bauer's conception of the relations between the class and the party. But the loss of his illusions in bourgeois democracy made him discover that socialism really had been achieved in the USSR. In a work entitled *Between Two Wars*, he made startling discoveries: "Socialist society is not only an abstract idea. It has become a tangible reality in the Soviet Union" (p. 169).

He was even to discover that socialism "in one country" was perfectly possible: "'Socialism in one country' is entirely possible in an

immense country like Russia which has almost all the important raw materials in its soil and can absorb almost all its own products" (p. 174).

Let us reserve comment on the economic views of this Marxist who abandoned the international division of labor in favor of autarchy. Let us limit ourselves to the political side of his view. When he wrote such lines, he was aware that Stalin's regime no longer corresponded to that of Lenin:

"In the first phase of its evolution, the dictatorship conformed approximately to the idea Lenin had of it before the October Revolution" (p. 18). "The dictatorship of the proletariat has become something quite different from its founders' original conception. This evolution was *inevitable*" (p. 198).

Why was this evolution inevitable? Because Bauer had found that Stalinism was suited to building socialism. He expressed this in striking terms: "The transition from the capitalist mode of production to the socialist mode of production requires many years. In order for this process to proceed undisturbed and uninterrupted, a stable state power is required. It must be stable enough to guard the process of social transformation from popular criticism midway in its development, when the masses have begun to feel acutely the temporary sacrifices it entails without yet appreciating the gains it promises. This process can be subjected to popular criticism only when the fruits of the socialist revolution have ripened.

"The dictatorship changed . . . its function. It enforced the needs of the future of the proletariat against the present wants of the individual proletarians. This task obviously could not be accomplished by a dictatorship of Soviets. Since their members could be recalled at any moment, they would always base their decisions on egoistic desires, on the limited conceptions and immediate wants of their constituents. This task could be mastered only by a one-party dictatorship with an all-powerful police, military, and bureaucratic apparatus. It could only be accomplished by a dictatorship setting its goals on the basis of a knowledge of the future evolution and interests of the proletariat but imposing the means necessary for the realization of these goals even on recalcitrant strata of the proletariat . . . Only an iron dictatorship over the party itself could guarantee that it would maintain the unwavering tenacity and perseverance necessary to attain its end" (pp. 192-193).

He was opposed to terror against the bourgeoisie in the 1920s but for terror against the workers who had "egoistic desires, limited conceptions and immediate wants" in the 1930s. Thus, Otto Bauer capitulated to the Soviet bureaucracy.

But this capitulation never involved accepting Lenin's ideas on the special role of the party as the revolutionary vanguard of the working class, nor on the relations between the party and the class, nor on the failure of the Social Democracy in August 1914. Bauer made numerous criticisms of the Social Democracy without personally disassociating

himself from it. But he never got to the root of its problem. According to him the main responsibility for Social Democratic reformism belonged to — the working class!

Again we find Otto Bauer citing the "inevitable and the necessary." Reformism, he says, is not the influence of bourgeois ideology on the working class nor the betrayal of the leaders of the workers parties. It is the ideology of "the Marxist who has understood that reformist ideology and tactics are a *necessary and inevitable* phase of the development of working-class consciousness in given conditions" (p. 273). "Reformism . . . was not, as Lenin said, 'the ideological subjection of the working class by the bourgeoisie.' It was the tactics and ideology of the working class itself in a historical situation . . ." (p. 223). "Reformist socialism is merely the *inevitable* ideology of the workers movement in a given stage of its development" (p. 271).

Here is the main lesson the man who swallowed Stalin's terror drew from the split resulting from the position the Social Democrats took in August 1914 — it was all the Bolsheviks' fault: "The Bolsheviks provoked splits in all countries and unleashed fratricidal struggle" (p. 249).

In all his oscillations Otto Bauer showed one constant — the working class had no revolutionary capacities; it was an amorphous mass preoccupied with its "egoistic desires" and "immediate wants." It was for this reason that the Socialist party leaderships appealed to the workers to fight their class brothers in 1914.

Then after the Bolshevik conquest of power, which the working class achieved because it was full of "illusions," socialism had to be constructed by means of "an all-powerful police, military, and bureaucratic apparatus setting its goals on the basis of a knowledge of the future evolution and interests of the proletariat but imposing the means necessary for the realization of these goals even on recalcitrant strata of the proletariat."

The betrayal of 1914 was "inevitable and necessary," and so not a betrayal; bourgeois democracy — "inevitable and necessary"; the victory of Hitler — "inevitable and necessary"; the Stalin regime, etc . . .

How right Lenin was to see in Otto Bauer's Marxism an abyss of "stupidity, pedantry, baseness and betrayal of working-class interests — and that, moreover, under the guise of 'defending' the idea of 'world revolution.'" (*"Left-Wing" Communism, An Infantile Disorder*). Not a word need be changed in this judgment, which applies to the Austro-Marxists of bygone days and the post-Stalinists of today.

## 2. Some Affinities between the Social Democracy and Stalinism

by Gerry Foley

The following article by Ernst Fischer, the most prominent intellectual leader of the Austrian Communist Party, makes an interesting

counterpart to the preceding study. It illustrates the mutual attraction between Stalinism and the Social Democracy in a broad historical and political context.

In this article—taken from the July-August 1968 issue of *Weg und Ziel*, the theoretical journal of the Austrian Communist Party—Fischer tells about a discussion he had with Otto Bauer in the summer of 1936, a critical turning point in the history of the international workers movement. This discussion was not a casual or purely academic one. Fischer was a representative of the Comintern on a special mission. He appealed to Bauer to use his influence to help bring about an agreement between the Austrian Social Democracy and the Communist Party.

Nor is this interview only of historical interest. In recent years, the Austrian CP has sought to collaborate with the Social Democrats on a common political basis. Fischer clearly uses these reminiscences to point up the fact that the "best" in the Social Democracy were well disposed to close relations with Communists.

Fischer, at the time of the interview an exile in the Soviet Union, was sent to Austria on a false passport to help the Austrian CP implement the Comintern's new Popular Front line. This policy, adopted in 1935, reversed Moscow's previous "Third Period" blind factional warfare against all competing working-class parties. Now the Kremlin bureaucrats not only advocated united action with the Social Democrats, but took over their reformist position one hundred and ten per cent, and became the foremost proponents of collaboration with the "democratic" bourgeoisie.

The Popular Front crossed class lines and advocated electoral and parliamentary blocs with "democratic" bourgeois parties. This non-revolutionary policy sought to confine workers' struggles strictly to this bourgeois-democratic framework.

At about the same time, in the summer of 1936, the Stalin constitution was adopted in the Soviet Union. These purely verbal concessions to bourgeois democracy made in this document won the approval of Social Democrats and liberals throughout the world, including Bauer's, as Fischer points out.

The adoption of the Stalin constitution was the prelude to the great purges which sought to liquidate all opposition to the totalitarian terrorist regime in the Soviet Union. The co-author of the constitution, Bukharin, was himself to be a victim of the Moscow trial frame-ups. This is the background to the convergence of the Social Democrats and Communists on the question of democracy which both Bauer and Fischer point to in the interview translated below.

The principal point that Fischer tries to bring out in recalling this discussion is that Bauer looked forward to an eventual reunification of the Communist and Socialist internationals. Fischer is careful not to endorse this perspective fully but the direction of the dialogue shows that he favors this long postponed reconciliation today.

It seems unlikely that Fischer is serious about the objections he raises to Bauer's perspective. But it is probable that Fischer thinks the road to reunion will be difficult. While there is a basic identity between the two wings of opportunism—both of which reflect the viewpoint of bureaucrats who exploit the workers' movement for their own narrow interest—the Communist parties are subjected to strong conflicting pulls.

Trotsky identified this contradiction in 1938, in an article entitled "A Fresh Lesson on the Character of the Coming War."

"As regards the ex-Comintern [that is, it had ceased to be an international in a real sense] its social basis, properly speaking is of a two-fold nature: on the one hand, it lives on the subsidies of the Kremlin, submits to the latter's commands, and, in this respect, every ex-Communist bureaucrat is a younger brother and subordinate of the Soviet bureaucrat. On the other hand, the various machines of the ex-Comintern feed from the same sources of the Social Democracy, that is, the superprofits of imperialism. The growth of the Communist parties in recent years, their infiltration in the ranks of the state machinery, the trade unions, parliaments, municipalities, etc., have strengthened in the extreme their dependence on national imperialism at the expense of their traditional dependence on the Kremlin."

The process described by Trotsky accelerated during the postwar boom in Western Europe and especially after the East-West detente. In a number of West European countries, Communist parties have tended more and more to move into the positions and fulfill the functions traditionally monopolized by the Social Democracy.

The Kremlin favors this incorporation into the parliamentary framework. Its theory of "socialism in one country" has long assigned the Communist parties in the capitalist countries the role of pressure groups in the Kremlin's diplomatic maneuvers with "democratic and peace-loving" imperialists.

But association with the Soviet Union imposes big difficulties on "effective" operation in the Western parliamentary arena. The Kremlin line can become extremely embarrassing.

The Communist parties can be subjected to considerable temptation to dissociate themselves from the Soviet Union. They find it difficult to continue repeating the old apologies for the unattractive features of the Stalinist system. Small Communist parties in countries near Soviet bloc countries, such as Sweden and Austria, are especially exposed to such pressures. Unless they can succeed in presenting an attractive electoral face, such reformist parties would be doomed to the slow death of pro-Moscow sects like the superloyal American and West German CPs.

The Soviet invasion of Czechoslovakia forced the most independent elements in the Austrian CP, of which Fischer was the most prominent spokesman, to come out strongly for disassociation from Moscow on

this issue. This could not help but draw heavy fire from the Kremlin. On October 5, 1968, *Pravda* delivered the following broadside:

"The views of E. Fischer were most clearly expressed perhaps in his book *Art and Coexistence* put out by the bourgeois publisher Rowalt in the German Federal Republic. This entire book is pervaded with a spirit of hostility to the countries of the socialist commonwealth and their social system. In this book E. Fischer campaigns against socialist democracy, claiming that 'insufficient freedom' is a characteristic of the socialist countries."

It should be noted, too, that the "Social-Democratization" of the Western Communist parties has not proceeded in a uniformly rightward direction in all cases. In some instances, the abandonment of the extreme antidemocratic organizational methods of Stalinism has allowed genuine left-wing currents to develop—primarily among the youth.

For example, the liberal wing of the Austrian CP took a moderately friendly attitude toward the revolutionary students who spearheaded the French upsurge in May 1968. On occasion the Austrian CP youth have shown greater militancy in fighting the Vietnam war than the youth groups of the CPs strictly adhering to the Moscow line.

Moreover, the necessity of abjuring Stalinist mythology and of open debate with competing forces has sometimes—though rarely—encouraged individuals and groups in the Western CPs to attempt a serious Marxist approach to specific questions. Although this tendency has never resulted in a revival of Marxism in any CP, it has made certain elements of some CPs permeable to genuinely revolutionary ideas.

### **3. Ernst Fischer Solicits Otto Bauer for the Popular Front, in 1936**

I met Otto Bauer for the last time in the summer of 1936. Starhemberg had resigned. Schuschnigg had won the struggle for power and the race for a pact with the Nazis. The Heimwehr [counterrevolutionary militia] was splitting up into groups and cliques. And France stood under the aegis of the Popular Front government.

I was traveling—on a false passport—from Prague to Vienna to discuss the possibilities of the new situation and of closer collaboration with the Revolutionäre Sozialisten [Revolutionary Socialists]. I wanted to have a talk first with Otto Bauer and we agreed to meet in Iglau.

We walked up and down the railway platform for several hours. I remember that night in the train station, the unsteady, flickering light, the locomotives harshly interrupting our discussion, this honest, unforgettable discussion, disagreement and hope, great hopes we both held for the Popular Front, the coming unity of the working class, a synthesis of Communism and democracy, of "integral socialism."

Even after I went over to the Communist Party I retained my affection for Otto Bauer, whose inner contradiction I realized on the eve of July 15, 1927—the power of his thought, the purity of his character, and his hesitation in the face of all revolutionary decisions. He lacked the hardness of his political antagonist Ignaz Seipel [Monsignor Ignaz Seipel, the leader of the Catholic reactionaries], his fanaticism and ruthless decisiveness.

Power was not the element of this major thinker, speaker, and publicist. Fundamentally he was no politician. After Victor Adler's death, he was the intellectual leader of the Social Democracy, its great spokesman. But he had no influence in the party apparatus. He worked through words, not by acts. He was inhibited by "the fearful doubt of one who sees the consequences of actions too clearly." This is Hamlet reflecting on the campaign of the foolhardy, unthinking Fortinbras—Hamlet the hesitating intellectual in a time out of joint.

In this railway station between East and West, I told him about the Seventh World Congress of the Communist International. "I believe in the sincerity of the new Communist policy," Otto Bauer said, "and I agree with you that this congress was a great historical event. The alliance of the democratic workers parties with the Soviet Union has not only become possible; it is a historical necessity. The Soviet Union is the strongest socialist power center in the world. We're heading toward a world war. We Marxists in the Social Democracy must do everything in our power to overcome petty-bourgeois, vulgar democratic prejudices against the Soviet Union.

"A defeat for the Soviet Union in the war would throw the cause of socialism back generations. A victory for the Soviet Union would be the greatest possible spur to the liberation struggle of the international working class.

"You know that I observed the Russian revolution and its results with many fears and many hopes. My fears were not allayed but my hopes were more than fulfilled. A socialist society is arising in the Soviet Union.

"Only the dictatorship was capable of achieving this transformation. The construction of socialism is more completely achieved than I had dared hope; achieved—at a high price, at the price of individual freedom, which lowers the human level. But the successes are astonishingly great—and I understand your intoxication with them. You must feel that way—by your nature. You are a believing, I might almost say, a religious man.

"That is just what I am not. I am capable of enthusiasm, yes. But my failing is the opposite—scepticism, stubborn individualism." [Fischer] "But at the Social Democratic World Congress you denounced its halfway measures, its—as you put it—wishy-washiness, its inner contradictions. And you said what a wonderful thing it would be to fight for a common goal in a united party."

[Bauer] "Yes, that was the sense of my words. I said that the split

in the working class had divided us ourselves, divided our intellect from our feeling, had cursed us with the spirit of halfway measures; that it would be a wonderful thing to be able to stand for a whole cause as a whole man.

"Haven't you subjected yourself to a dogma? Haven't you renounced your critical faculties? Don't you overlook the fact that the dictatorship of the proletariat has become an all-powerful apparatus, that the bureaucracy, the police, and the military give the orders. I might add that this development was inevitable. And however much this may disturb us we must give our total support to the Soviet Union. The fate of socialism throughout the world depends on the victory of the Soviet Union. Whoever makes war on the Soviet Union is the mortal enemy of us all."

As always when he spoke passionately, his voice became soft and deep. We remained standing, and looked at each other in the half-light of the glimmering railway station night.

"Why don't you come to Moscow?" I asked impulsively. Silence. Then: "What do you mean by that?" [Fischer] "I mean it literally, not symbolically. Come to Moscow! Talk to Stalin, Dimitrov, Ercoli (Togliatti)! Say what you think, listen to the answers they give you, weigh all the pros and cons freely, and . . ."

[Bauer] "And—?"

[Fischer] "Decide! It would be magnificent if . . ."

His answer came in a low voice. "Everything is decided. I am not going to Moscow. Don't misunderstand me. I reproached you for leaving us—but on the side you are on now lies victory, the future. My place is not there."

[Fischer] "Why?"

[Bauer] "For many reasons. I cannot go as a tourist like just anybody. My visiting Moscow would give rise to misunderstandings on all sides. In the long run it would do more harm than good. Jumping from one bank to the other is not enough. We must build a bridge, a firm and enduring one.

"You there, I here, we must build a bridge from both sides. I will spare no effort to explain the world-historic meaning of the Soviet Union to my Socialist colleagues and urge them to form a sincere alliance. But let us both not overestimate the influence we individuals can have on the overall development. You are inclined to overestimate the subjective factor, as Lenin called it. But the historical process transcends us all."

[Fischer] "Isn't this process also conditioned by us?" I replied to this familiar view of Otto Bauer that everything that happens had to happen that way. Unconsciously, he needed this exaggeration of historical materialism to justify his own indecisiveness in critical situations.

He shook his head: [Bauer] "The war will achieve what our best arguments could not—the unification of the working class and the European revolution. You accuse me of indecisiveness, but there is



nothing I want more than the European revolution."

[Fischer] "With all its consequences?"

[Bauer] "Yes. But look, in any new society all the old traditions retain their grip. To transform capitalist society into socialist society the proletariat needs a strong state. However, the state power won by the proletariat can take the most diverse forms, from revolutionary democracy to a dictatorship of the apparatus.

"It is no accident that Hitler won in Germany while the Popular Front took form in France—and Russia's past also conditioned the form of the dictatorship. I have already said that I consider the development in Russia inevitable and approve of the socialism that arose even under those conditions. Nonetheless, I would not be able to implicate myself in the use of such dreadful methods.

"I hope that you persist, I wish it sincerely, because you are not a hard man. On the road to the European revolution we must help along a development which on the one side will overcome Communist doctrinairism and on the other democratic doctrinairism. The proletariat must win its dictatorship in order to smash capitalism. But then it is faced again with the task of winning democracy, not bourgeois democracy, which remains a form of capitalist class rule, but socialist democracy, the self-management of a classless society."

Otto Bauer fell silent, looked past me, then at me. [Bauer] "What you call indecision, I would call discord, because each of us represents only one profound social contradiction. Bourgeois democracy, two-edged, contradictory, has infected all classes with its opportunism, its utilitarianism, even the working class. It has hidden the economic bondage of the broad masses from them, but still effected a liberation.

"This heritage must be taken into socialism. I mean by this that there must be a guarantee of the freedom and dignity of every individual against the arbitrary will of those in power, of the free competition of ideas, of equal participation in all the decisions of society."

[Fischer] "The Seventh World Congress has appealed for the defense of democracy, corrected the errors of the past, called for serious efforts to unite the working class."

[Bauer] "It was a first, perhaps decisive step toward unity, toward overcoming the crisis of socialism. I have great respect for the courageous way Dimitrov discussed the misjudgments and muddles of the past. We in the Socialist International must admit that the Social Democracy, in its parliamentary cooperation with bourgeois parties, in its horsetrading for reforms, felt closer to the bourgeois democrats than its Communist class brothers.

"Yes, we must go further in criticizing our past, we in the Socialist and you in the Communist International must come to a common historical, dialectic analysis of the causes in order to prepare the way for an integral socialism. The first world war split the proletariat; the

second world war, which we must face, will unite it and thereby achieve integral socialism."

Although I myself considered this war almost inevitable, I was shocked that Otto Bauer expected a socialist revolution and the unification of the working class only as a result of the war. And was it so certain that such a war could transform reformist parties into revolutionary ones, that a united working class would come out of it? Of course, the Popular Front in France pointed to this. But Otto Bauer placed his hopes primarily on a German revolution resulting from a defeat of Hitler Germany and strove insistently to overcome my doubts on this.

He developed the idea that the task of Marxists and of Communists was to fight for revolutionary ideas and to educate revolutionary cadres inside the reformist workers parties, cadres for overcoming the reformist stage of development.

First of all, I objected that the education of such revolutionary cadres on the reformist level of development would lead, in critical situations, not only to conflicts but to splits. Because action tends to follow the idea. What should Karl Liebknecht and Rosa Luxemburg have done? Stay in the same party with Noske? Only protest his activity? But then—wishing that Otto Bauer's hopes would not turn into disillusionment—I listened to him, I interrupted his passionate outpourings only from time to time.

He spoke of the function of the Revolutionäre Sozialisten in Austria as a link between the Soviet Union and the Social Democratic parties. It went without saying—he thought—that their model was the Russian Bolsheviks, the most glorious and triumphant of underground parties. Knowing the limitations of bourgeois democracy, they drew their confidence, hope and strength from the victories of the proletarian dictatorship in the Soviet Union.

[Bauer] "In a short time we will discuss the strengthening of unity in action with you. I authorize you to speak in my name. I am giving you a few lines. And I hope that some day we will belong to one united party."\*

The lines he gave me helped little. The man who stood at the head of the Revolutionäre Sozialisten rejected them contemptuously. Otto Bauer meant nothing to him.

And today?

Otto Bauer's hopes have not been fulfilled. The Social Democracy remembers its own only reluctantly. Many Communists think of him with the old resentment. But it is time, it seems to me, to speak not of his errors and misjudgments but to speak of him as a major figure in the Austrian and European workers movement.

\*In order to check my memory of this last talk with Otto Bauer, I took his book *Zwischen Zwei Weltkriegen* [Between Two World Wars] and for the sake of accuracy adopted many formulations from it. I am not concerned with using these recollections to develop my argument but with bringing Bauer's personality out of the twilight.

The transition from class society toward socialism, which dominates our epoch, is the most momentous turning point in modern history. How can this stormy passage be accomplished in the shortest time and with least cost? Any movement, party, or leadership that aspires to pilot the masses in the process of world revolution must answer this prime strategical question . . .

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