THE "NEW ECONOMIC POLICY"

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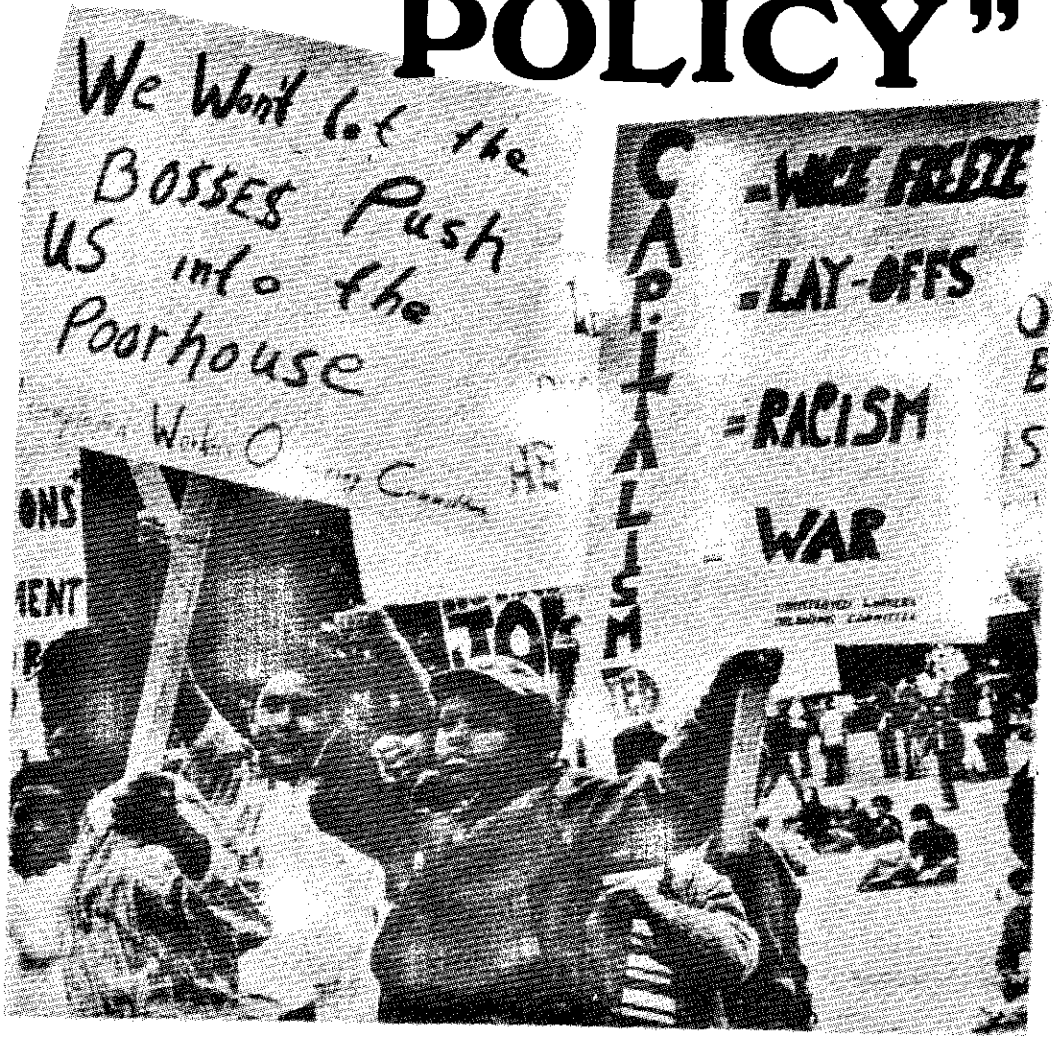
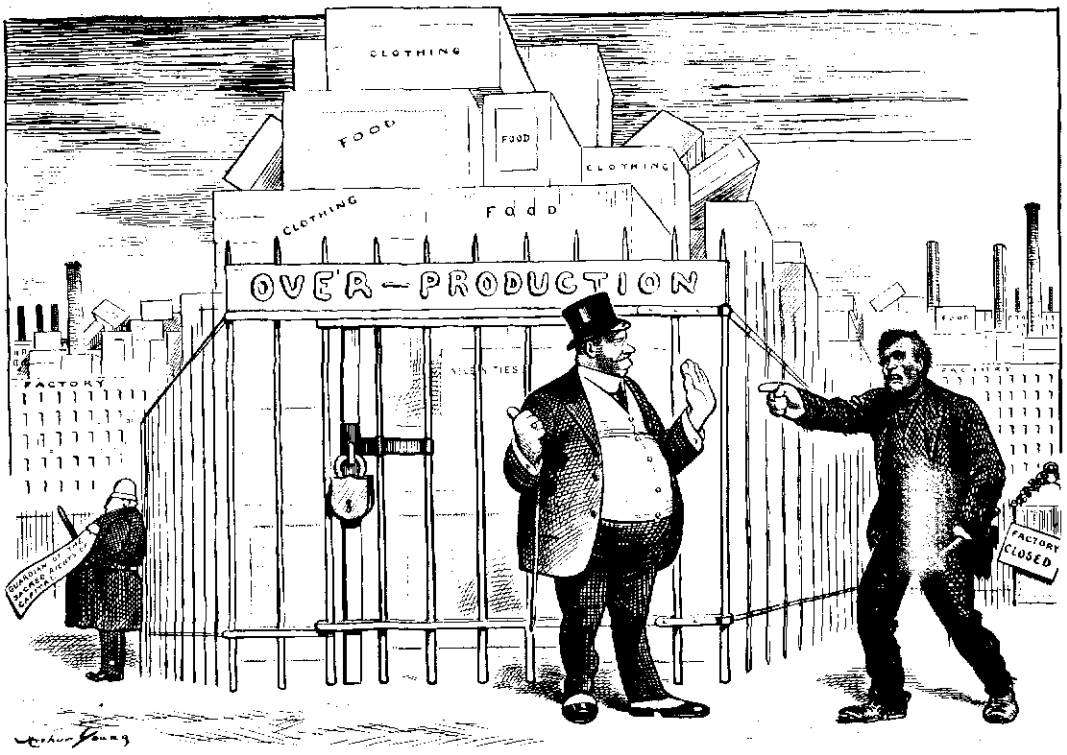


By The Revolutionary Union



APRIL FOOL

LABORER: *"Say! I've got to have work! My family is starving."*

CAPITALIST: *"Ah, but I've got overproduction. The joke is on you, why don't you laugh?"*

-Art Young 1935

The "New Economic Policy"

When President Nixon on August 15 announced the "New Economic Policy," he was reacting to a desperate economic situation which had been building up steam for many years.

Throughout the 1960s, the buying power of the paycheck evaporated away. In the first few years, this was a barely noticeable thing. After the war escalation of '65, when the government put the printing presses at the Mint on overtime, the creep in prices became a leap. Under two successive administrations, Democratic and Republican, the cost of living rose faster than the average paycheck could keep up. Despite major strikes by electrical workers, Post Office workers, auto workers and many others, winning wage increases that looked "outstanding" on paper, the great majority of production workers finished the sixties actually *behind* where they were in '64.

At the same time, the companies were adding on new machinery, plant and equipment at record rates. An unprecedented wave of mechanization and automation hit the workers in one industry after another. The small farmer was all but wiped out by California-style agribusiness. Steel switched to new, job-destroying furnaces and to fully-automatic mills. The Post Office put in automatic sorters and cancelling machines. The longshore began to be decimated by containerization and LASH. Bigger, faster borers and scrapers depopulated the mining towns and laid bare the surrounding landscape. Printing was hit by the computerized compositor; electronics by the module; auto by semi-automatic milling and cutting tools and then by the robot welder; and even offices were invaded by the new equipment. More and more old jobs disappeared; fewer and fewer new ones opened up.

The combination of these two great, long-term tendencies in the economy led straight to a classic crisis of overproduction. On the one hand, the bigger, faster and more powerful machinery, the greatly increased productive capacity, meant an ever-greater outpouring of goods supposed to find buyers. On the other hand, the buying power of the masses of people was being shrunk by inflation and stagnating employment. While the productive capacity owned by the capitalists leaped ahead, the buying power of the workers fell behind.

Inevitably, plants began cutting overtime, reducing hours, dropping shifts, and laying off regulars. As goods piled up in the warehouses and the machinery sat rusting, the lines lengthened at the unemployment offices. Corporate profits went down.

Economists called it the "1969-70 recession," editors made jokes about the people laid off being in the vanguard of the fight against inflation, and politicians painted a quick recovery. But, instead of a recovery, the crisis grew sharper; one problem led to another. As U.S. prices kept rising, more and more companies and individuals bought the cheaper imports instead, and fewer goods made-in-USA were bought abroad. Result: for the first time since 1893, the U.S. imported more than it exported, and the balance of trade went into the hole. Worse yet, the other countries who owned U.S. dollars began in earnest to present them to the U.S. Treasury for gold. The Treasury's gold stock dropped to a record low level, and a fever

of speculation against the dollar broke out, reaching into panic proportions.

Opinion polls showed confidence in the government at an all-time low. The clamor to "do something" rose to an ugly pitch in the formerly friendly big-business press. The situation was desperate.

On August 15, President Nixon dropped his policy of wait-and-see, and put forward the New Economic Policy. In a set of quick moves not seen in this country for nearly forty years, he completely changed the surface of present-day economics and politics. Without any question, he has reacted to the worsening crisis and "done something."

But what exactly is it he has done?

What are the features of the New Economic Policy, and what do they mean?

Whom does it benefit, and whom does it hurt?

Will the new policy relieve the crisis and solve it?

Who is in favor of it and stands behind it?

Where is it trying to lead the country?

What can be done about it?

What should replace it?

These are the questions we raise and answer in this pamphlet.

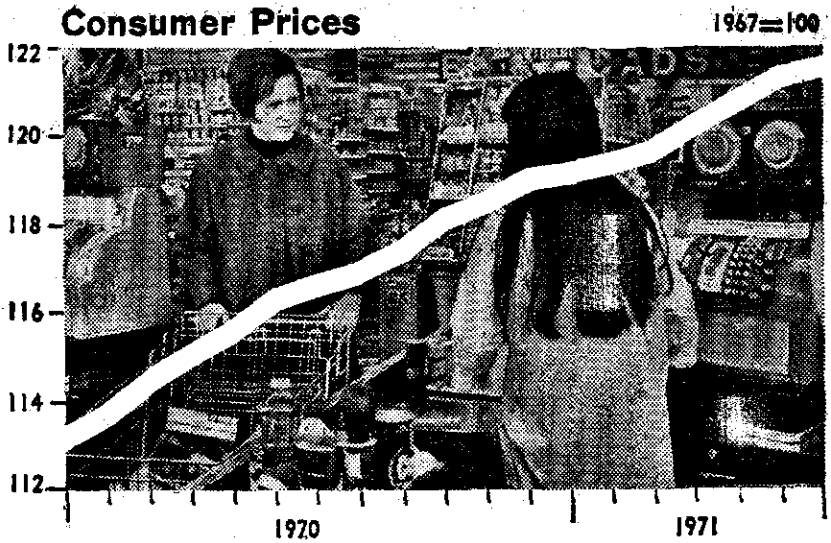
First, here is a quick summary preview of our conclusions. They don't put the New Economic Policy in the same pleasant optimistic light as the daily papers do. But then, lying isn't our business.

As we see it, the New Economic Policy is a head-on attack on the living standards of all working people in this country. It is an outrageous attempt to stamp out workers' basic democratic rights, and to set up a system of open slavery to the corporations and banks and their government. It is a massive giveaway of the people's money to the monopolies. It is an act of economic warfare against other countries. It will worsen the situation of working people in Japan, Canada and Western Europe as well as in this country, and greatly sharpen the danger of a new world war. Its friends and supporters are the owners of monopolies and banks, their allies the demagogic politicians, and their hidden agents and tools, the treacherous, sell-out union officials.

It will neither relieve the crisis nor solve it, but merely lays the groundwork for an open dictatorship by the owners. It must be and certainly can be defeated by united action of the working class and our true friends, leading to the construction of an entirely new economic system.

These are our conclusions in brief. Now let's look at the new policy in detail to show how and why we reach them.

The new policy has ten basic points. Let's take them one by one.



1. Wages Frozen, Gains Taken Away

The New Economic Policy orders a freeze on wages for an initial period of 90 days. Any wage increase fought for, negotiated, signed into contract, voted on, ratified and due to be paid to the workers between August 15 and November 12, says the policy, will not be paid. This includes cost-of-living adjustments, regularly scheduled raises, retroactive pay boosts due then, inequity adjustments, bonuses, hardship allowances, etc.; in short, all types of wages and salaries due to be paid then, regardless of when they were originally negotiated.

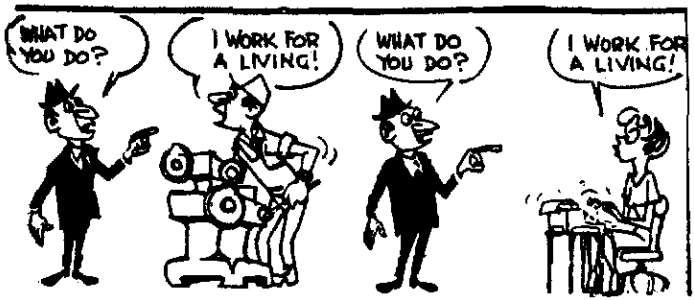
More than one million workers, according to an estimate in the Wall Street Journal, will have pay raises taken away. No figures have been published yet estimating the total amount of money which the "freeze" takes away from working people. The total is certain to be in the billions.

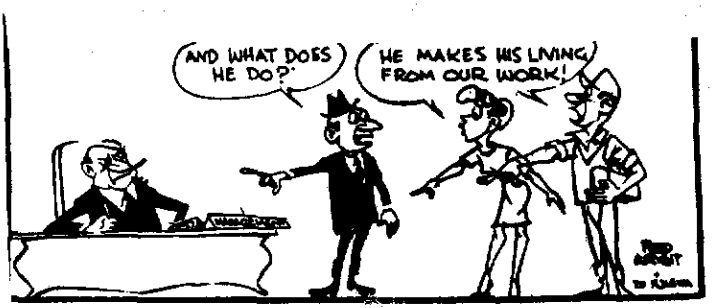
What happens to his money? Is it the case that it will be merely held up for 90 days and then paid out later, retroactively? The answer is no. This money will not be paid to the workers at all.

In most cases, working people spent countless hours on the picket line and endured immeasurable hardship to win these raises and adjustments. With the new economic policy, the government steps in an snatches them out of the workers' hands. The money is gone more certainly than a stolen car or wallet.

Taken from the workers, this money is given straight to the owners. The new policy shifts it away from wages and transfers it to the side of profits. It is a blatant case of the government stepping in to take from the working class and give to the corporations in order to subsidize their profit rate. The money is ripped out of the hands of the working men and women who produce everything and put into the pockets of those who own everything but produce nothing.

This new policy is a frontal assault on the living standard of all working people.





2. A Step Backward To Slavery

A built-in feature of the new economic policy is an attack on workers' right to organize, to strike, and to bargain collectively for better terms.

The text of the new law reads: "Any practice which constitutes a means to obtain a higher price, *wage, salary*, or rent than is permitted by this regulation is a violation of this regulation." (Our emphasis) The next paragraph of the law states that any person "who is engaged, or is about to engage, in any acts or practices constituting a violation of any regulation or order under this program" is liable to be hit by the government with a "permanent or temporary injunction or restraining order."

What does this mean? It means that when any group of working people, unionized or non-unionized, gets together to defend themselves against the inadequate wages paid by the ownership, the owners may, under the new policy, go straight to a judge who will issue them a blank warrant to have the police arrest any person the owners or their managers point the finger at. This is a denial of workers' right to defend themselves.

What is the significance of this right?

Unlike the owners of the means of production, working people have nothing to sell but the power of their hands, backs and minds. The daily sale of this power to labor is our only means of living. When the price the employers pay for our labor power, namely wages, is not fit to raise a family on, or when the employer abuses us at work, forces us to speedup to the limits of human endurance, maintains unhealthy and injurious conditions, and generally treats us worse than dogs, then we have no alternative but to defend ourselves by downing tools, stopping production and withholding our labor power from the employer.

The right to organize, to strike and to bargain in this way for better terms is a basic democratic right. It is a right which the working class has won in many decades of tough and bloody struggle, at the cost of vast sacrifices. Although it is not written into the U.S. Constitution (because that document was framed by owners and slaveholders), the right to organize, strike and bargain for better terms is as much of a fundamental right as the right to a trial by a jury of peers, or the right of free speech and assembly. It is the pillar on which trade unionism is founded.

The present system is already a kind of slavery for working people, namely wage-slavery. What distinguishes the modern wage slave, the modern worker, from the total slave of older times is precisely this right to withhold his labor power from the employers, to bargain collectively, and to sign a contract for better terms. By assaulting this right, the New Economic Policy tries to throw the worker back a century or more into the conditions of open slavery.

The new policy tells the worker: "You have no right to defend yourself against the employers. Lay down your only shield, throw up your hands, and surrender to the mercy of AT&T, U.S. Steel, the Pacific Maritime Association, and the other giant corporations."

The new law says to the worker: "You have no rights, you only have duties. The contracts you fought for and signed are so much paper. The agreements you voted on and ratified are so much paper. Your signature means nothing. Your vote means nothing. Your organization is no longer recognized. From now on you will do exactly what the owners tell you, and take exactly what they choose to give you."

Usually, most workers, when fighting for better terms, had to face "only" the immediate employer, the company. Under the new policy, we will be facing the government as well.

Until now, the right to organize and strike was denied only to most government workers and to soldiers in the Armed Forces. Under the new policy, all workers will be treated like government workers; all workers will be put under military discipline, with all the rights of a private in boot camp.

3. So-Called Freeze of Prices and Rents

The new policy, in a show of so-called fairness and even-handedness claims that it will freeze not only wages, but also prices and rents. The policy says no company may raise prices or rents above the highest level at which sales were made during the thirty days preceding August 15. In reality, this part of the "freeze" is not a freeze at all, but merely a 'frosting.'

To begin with, the cost of living during this base period was already at the highest level it has ever been in the history of this country. To "freeze" prices at this level is like taking away everything a man has, down to his BVD's, and *then promising not to take any more.* This is the kind of "relief" the policy promises.

If Nixon even wanted to make a show of doing something about the cost of living, he might have frozen prices at the level they were at five or six years ago!

The minute the so-called freeze is looked at closely, a number of open and hidden exceptions show up, big enough to drive a boxcar through.

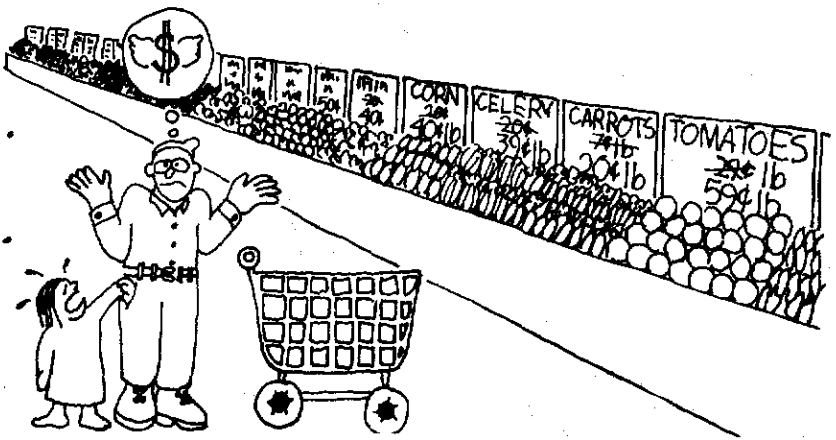
An open exception is food that is not processed between farm and market. This means that all fresh fruits and vegetables as well as eggs are free to go up as high as the supermarkets care to raise them. For these essential items in every family budget, the chain stores don't even have to pretend that anything lower than the sky is the limit.

Another open exception is the price of education at colleges and universities. This is another injustice. It will fall hardest on those future students whose parents are ordinary working people without high salaries. It will make it twice as hard for students to work their way through school. It means that thousands of young people, especially from the working class, and most particularly young Black, Brown, Asian and Native American people, will be denied the opportunity forhigher academic education, and will be added, in all probability, to the unemployment rolls.

There are still other open exceptions. For example, state and local taxes. As everyone knows, here is where a real freeze would be in many ways a welcome measure. But here is an area where the freeze does not apply.

Yet another is profits and interest rates. The governmental machinery to apply a limit here has existed for a long time. It is not being used. On the contrary, the dav after the program was announced, stock market investors (60% of whom are big insurance companies and banking funds) pocketed an estimated $20 billion in profits; the wage freeze will add many billions more, and the tax cuts to be looked at in a moment will further sweeten that pot.

Are there limits to the interest rate to protect the installment buyer, the home buyer and the small businessman and farmer needing credit? Not in the least. Just the opposite: while the new policy freezes wages, it serves up *a thick layer of creamy frosting on the profits* of the corporations and banks, and offers no protection where protection is needed.



These are some of the open exceptions, the exceptions written into the law itself. But this only scratches the surface. **As this is being written, the evidence is piling up that many of the biggest of the corporations were tipped off about the coming program several weeks ahead of time.**

The auto firms, for example, started shipping and selling the 1972 models at the higher '72 prices late in July, many weeks ahead of regular schedule, so as to establish a new "maximum" price before the so-called freeze went on. (The auto firms have since promised to repeal these raises in a show of compliance; the real reason, however, is that they have a record backlog of unsold '71 models.)

Notice also the behavior of the oil companies: for six weeks, they had been in a price war which almost brought gas down to a reasonable level. Then suddenly, at the end of July, on a moment's notice, all gas prices all over the country zoomed up above the pre-'war' levels. A week later they went down again. What was going on? Answer: establishing a maximum price during the base period so as to be able to raise prices up again to that level during the "freeze." In other words, they got the tip from Washington. How many others did, too?

Finally, to see the so-called price freeze in its true light, consider this item in the Wall Street Journal of August 23, a week after the new policy was announced:

> "The Nixon Administration has quietly eased its price freeze rules to guarantee that the Aug. 5 steel price increase needn't be rolled back.
>
> Initially, industry and government sources indicate, there had been some doubt whether mills could continue billing orders at the level reflecting the 8% price boost posted Aug. 5 on more than half the product line. The day after President Nixon's Aug. 15 announcement, steel company spokesmen simply wouldn't say whether the freeze wiped out the increase.
>
> But asked yesterday if he has any more such doubt, U.S. Steel Corp.'s president, Edgar B. Speer, said he has 'none whatsoever.' Even by the middle of last week, major steel companies in Pittsburgh and other cities were saying publicly that they were proceeding to charge the higher prices.
>
> Although Pittsburgh executives deny receiving any 'direct' word from Washington, it's understood the industry has been advised privately that a definition issued Thursday by the Cost of Living Council was carefully devised to relieve them of any such worry."

And a few days later, the rules were once again "rewritten" to allow the insurance companies to raise their rates.

What does this mean? It means that the owners of the banks and insurance companies, the rich and super-rich like the Mellons and the Morgans control the government with a dictating hand, having the law rewritten so as "to relieve them of any worry" of having to obey its letter. It means that a precedent has been set allowing dozens of other corporate giants to raise their prices also during the so-called freeze. It means that all the corporations who buy and use steel will have an "ironclad" argument to pass the higher steel prices on to the consumers after the 90 days are up. It means, finally, that the so-called price freeze is a blatant fraud, perpetrated by the monopolies through their obedient government for the sole purpose of creating a public relations image of "fairness" and "even-handedness."

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Rules on Freeze Eased to Permit Steel Price Boost

Initially, There Was Doubt On 8% Rise Aug. 5; Council Definition Relieved Worry

THE WALL STREET JOURNAL, Monday, August 23, 1971 3

4. The "COLC:" Fox in Charge of Chicken Coop

Under the New Economic Policy, corporations and landlords are supposed to freeze prices and rents "voluntarily."

That the corporations will freeze WAGES not only voluntarily but with great enthusiasm is a sure thing. But the notion that they will "voluntarily" do the same with prices and rents is the same thing as saying that the fox will make a good manager of the chicken coop.

(Do companies voluntarily pay better wages, stop the speedup, set up better, safer working conditions, stop polluting the environment? Does the government voluntarily withdraw troops from Vietnam?)

To meet this credibility problem, the government has set up the "Cost of Living Council," (COLC, pronounced "coke." The idea is to make it *look like* an effective machinery to enforce the so-called price and rent freeze is being built up. Technically, the COLC has the same punishment power (injunction and $5000 dollar fine) as the price control boards in existence during World War II and the Korean War. Although slow, inefficient and confused in getting set up and started, the COLC will, at the end of 90 days *look like* a powerful administrative apparatus. But the only change of substance is that the job of administering the chicken coop will have gone, instead of to thehead fox himself, to the assistant fox.

Let's take a closer look. The nucleus around which COLC is being built is the Office of Emergency Preparedness. What is this? Its major role has been to act as go-between for the government and the oil corporations in the matter of setting oil import quotas. The post of directing it has been a highly prized political plum. Even the Wall Street Journal says: "Washington observers generally detect a strong political aroma around the agency." Under Democratic administrations, Dixie governors headed it. Today the head is a retired Army general who used to teach "social science" at West Point.

Does this sound like an agency that would *crack down on the giant corporations on price* hikes? Just the opposite, it is a body that has spent all its life being wined and dined on the corporate expense account. It knows and cares as much about the needs of the American people as the Pentagon cares and knows about the "hearts and minds" of the Vietnamese people and the American GI.

As for the COLC, the political appointee who heads it is an expert in so-called "labor relations." Like the head of the Federal "Mediation and Conciliation Service," J. Curtis Counts, who is a former "director of employee relatins" for Douglas Aircraft, an aerospace monopoly, the head of COLC is professionally qualified in hiring and firing workers, using undercover agents to spy on union meetings, bribing union officials, and using Pinkertons and scabs to break strikes.

The working class is well acquainted with this sort of agency, regulatory body, board, and commission. No matter how small or how big they are, no matter how "fine" they sound, they all have one purpose only: to screw the workers.

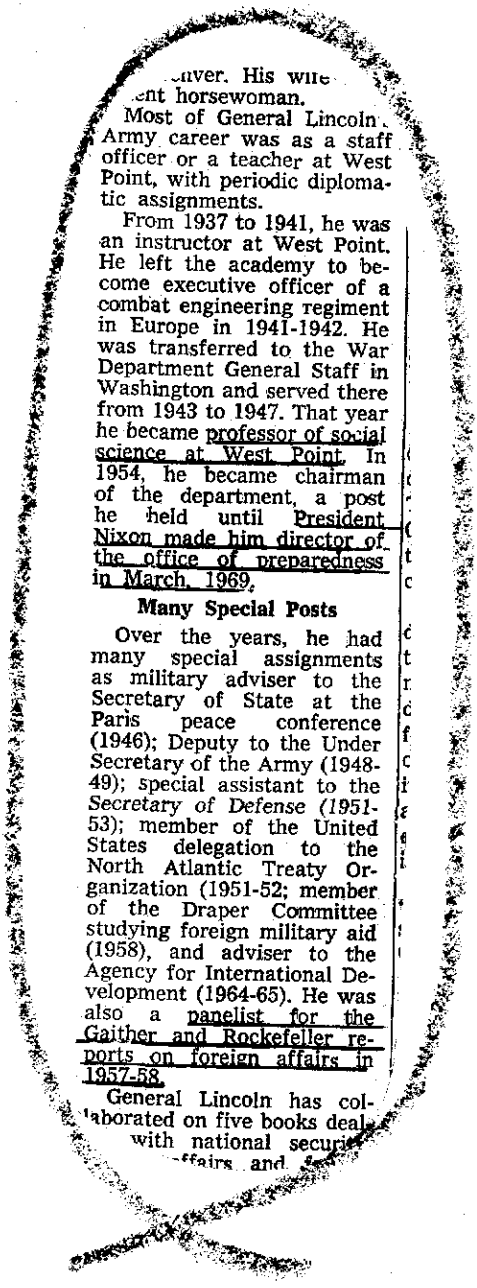
The Bureau of Industrial Safety has hundreds of inspectors with the power to levy fines and shut down plants. What has been the result? The rate of industrial injuries and diseases has steadily gone up.

The Justice Department has an anti-trust division which is supposed to be breaking up or at least limiting the growth of the monopolies. What has it done? The size of the monopolies, the percentage of the market they control, the number of mergers even in already sewed-up fields like steel, have all increased over the life of the anti-trust laws. In fact, these laws have been used far more often against labor unions then against the capitalists.

The 1968 Civil Rights Act isanother example of such "regulation." Designed allegedly to make discrimination, injury and the murder of civil rights workers and leaders a federal crime, its major use to date has been to arrest and jail individuals who go from one state to another to say that discrimination, injury and murder of civil rights workers and leaders is a crime. It has been used far more frequently to jail black people than to protect them.

Hundreds of other examples could be cited. Like these other agencies, boards, regulatory bodies and laws, the new COLC is a tool of the very monopolists and bankers it supposedly is going to control. Whether this new bureaucracy is little or big, inefficient or smooth, technically powerless or powerful, is mostly beside the point. The main point is that the wrong class of people is in charge.

This is why we say that the New Economic Policy is built on fraud and deception.



...nver. His wife ...ent horsewoman.

Most of General Lincoln's Army career was as a staff officer or a teacher at West Point, with periodic diplomatic assignments.

From 1937 to 1941, he was an instructor at West Point. He left the academy to become executive officer of a combat engineering regiment in Europe in 1941-1942. He was transferred to the War Department General Staff in Washington and served there from 1943 to 1947. That year he became professor of social science at West Point. In 1954, he became chairman of the department, a post he held until President Nixon made him director of the office of preparedness in March, 1969.

Many Special Posts

Over the years, he had many special assignments as military adviser to the Secretary of State at the Paris peace conference (1946); Deputy to the Under Secretary of the Army (1948-49); special assistant to the Secretary of Defense (1951-53); member of the United States delegation to the North Atlantic Treaty Organization (1951-52; member of the Draper Committee studying foreign military aid (1958), and adviser to the Agency for International Development (1964-65). He was also a panelist for the Gaither and Rockefeller reports on foreign affairs in 1957-58.

General Lincoln has collaborated on five books dealing with national security affairs and ...

5. A Gift of Machinery and a Figleaf

In a further show of "fairness" and "even-handedness" the new policy proposes some tax cuts, one for the corporations and another for the ordinary taxpayer. Here, too, on looking closer, a different picture shows up: in truth, the so-called tax cut is a massive giveaway of the people's money to bail out the corporations' profit rate.

Under the program, the corporations are to get a break on all new machinery and equipment they install, up to ten per cent of their tax bill. This is a free gift to them out of the public treasury, allowing them to get ten per cent new machinery for nothing at all.

This tax break comes on top of a 7 per cent "accelerated depreciation allowance" which the Treasury gave the corporations earlier this year. It is estimated that the combination of the two cuts can put an extra 8 to 9 billion dollars into the profits pocket.

Will this shameless giveaway of people's money to the rich do any good for the economy? Is this free gift of machinery to the monopolies what they system needs to get moving again, to get people back to work?

Not in the least. The average company today in manufacturing is only using 75 per cent or less of the machinery and equipment it ALREADY owns. The owners already have more than 25 per cent more productive capacity than they know how to use. They already have too much machinery, too many means of production!

How then can $8-9 billions worth of new machinery, even supposing the corporations actually buy that much, get the economy moving again? There is no way.

At the very most, this tax cut might eventually relieve the unemployment problem in the machine-building industry by a slight amount. But it would do so only at the cost of creating more mechanization and automation, more unemployment elsewhere throughout the whole economy. The over-all crisis of overproduction would not be solved, but rather sharpened.

"We'd use the credit to completely automate the production procedure," said the president of Bell & Howell, stating publicly what many others are planning. (Business Week, Aug. 21).

President Nixon claims that this measure will "make America more competitive" by modernizing U.S. plants and equipment. This is more pseudo-patriotic doubletalk. The workers do not own the plant and equipment, whether old or new. The major difference new machinery tends to make in this system is to do away with jobs. The only way this will make American workers more "competitive" is in the international "race" being staged by the capitalists of different countries to see which one can put the biggest percentage of workers out of work.

From the viewpoint of the working class, this outrageous tax bonanza is economic nonsense of the highest order. It represents exactly the same kind of "trickle-down" economic policies advanced by President Herbert Hoover in 1930. It will win Nixon and Connally many friends among big businessmen, who will remember the favor come election time, but will do nothing whatever to pull the economy out of crisis or to better the situation of working people.

What does Nixon offer the working people? A "tax exemption" of $50 per person over the year. (This will not start until Jan. 1, while the tax slash for the corporations is retroactive to August 15.) Fifty dollars = less than a dollar a week. The rise in state and local taxes will easily eat it up twice over. A two penny rise in the price of lettuce and eggs would kill it off. Is this what "tax relief" is supposed to mean? Nonsense. This so-called tax cut is nothing but a figleaf on the rape of the public treasury by the corporations.

Once again the New Economic Policy is a massive giveaway of the people's money to the monopolies, and it will not solve the crisis of the economy.

6. A Chain of Ifs and Maybes

A special feature of the new policy is to remove the excise tax on new automobiles. Nixon and Connally's friends among the bankers, industrialists and stock market investors make much of this feature, boasting that tens of thousands of jobs will be created.

This tax was regressive to begin with, forcing the buyer of economy cars to pay the same percentage as the buyer of Cadillacs and Lincolns. Good riddance to it. But will its removal boost auto sales and reduce unemployment in the industry?

The answer is, it might *temporarily, if* a whole chain of other conditions is met.

The auto tax cut will reduce unemployment in the auto industry,

IF the auto makers actually pass it along to the dealers as promised, and

IF the dealers don't slap on extra "handling, transport and preparation charges" to soak up the difference, and

IF consumers have *anything* left *of the* $50 tax "break" by the end of January, and

IF interest rates on car loans don't go up (fat chance), and

IF enough sales volume develops out of all this to wipe out the record overstock of '71 cars now on dealers' hands, and

IF the auto makers don't use their free gift of machinery to further automate more auto workers out of their jobs.

That is the chain of six "ifs" between the *excise tax cut and a temporary increase in jobs* in the auto industry. Meanwhile, the newspapers report that new-model startup hirings and planned overtime are down and layoffs and pay cuts continue.

And with the growth of unemployment, which will continue despite Nixon's false promises, any temporary addition of auto workers will be wiped away as people generally have less money to buy everything, including new cars.

7. Federal Employment Slashed

Against this off chance that unemployment might be temporarily reduced in one industry, the New Economic Policy sets up the certainty that unemployment will be boosted in another line of work. Five per cent of the employees on the federal payroll, orders the policy, are to be cut off.

This is supposed to be done by "attrition." No one with experience in bureaucracy will mistake this to mean that as older workers retire or die, there will simply be no replacements. On the contrary, this kind of order sets up a situation where the higher-grade employees are given a whip hand over the younger, lower-ranking workers. It opens up a reign of terror, with supervisors stalking the offices, knife in hand, looking for the slightest hint of nonconformity. It will be mostly the young, the Black, Brown and Asian, the most poorly-paid employees who do the most work, who will suffer the most from this cut.

How does it solve the unemployment problem to throw one out of 20 federal workers onto the street?

The "reason given by Nixon and Connally for this cut is to "Balance the budget." This is a highly fraudulent line of reasoning. **The lion's share of tax cuts goes to big business. Why should the federal workers be singled out as victims of it? This is exactly the same as if five percent of federal employees were forced to donate their entire year's salary to the owners of General Motors, Ford, AT&T, and the others. It is simple robbery hidden in budgetary jargon.**

8. Labor Camps

Another feature of the New Economic Policy is an escalation in the attack on welfare. In the last few months before the announcement of the NEP, Nixon was doing a lot of talking about "welfare reform" and "revenue sharing" with the cities, which was supposed to mean a "more realistic approach" to the problems of the cities: slums, bad housing, inferior education, transportation, health care and pollution.

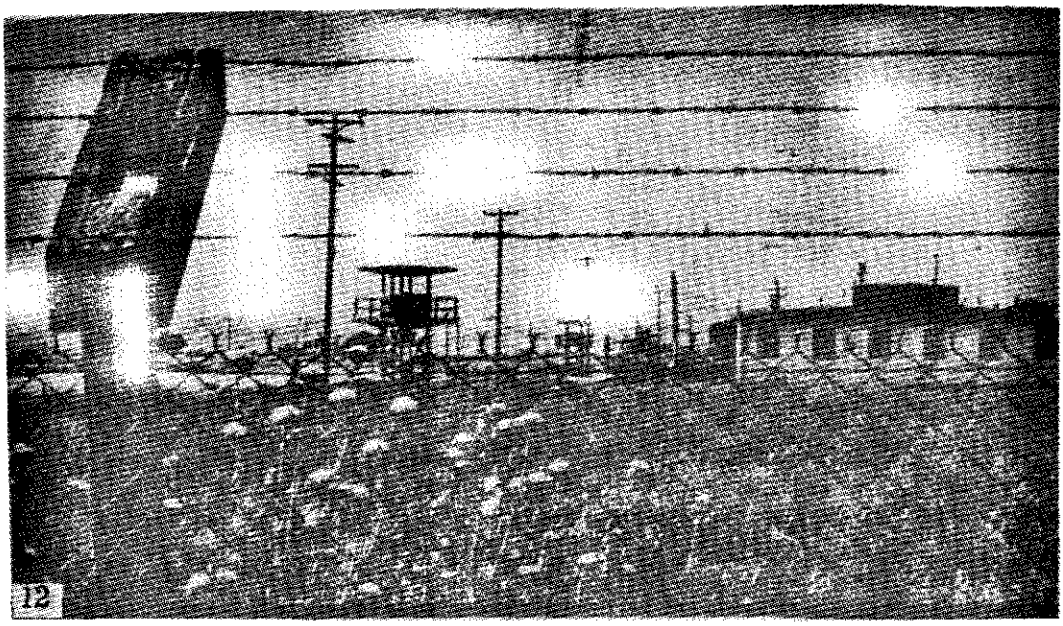
Now, with the NEP, "revenue sharing" has been put off, and the real meaning of "welfare reform" comes clear. Instead of wider relief to meet the needs of the millions of people thrown out of work, Nixon and Connally, following the lead of Reagan, are beginning to institute "experimental" compulsory labor camps.

What this really means is illustrated by a newspaper article about a laid-off machinist in Alameda County, California, who was denied welfare (general assistance) because "farm labor was available." After getting up at three a.m. for three days in a row to present himself for work picking fruit, he was finally given one day's work, for which he got paid $2.04, while being forced to scab on the United Farmworkers' Union. Another example is the "trial program" in Sonoma County, Calif., where people on unemployment who cannot find jobs are forced to work on county road gangs, like prisoners–for 61 cents an hour.

The number of people on unemployment and welfare is at record levels due to the economic crisis. For the first time since the Great Depression, the percentage of people living below the 'poverty line' has gone up. More and more working people who are unemployed for a long time, or during long strikes, have been forced to apply for relief. Never was the need greater or more legitimate.

Working people pay for unemployment and welfare programs with taxes. When the need hits, workers have the right to these benefits pure and simple, without apology or hassle. Nobody should be compelled to suffer a double exploitation to get what's rightfully his.

These compulsory labor camps being instituted under the NEP are a giant step backward to the slave labor camps, the concentration camps of Nazi Germany. This is where the New Economic Policy leads.



9. Spreading the Crisis Around the World

The ninth point of the New Economic Policy, and the most important part of it from an over-all, worldwide standpoint, is to unhinge the value of the U.S. dollar from gold.

Since 1934, when President F. D. Roosevelt devalued the dollar officially, the rule has been that 35 dollars will buy exactly one ounce of gold. Citizens and governments of other countries could at any time come to the U.S. Treasury with their U.S. dollars and get gold for them at that rate.

In 1968, this rule was changed to read that only the official central banks of other countries, but not individuals or companies, could convert their dollars for gold in this way. Now, under the NEP, even the central banks of other countries have the gold window at the U.S. Treasury shut in their face. They are in effect stuck with these dollars. They have been "had" in much the same way that Americans who took Confederate currency a hundred years ago were had.

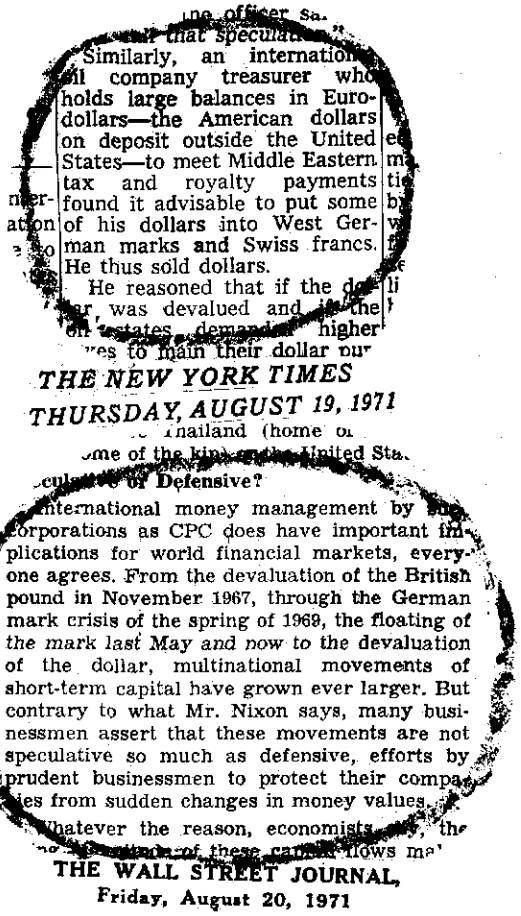
Why was this done?

Nixon and Connally said that the move was made necessary by the activities of certain unnamed "international speculators" and "money manipulators." This is supposed to conjure up visions of some mysterious scapegoat like the traditional "Jewish financiers." (This was a scapegoat used by Adolf Hitler to take the heat off the "Aryan" financiers who backed him and pulled his strings.)

Who really are these speculators and manipulators? Over the past decade, thousands of corporations in the U.S., led by the biggest of the monopolies in every field, have set up manufacturing, extraction and banking branches in other countries. Hundreds of thousands of new jobs have been exported in this way. Not only the colonial and semi-colonial countries of Asia, Africa, and Latin America, but also the countries of western Europe, and Canada and Japan, have been increasingly penetrated by the branches and affiliates of the U.S. monopolies and banks. More and more of these corporate giants do a growing slice of their total business in other countries.

For example, General Electric and Ford do about one-fourth of their total business in other countries. Chrysler has close to one-third of its total operations overseas. Sperry-Rand's business is 35 percent abroad. Gillette and Procter & Gamble have about half their total businesses outside the U.S. Many of the giant oil combines actually have more than half their ownings in foreign countries. It is these companies, and the U.S. banks associated with them, who do the switching and exchanging of massive amounts of currencies which creates the "hot flows" of money speculation.

In other words, the speculators and money manipulators are none other than Nixon and Connally's best friends and masters. That is the reason why Nixon and Connally threw out such a vague accusation, instead of naming names!



...ne officer sa...
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Similarly, an internation...
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THE NEW YORK TIMES
THURSDAY, AUGUST 19, 1971

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one agrees. From the devaluation of the British
pound in November 1967, through the German
mark crisis of the spring of 1969, the floating of
the mark last May and now to the devaluation
of the dollar, multinational movements of
short-term capital have grown ever larger. But
contrary to what Mr. Nixon says, many busi-
nessmen assert that these movements are not
speculative so much as defensive, efforts by
prudent businessmen to protect their compa...
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THE WALL STREET JOURNAL,
Friday, August 20, 1971

However, to blame this speculation for the dollar's loss of value is putting the cart before the horse. There will be no speculation if there is no reason to speculate. Speculation is only the symptom of the dollar's weakness, not the cause. To blame the speculators for the weakness of the dollar is to blame water for running downhill.

What, then, is the cause?

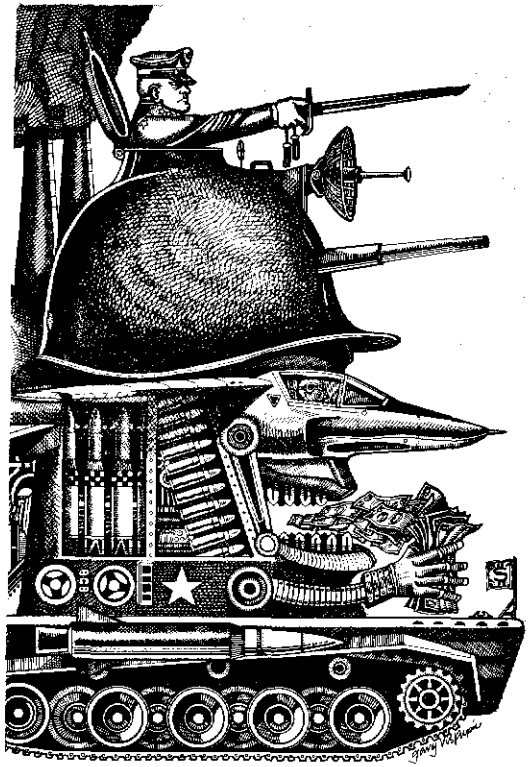
This question really has two parts. First, why is it that there is such a vast pool of dollars overseas which can be and are being used to speculate with? Secondly, why is it that the value of the dollar, the real buying power, has been eroding away, so that it becomes profitable for speculators to dump dollars and buy other currencies instead?

Let's take these questions in turn.

The quantity of dollars now owned by citizens, businesses, and central banks in other countries is presently estimated at anywhere from $50 to $70 billion. This is from five to seven times as many dollars as there is gold in the U.S. Treasury to redeem them at the old rate of $35 per ounce. How did these dollars get there?

They didn't get there due to companies in the U.S. buying more goods abroad (paying out dollars) than companies in other countries were buying in the U.S. (taking in dollars). On the contrary, until this year, companies in the U.S. were taking in more dollars on the export-import trade than they were paying out. Until this year, the U.S. showed a surplus in trade.

Nor did this pool of dollars get pumped overseas in the first place by the U.S. corporations and banks setting up branches in other countries. On the contrary, the profits that these branches make are shipped to the headquarters of these corporations and banks in the U.S. Over the past ten years, these foreign branches have actually drained more dollars *out* of other countries and *into* the U.S. than the other way around. (This is one of the main reasons why the people in other countries hate the U.S. corporations and banks so much, and want to drive them out: not only do they take over the local economies, but also, they drain the other countries of their wealth by shipping profits to the headquarters, instead of re-investing them locally.)



Nor is the cause "foreign economic aid." Whenever the U.S. government or one of its agencies gives so-called economic aid to other countries, it is always on condition that these dollars be spent to buy goods made in the United States. Thus, these dollars come right back to the U.S., usually with interest added on.

The real source of the pool of dollars sloshing around in other countries has been neither U.S. trade, nor U.S. corporations' and banks' foreign investment, nor "foreign economic aid", but rather U.S. spending for foreign military bases and foreign wars. **For the past twenty years, this military spending by the U.S. government has consistently pumped more dollars out of the country than trade, investment and "economic aid" have been able to pump in. Year after year, the U.S. balance of payments has, for this reason, been running a deficit. Year after year, these deficit dollars piled up, until the total pool reached its present gigantic size of $50 to $70 billion.**

What is the reason behind this outpouring of dollars for foreign bases and foreign wars?

Ever since the turn of the century, the economies of the major capitalist countries like the U.S., Britain, France, Germany and Japan have been dominated by huge monopoly corporations and banks, who have mostly suppressed competition within the countries they dominate, only in order to engage in even fiercer competition and rivalry with the monopolies of other countries. At stake in their struggle is monopolistic control over each other's domestic and foreign markets, supplies of raw materials, and labor forces. Each of the monopoly groups, and the government it controls, tries to carve out for itself an ever-larger "sphere or influence," "bloc", or "co-prosperity sphere"—in short, empire—both in the so-called underdeveloped countries and in the other imperialistic powers, as well as in the socialist countries if they can. For a time, this takes the form of peaceful competition, meaning the kind of bloodless throat-cutting and back-stabbing that gets reported on the business pages. But when the markets get glutted and peaceful means no longer work, then this peaceful competition turns into rivalry, into "limited" wars for the possession of colonies and semi-colonies, and finally into all-out general wars between the powers.

The major imperialist powers have launched two world wars and countless smaller colonial wars and expeditions in this century. In each world war, the monopolistic corporations and banks of the U.S.A. have sat back at the beginning, turned gigantic profits by supplying war supplies to one or another side, (often to both at the same time) and waited until the other countries had bled each other nearly to death before stepping in militarily to "clean up," claim the victory, and seize the spoils. This is how the United States, after the second World War, took over giant chunks of the colonial empires formerly built up by the monopolists of France, Britain, Germany and Japan, and installed its own military bases in these territories. These bases—there are over 2,000 of them—are one reason why dollars end up abroad.

These bases, together with military aid to dozens of puppet dictators, serve as a shield for "freedom and democracy" of a certain particular kind: namely "freedom and democracy" for the U.S. monopolies and banks to gain control of markets, to take over the natural raw materials wealth, to keep wages down to pennies an hour in the plantations and branch plants, to make usurious loans, and generally to trample on the freedom and democracy of the great majority of people in these countries. It is the shield of this military presence which keeps little islands of extreme wealth and power alive in these countries amidst great seas of misery and oppression.

Together with much of the former French, British, German and Japanese empires, the U.S. monopolists also took over the wars which these other imperialists had been fighting to keep the local people in the colonies down. The

The Oil Companies & Indochina

This map shows Southeast Asian waters staked out by giant oil combines for off-shore drilling. The whole world is carved upb by the monopolies in this fashion. We pay for and die in the monopolies' wars to rob other countries of their wealth. The Vietnamese, Laotians, Cambodians and other people are fighting--and winning--a war to liberate their countries and prevent them from becoming slices of the monopolists' pie.

Indochina war is one of the clearest, and the most important of the examples. Even before the French were defeated by the Vietnamese at Dien Bien Phu in 1954, the U.S. government was paying two-thirds of the French military expenses; and when the French were forced out, the U.S. government stepped into their shoes, continuing the war and, in 1965, escalating it to even greater proportions than before. Somewhere between $30 and $50 billion (the exact figures are government secrets) have been pumped abroad since 1965 for the Indochina war, much of it ending up in the numbered bank accounts of puppets and grafters like Thieu and Ky in southern Vietnam, Lon Nol in Cambodia, and their kin in Laos and Thailand. This is the second and, in terms of quantity, most important source of giant pools of dollars sloshing around in other countries.

In short, the reason why there are five to seven times as many dollars owned in other countries as there is gold in the U.S. Treasury to redeem them is that the U.S. government has spent them on foreign bases and on colonial wars, chiefly in Indochina, for the benefit of the monopolies and banks.

Now to the second part of the question: why is it that the quality of the dollar, its real value or buying power, has gone down to the point where most of the companies and governments of other countries, as well as the foreign branches of U.S. companies, would rather have gold or more solid currencies instead of the dollar? Why has the buying power of the dollar been eroded away to the point where there is profit to be made in speculating against it?

The answer lies in the way that the U.S. government has been raising the money to pay for the foreign military bases, and especially for the Indochina escalation since '65. Let's look at this in more detail.

Some people think that military spending is a bonus for the economy because it puts people to work, etc. It is true that this present economic system would collapse even faster than it is already doing if it were not for the employment provided by the war industries. But this does not mean that it is a bonus for the economy. On the contrary, military production is just as much of a dead weight on economic progress as if the whole war output were put on ships and sunk on the high seas. The wages and salaries of everyone in military production and in the armed forces, as well as all the raw materials they consume, have to be paid for, one way or another, by the rest of the population. In short, in order to finance military bases and wars, the government must somehow raise the necessary money from the mass of the people.

The government has two basic ways of doing this. The first way is to raise taxes. This is the direct, open way of paying for a war. It has to be approved by Congress in lengthy detail, it is discussed in the newspapers, and every taxpayer can see the amount of the bite and who is getting it very plainly in the deductions-box of the paycheck and when filling out forms in April. This way of raising money for war does not corrupt the value of the currency, and is plainly visible to everybody.

However, just because it is plainly visible, the government would rather not push it too hard. When taxes go up, too many people ask too many questions for the government's comfort. Why? What for? What's the benefit for us? The Indochina war, being a war to prevent other countries from achieving their independence, is an out-and-out unjust war, and it has outraged the sense of justice of the American people from the moment that its true purpose became publicly known. It has been the most unpopular war in our history, and rightly so. For that reason, the government has paid only a small part of the Indochina war costs out of tax money. The rest it has raised the second, indirect way.

This second way for the government to meet expenses is simply to print up the necessary money. If the government is spending thirty billion for war, but raising only ten billion in taxes, leaving it with a twenty billion dollar deficit (this year the deficit will actually be able $27 billion), the nothing is easier for the government than to run the presses at the Mint until it has $20 billion in crisp, fresh greenbacks to spend.

The mechanics of how this, the world's biggest racket, is pulled off, are too complicated to tell here in anything but the barest outlines. These are the main steps:

Say the government needs $20 billion to cover its budget deficit. The Secretary of the Treasury (now, Connally) goes to Congress

asking that the national debt ceiling be raised by that amount. This request is usually tacked on as fine print onto a Social Security bill providing more aid to aged widows. As happened in March '71, it passes both houses without a word of debate, and hardly a mention in the papers. Now the Treasury is authorized to print up and sell "debt certificates," which are basically government I.O.U.'s in denominations of one million dollars and up. These are sold at a discount of about 4 to 5 percent to a small club of about 15 privately-owned New York banks who monopolize this juicy business. They give the Treasury money, which the Treasury puts into circulation by spending it on planes, tanks, bombs, etc.

So far all that has happened is that the Treasury has borrowed money from private bankers, and wasted this money on goods designed to blow up or be blown up. Then, however, the Federal Reserve Bank (the official government bank) steps into the picture. To prevent the private bankers from being stuck with big government I.O.U.'s (Treasury certificates) which they can't spend or lend, the Federal Reserve buys these certificates from the private bankers at their full face value, so that the bankers turn a 4-5 percent profit on the deal. Now, where does the Federal Reserve get the money to pay the bankers for the certificates? Answer: the printing press. Thus, the bankers and the Treasury are set to begin the cycle all over again. Repeated several times, its result is that there is more and more money in circulation which is worth exactly as much as the paper it is printed on and the labor to print it, and which necessarily drives down the worth of the currency as a whole. This is how the government covers its deficit, the big banks turn the world's easiest profit, and we the people—as well as the central banks of other countries—end up with an increasingly inflated, puffed-up, worthless dollar.

Unlike taxes, this way of raising money is quiet, sneaky, invisible to the general public, and mysterious in its workings; therefore it is ideal for the government's purpose of paying for an unjust and unpopular war.

This is how and why five to seven times as many dollars ended up as a pool for speculation in other countries as there is gold to redeem them, and why the value of the dollar declined to the point where the other countries' governments demanded gold instead, and where the U.S. corporations and banks' foreign branches themselves began massively speculating and manipulating to get rid of their dollars and buy other, more solid currencies instead. This is why Nixon and Connally slammed the gold window shut, leaving other countries holding a bag of paper.

This feature of the New Economic Policy, in short, is the result of more than twenty years of the U.S. government pumping out dollars to pay for foreign military bases and colonial wars, raised to a peak in Indochina, for the benefit of the U.S. monopolies and banks, by corrupting the currency at the expense of the American people. In a word, it is the inevitable price of a quarter-century of imperialism.

Nixon and Connally claim that this is not a devaluation of the dollar. (Technically, if one wants to split hairs, they may be right, if it takes a formal declaration to make a devaluation.) But even in the absence of any official statement, it is perfectly clear that a devaluation of the dollar has taken place, in fact. When the dollar no longer buys gold, and when it buys less of another currency than it did before, then that is a devaluation, and all the world understands it as such, even the Wall Street Journal.

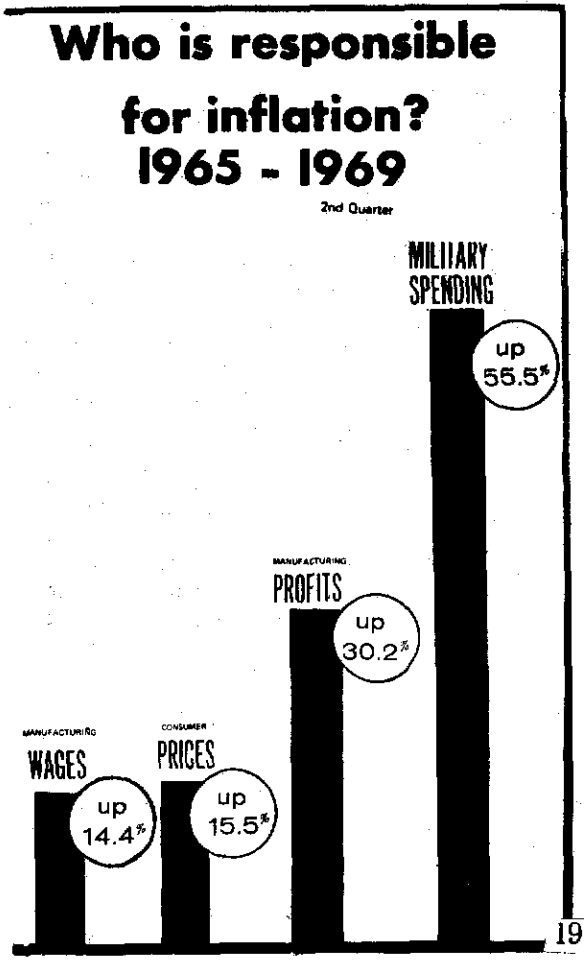
This feature of the NEP unilaterally tears to shreds the monetary agreements worked out over the past 25 years among more than 100 countries. It signifies the collapse of the monetary system based on the dollar, and ushers in a new era of uncertainty and chaos. Like President F. D. Roosevelt's devaluation of the dollar in 1933, it brings no lasting benefits, and merely opens the door to international monetary warfare, inviting other countries to respond in kind.

10. Raising the Tariff Wall Higher

On top of the devaluation, the New Economic Policy slaps a ten percent "surcharge" on nearly all manufactured goods made in other countries and imported here. (Raw materials like tin and oil, as well as agricultural goods like bananas and coffee, are exempt.) Also called a "border tax," this move is actually simply a way of jacking the tariff walls higher than they already are.

The crisis in U.S. trade—declining exports and a rising wave of imports—which forms the background to this move has been created first and foremost by the same causes which led to the erosion of the buying power of the dollar. Let's look at this in more detail.

Throughout the nineteenth century, when the thousands of small competitive companies had not yet merged and swallowed each other up as they inevitably do, to form the big monopolies of today, prices remained remarkably steady and even declined, except in the years of war. Technical progress allowed more goods to be produced more cheaply, and competition forced businessmen to pass these savings to the consumer. In the present century, the era of monopoly capitalism, technical progress has slowed down except in areas related to warfare, and any savings in production cost are pocketed by the monopolies. As a result, all the capitalist countries have experienced a more or less steady upward creep of prices every year. In every one, everything becomes one, two, or three per cent more expensive every year. The lackey economists call this "normal inflation."



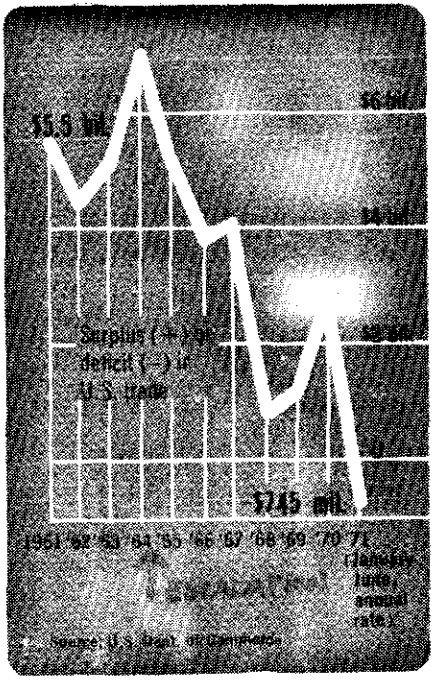
In the U.S., however, on top of this creeping monopoly extortion, there came the extra extortion by the government to pay for the Indochina war escalation starting in 1965. The result was that goods made in the U.S.A. got more expensive not by two or three, but by five, six and seven percent every year.

Inevitably, goods made in the U.S.A. became less attractive in price than goods made in other countries. The U.S.A. was pricing itself right out of the world market. Exports from the U.S. stopped growing. At the same time, goods made in other countries became more attractively priced in the U.S. Imports began to take a larger share of the U.S. market. The U.S. balance of trade took a nosedive, and by this year was running in the red.

In short, the crisis of U.S. trade is chiefly a side-effect of the super-inflation caused by the Indochina war.

Now, what does the New Economic Policy do about that? Does it attack the problem by its horns? Absolutely not. All the so-called "new" policy does is to resurrect the stale and harmful quack remedies of protectionism.

Nixon and Connally pretend that this is not a protectionist measure. That is a lie. For more than four years the protectionist lobby in Congress has been pushing for precisely this measure. The protectionist lobby hails it as a victory for their program. All the world understands it as a protectionist act.



In international trade, raising the tariff walls *is a declaration of economic war.* **History shows that these wars lead to the common economic ruin, and to esclation into military war.**

This "border tax," which history will know as the Nixon-Connally tariff, has a precedent in the Hawley-Smoot tariff of 1930, proposed and *hailed by President* Herbert Hoover.

What were the arguments advanced for this tariff? The main argument of protectionism is always that it will create more jobs in the U.S.A. With manufactured imports like Volkswagens, Toyotas, steel and TV sets costing up *to ten percent more, the reasoning runs,* consumers in the U.S. will switch to the domestic product instead, creating more jobs here.

This argument is compounded of myth and shortsightedness. What happens instead is that, firstly, the domestic producers simply raise their prices behind *the tariff shield, giving* domestic consumers no advantage, and creating no jobs whatsoever. Secondly, as the imports are driven out, the other countries have less money to buy American exports, so that any possible temporary gains in one U.S. industry are wiped out by losses in another.

For example, Japan exports cars and TV sets ot the U.S., while the U.S. exports aircraft and farm products to Japan. If the U.S. buys less cars and TV sets from Japan, Japan will have less money to buy airplanes *and foodstuffs* from the U.S. Thus, if the tariff should succeed in temporarily and partially easing the crisis in the U.S. auto and electronics industries, it would do so only at the cost of sharpening the crisis in the U.S. aircraft industry and in U.S. agriculture.

The protectionist arguments today are direct echoes of the speeches heard in 1930. What, in fact, happened? The Hawley-Smoot tariff, which raised the walls by only a third as much as the Nixon-Connally tariff, aroused a worldwide storm of antagonism and defensive retaliation by other countries, with the result that within two years the total volume of U.S. trade, both exports and imports, had been reduced by more than half, while the army of the unemployed here swelled to a legion of 17 million, nearly one-third of the total work force in this country.

That is the historical record of protectionism. This is what raising the tariff walls "accomplishes."

Like the devaluation of the dollar, this super-tariff unilaterally tears to shreds the agreements worked out among the world's capitalist trading partners and competitors over the past quarter-century.

The devaluation of the dollar and the super-tariff are part and parcel of the same package. Their intention, among other things, is to make goods produced in the U.S. relatively cheaper in terms of other currencies, thereby boosting U.S. exports, while making goods made in other countries relatively more expensive in the U.S., thereby shutting out or at least cutting down the imports. The intent is to bludgeon other countries into raising the value of their currencies, making it harder for them to export, and giving up other concessions to the U.S. monopolies and banks as well. That is the intent.

But what are likely to be the effects? A look at the stock markets of the other major countries, notably that of Japan, points the way. Led by Tokyo, which had the most disastrous crash since the world war, these markets have

gone in just the opposite direction as the stock market on Wall Street. Why is this? Because nearly all these other countries have the same underlying problem as in the U.S.: the productive capacity owned by the capitalists has been leaping ahead, while the buying power of the masses of people has been creeping at best, and mostly stagnating or falling behind. To various degrees, they all suffer from crises of overproduction. The only way they have kept the crisis from breaking out onto the surface has been by exporting a piece of their "excess" production to other countries, first and foremost to the country with the biggest market, the U.S. Now with the devaluation of the dollar, plus the ten-percent super-tariff, it will be harder for these countries to sell their goods here and avoid the day of open crisis. The leading export corporations in these countries will have to cut back production and lay off workers. To the extent that these countries' economies depend on exports, the chain of cutbacks and layoffs will spread throughout the land. Sooner or later the protectionist forces in these countries will grow strong enough, fueled by the sharpening crisis, to determine the government's policy, as the protectionist forces have done in the U.S.A. Then the declaration of economic war issued by the NEP will be answered by devaluations and tariffs in retaliation, which will bring the stock market on Wall Street off its perch with a leap.

Together, the devaluation of the dollar and the super-tariff will shift the crisis onto other countries without easing it here. **It will end up putting hundreds of thousands, eventually millions of workers in these countries out of work. It solves no problems for workers here, and only worsens the situation of workers elsewhere.** Like Hoover's tariff of 1930 and Roosevelt's devaluation of 1933, it opens the prospect of an era of all-round economic warfare, of a massive reduction in trade as a whole. It pours gasoline on the embers of international rivalry, and greatly increases the possibility of a new world war, in which the working class of every country will be forced to pay the bill in livelihood and lives.

In sum, the New Economic Policy is a massive robbery of working people and of the poor. It is not a solution of the crisis, but will merely make it worse and spread it around the world.

Who then are the real friends and backers of the New Economic Policy, where are these people taking the country, how can the policy be effectively opposed and defeated, and what should be put in its place?

The Friends of the NEP

When the New Economic Policy was first announced, many people all over the country were confused. The President's message contains so much vague and garbled rhetoric, so many half-truths and blatant lies, so many pretty but meaningless phrases, that many of us started out not knowing which end was up.

One class of people, however, got the real message very quickly. Let's listen to their reactions in print:

"Practically to a man, executives entered *their offices Monday morning* singing the praises of Nixon's Sunday night address. In the words of Chairman Charles H. Sommer of Monsanto Co.: 'It has been long overdue.' "

"A bold move . . . deserves the support and cooperation of all groups," said W. P. Gullander, president of the National Association of Manufacturers.

"Courageous!" said the official statement of the American Bankers Association.

"Lances the boil of pessimism. . ." said G. Hauge, Board Chairman of the Manufacturers Hanover Bank, New York, one of the five biggest in the country.

"We are proud of you," said Carl Gerstacker to the President. Gerstacker is chairman of Dow Chemical.

"A very constructive thing," said E. R. Callaway, head of Burlington Industries, biggest textile sweatshop in the United States.

"I am pleased," was the word from James M. Roche, chairman of General Motors.

Is it a surprise that the owners and controllers of the giant monopolies in industry and banking, should hail the New Economic Policy with enthusiasm? The NEP ladles tens of billions of dollars of working people's money into their profit accounts, and pledges the government to stand squarely and openly on their side against the working class. No wonder than that this class should instantly recognize and hail the New Economic Policy as *their* Economic Policy. They recognize it for what it is: a piece of pure class legislation, of the ruling class, by the ruling class, and for the ruling class.

This class of people, who make up only a tiny handful of the population of this country, are the friends and true designers of the NEP. In addition to these open friends, however, there are other friends in disguise, who pretend to oppose the policy but really support it underneath.

First and foremost among these disguised supporters of the NEP are the politicians of the Democratic Party. For many months this pack of demagogues, Muskie, Humphrey, Kennedy, Jackson, McGovern and all the rest, had been calling upon the *administration to do exactly* what it did. The day after Nixon and Connally announced the new policy, Nixon admitted freely that what they had done was basically to adopt the Democratic Party program. Now that this gang of power-hungry loudmouths has had its "issues" taken away from it, it tries to fool the people into thinking that it represents an "opposition" to the NEP. It makes loud noises about the new policy being "pro-big business," which it certainly is, but hides the fact that its own proposals were just exactly as pro-big business as the NEP. The Democratic Party tries to pose as a friend of working people and of the labor movement, while at the same time its official policy statement calls the wage-freeze "long overdue" and "welcome." What kind of opposition to the NEP is this? It is the "opposition" of a gang of hustlers trying to pretend *that they are on the side of the people*, when in reality they are solid supporters of the NEP. They are even more dangerous in practice than the open, declared friends of the NEP.

Most dangerous of all the supporters of the NEP are its secret allies within the labor movement. This means not only such passive, spineless creatures as the leadership of the Teamsters, who gave the NEP "qualified support . . . for 90 days only" (can't they see past the tip of their noses?), and such shameless flunkies as Joseph Beirne of the Communications Workers, who actually praised the program. It means first and foremost the top officials of the type of George Meany, head of the AFL-CIO and Leonard Woodcock, head of the UAW, the biggest and most treacherous labor misleaders of them all.

When the NEP was first announced, Meany and Woodcock raised a big stink, making a lot of militant-sounding statements about opposing it. Why did they rattle their sabers? It was

Businessmen Hail Moves

...employ... the ... and construction industries, which ...elp ... unemployment rate."

Executives throughout the country searched their lexicons for laudatory adjectives to describe the President's new economics:

—"A very good and forceful move at a critical time"—Richard S. Reynolds Jr., chairman and president of Reynolds Metals Co.

—"Excellent" E. B. Barnes, president of Dow Chemical U.S.A.

—"Bold and timely"—Allison R. Maxwell Jr., chairman of Wheeling-Pittsburgh Steel Corp.

—"Bold, aggressive, decisive"—Raymond C. Firestone, chairman of Firestone Tire & Rubber Co.

Galbraith's View

Despite ... praise from th... business community, the nation's econor...ems somewhat more muted in their a... ...f the program. "The key pr...

...ons.

At a news conference, Mr. Stans said a "voluntary" approach wouldn't be adequate to prevent a new outbreak of inflation after the wage-price-rent freeze expires. Reporting on his meeting with 11 industrial executives, Mr. Stans said, "they all want to be sure that the program doesn't terminate on Nov. 12" but that there will be a second phase "that would lead ultimately to a free market."

Attending the session, the department said, were William M. Batten, chairman of J. C. Penney Co.; Eugene H. Beesley, chairman of Eli Lilly & Co.; Fred J. Borch, chairman of General Electric Co.; Edwin H. Gott, chairman of U.S. Steel Corp.; Howard C. Harder, chairman of CPC International Inc.; John D. Harper, chairman of Aluminum Co. of America; Amory Houghton Jr., chairman of Corning Glass Works; Augustus C. Long, chairman of the executive committee of Texaco Inc.; Charles F. Myers Jr., chairman of Burlington Industries Inc.; James M. Roche, chairman of General Motors Corp., and Charles C. Tillinghast Jr., chairman of Trans World Airlines.

...ing Out Some Courses

...e only ... that ... ...ed out ...eze, Mr. Stans said, are n...

...that there would ... ...e controls over both wages ...nd prices.

Mr. Stans said the business executives were unanimously willing to accept some form of controlled prices in return for controls on wage increases.

He also said the businessmen ...anted to be sure that ... program ...

...ly ... consulting ec... ...ton Inc., a financial public-re... ...ern.

Commends Leadership

In San Francisco, A. W. Clausen, president and chief executive of Bank of America, the nation's largest commercial bank, said: "We have been asking the President to take a leadership position, and he has. He is to be commended for that. He has bought some additional time to work out long-term solutions that are needed, but the program outlined last night clearly is short-term and tactical. A strategic plan still would seem to be needed."

...ames M. Roche, chairman of Gene... ...rp., said: "I am pleased ...

...dollar by ... ...e markets and the 10% surcharge ... ...orts—was largely cautious, with vehemently negative statements emanating from business groups in West Germany and Japan.

Also discernible in the aftermath of the President's announcement was a maximum of confusion and uncertainty concerning implementation of certain aspects of the program. While the broad outline of the President's intentions was clearly understood, the details seemed unclear to many business officials throughout the country.

A lack of clarity, however, in no way allayed the enthusiasm of most of the nation's top corporate executives for the economic changes. Indeed, most large companies pledged their cooperation for the duration of the wage-and-price freeze, and many officials predicted the success of the program in its entirety would be to stimulate capital expen... ...and consumer spending and to ...

partly because they were mad at Nixon for treating them like the errand-boys they are, and not letting them in on his plan ahead of time. But much more importantly, they talked tough because they knew the rank and file of labor is prepared to fight this attack, and they couldn't carry out their job of keeping the ranks in line for Big Business if they didn't at least look like they were going to fight, too.

Less than two weeks went by before they showed their true colors. After the Secretary of Labor came and apologized for calling Meany a plumber, both Meany and Woodcock announced that they would not only cooperate with the NEP, but that, further, they were ready and willing to sit down on a government wage-price-"control" board and, to top it off, sign a no-strike pledge like in wartime, as long as there was also a "control" on profits.

In fact, like the Democratic Party politicians, Meany and others had called for wage-price controls months before Nixon and Connally put forward the NEP. Now they talk about profit controls—which would be even more phony than the price controls are—as just another dodge tomake it look like they are looking out for working people. Their only real purpose is to keep working people's opposition "loyal"—loyal to the monopolies and their system. After all, these officials of labor make salaries of up to $100,000 a year like big business executives, and they invest union dues and pension funds in some of the very same capitalist enterprises they are supposed to be protecting the workers from. What else could be expected from them than to act like capitalist agents? They have no more in common with working people than the owners do; they try to "represent" us only to sell us out, just like they've always done.

These are the supporters of the NEP: the owners and controllers of the monopolies and banks, who are the real power behind the NEP; the politicians of the so-called opposition party, who are its friends; and the union officials of the Meany and Woodcock type, who are the disguised supporters of the NEP, and as such the most dangerous of them all.

Bread Lines in the 1930's

Where Does the NEP Want to Lead Us?

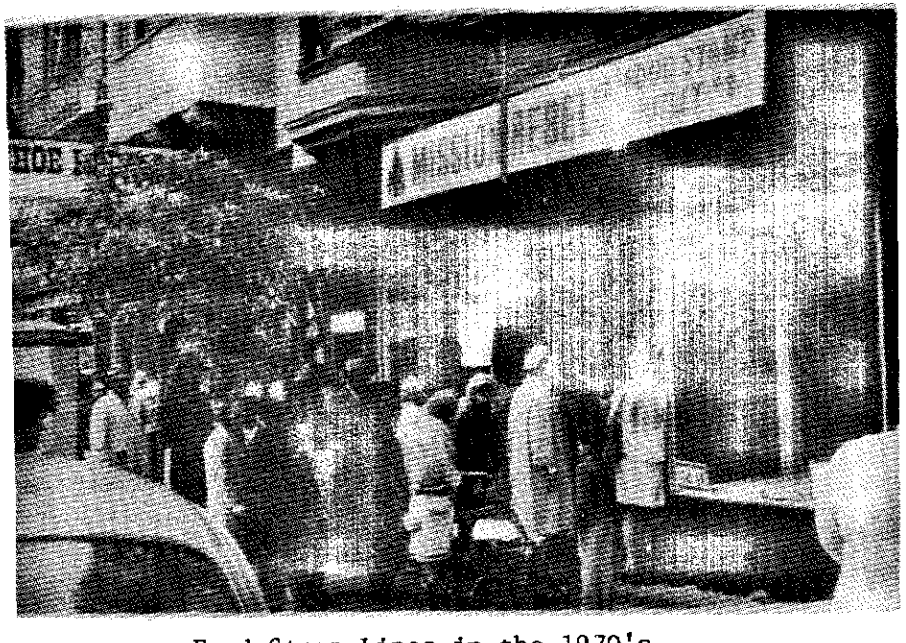
Everyone knows by now that the first 90 days are only the beginning phase of the NEP. No solution to problems which have been building up steam for many years will be found in so short a time. Already now, Nixon and Connally are putting forward plans for long-range controls after the freeze period, and lining up forces to put it over.

Where will the New Economic Policy try to take us in the future?

One place it will *not* take us is toward economic recovery. There may be little ups here and there, based on psychology more than reality, but the NEP has no more of a solution for the basic crisis than Herbert Hoover or FDR did before the second World War was got going. Where have we heard this talk of "peace and prosperity are just around the corner" before? Where have we seen the theory tried out before, that the workers' lot is improved by giving the worker's money to the capitalists, hoping it will "trickle down" again? These pieces of rhetoric are straight out of the bag of bankrupt economic tricks which led up to and accompanied the Great Depression of the 1930's. There is no reason whatever to think they will be more "successful" this time.

Where, then, is it heading?

First, the NEP is heading toward a huge federal controls bureaucracy as in wartime. Up front, this new economic monster will be bipartisan, and will include government officials, capitalists and union officials of the Meany--Woodcock type, all sitting peacefully around a table bargaining workers' rights and wages away. Behind the scenes, this new controls bureaucracy will have its strings pulled by the very same steel magnates, auto chiefs and bankers who had the program of the first 90 days custom-tailored to their desires. It will have sole power to authorize or to forbid strikes; the courts, the police and the army will be under its



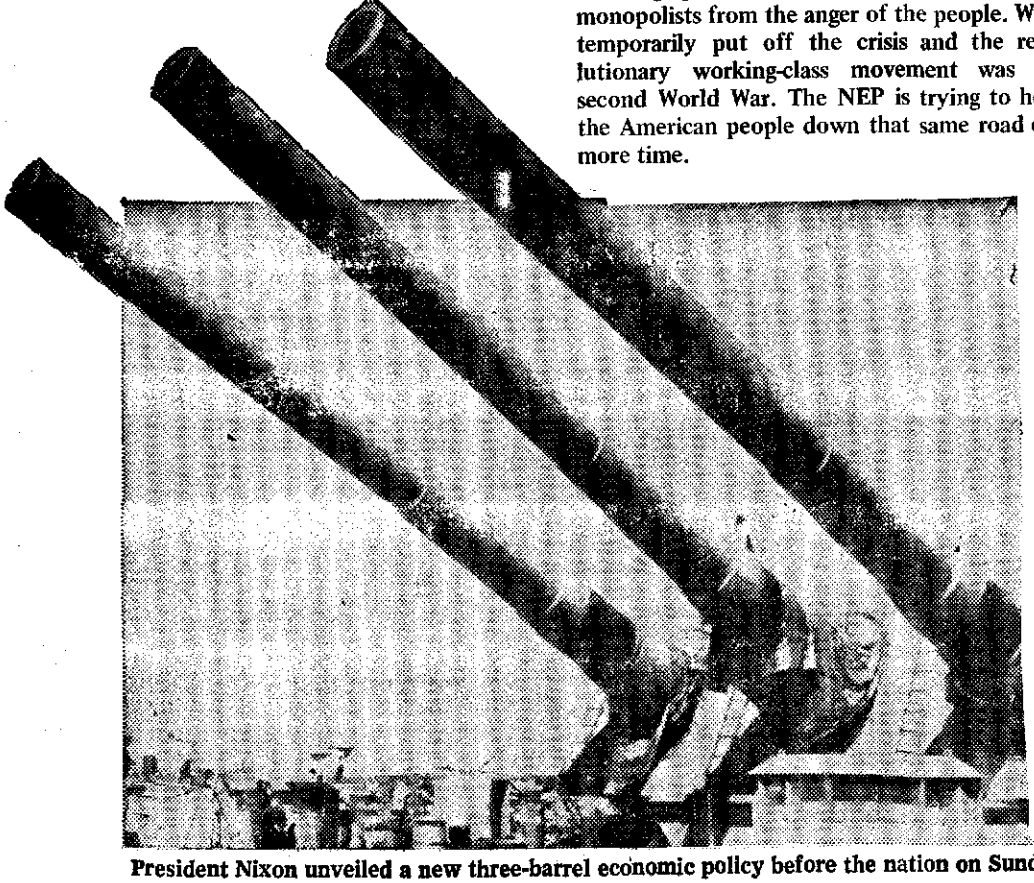
Food Stamp Lines in the 1970's

orders. In short, the NEP is trying to lead us further toward an open dictatorship by force and terror of the monopolies and banks.

In order to drum up political support for its move toward fascism, the friends and supporters of the NEP will try to organize political demogagy on a scale unknown in this country since the last Great Depression. They will try to appeal to everything that is reactionary, backward and corrupt. They will attempt to dig up every last racist, chauvinist, religious fanatic, populist, mystic, know-nothing and bankrupt liberal in America, and to organize them all together into a "new" political movement with the aim of dividing and paralyzing the working class. They will try to scrape together a fascist movement and call it "the New New Deal"; they will raise up a Hitler or Mussolini and call him "a new Roosevelt."

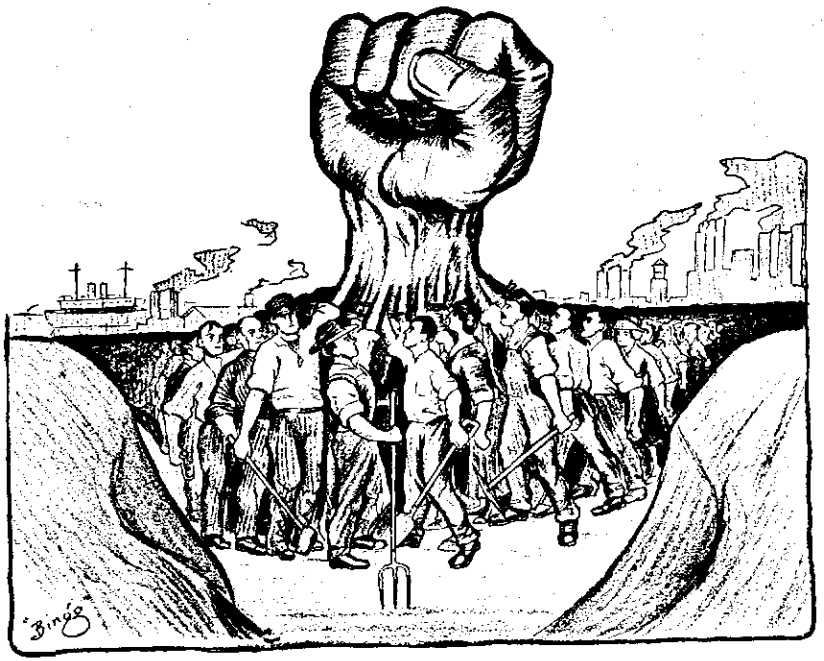
Already Nixon is appealing to just such groups: the governing councils of the Knights of Columbus, of the American Legion, and their political kin.

Third and finally, the New Economic Policy leads us toward wider wars, and ultimately toward World War III. It opens up a new era of rivalry between the great and not-so-great powers of the world. The United States, Japan, West Germany, Britain, France and the USSR (where the capitalists are back in power for the *time being), will step* up their built-in drives for dominating and robbing the rest of the world and each other. From tariff-war to money-war, from raiding each others' markets, from economic rivalry the road leads straight to world-wide mobilization, militarization, and world-wide war. The New Deal of the '30s did not pull the country out of depression; FDR's soothing speeches did not save the bankers and monopolists from the anger of the people. What temporarily put off the crisis and the revolutionary working-class movement was the second World War. The NEP is trying to head the American people down that same road one more time.



THE NEW YORK TIMES, SUNDAY, AUGUST 22, 1971

President Nixon unveiled a new three-barrel economic policy before the nation on Sunday.



Can the NEP Be Defeated?

The New Economic Policy can definitely be defeated. The friends and beneficiaries of the NEP are a tiny handful of people, surrounded by and isolated from the vast masses of working people in this country and in all other countries, who are hurt by the NEP and oppose it. Compared to the working class, the class that puts forth NEP is like a gnat to an elephant.

The working people produce, transport, and service everything that is produced, transported and serviced. Without the working class, the machinery stops, life stands still, everything falls apart.

When the working class moves, nothing can stop it. Not injunctions, not the demagogic politicians and treacherous labor officials, not even the police and the army.

The working class can certainly put a stop to the NEP:

By tossing aside the mis-leaders of labor, taking the initiative and leadership into our own hands;

By recognizing judges, the courts, the police, the army brass, the whole government and state apparatus as what it is: a tool in the hands of the monopolies and banks; by fighting not only the individual employers, but their common instrument, the state as well?

By putting the interests of the class as a whole first and foremost; by expelling hidden scabs and traitors from the ranks; by burying conflicts of industry, trade and organization; by practicing an iron solidarity;

By assuming the leadership and becoming the voice of the people as a whole; by championing the cause of Black, Brown, Asian and other oppressed nationalities; by fighting against wars of imperialist aggression; by advancing the battle against the oppression of women; by bringing together and leading all the people in a united front against fascism, imperialism and war.

This is how the working class, at the head of the whole people, can become an invincible force which can definitely defeat the New Economic Policy, break the power of those who put it forward, and ridding ourselves of the economic and political system that makes the NEP's inevitable.

Some people think that the New Economic Policy is just a short, passing phase. This is mistaken. The NEP is the necessary inevitable shape of the present economic system in crisis. Everything that makes up the NEP is only the built-in fundamental features of the present, imperialist-monopolist economic system, coming to the surface. The "New Economic Policy" is just the old dying capitalist economic system with its pants off.

Others think that the NEP is merely a partisan political program, which can be rolled back and defeated by electing somebody else President. This is also mistaken. Nixon is a Republican, Connally a Democrat. The only difference between these parties is that the Democrats would have frozen workers' wages and outlawed strikes six months or a year earlier. **The NEP is not the program of a party, but the program of the most powerful sections of the entire ruling class of monopolists and bankers. Under one label or another, there will be an NEP until the power of this class is broken and destroyed.**

Some groups representing the middle classes—professionals, small businessmen, etc.—and the upper, privileged section of labor put forward the idea that we should defeat the NEP but save the economic system that gave birth to it. This is an illusion. Capitalism irresistibly and universally leads to crisis, the development of monopolies, world-wide cut-throat competition, and world-wide war. Today there are only two choices before us: to be crushed by the monopolists' state machine and be driven backward into depression, fascism and war; or to crush their state machine, strip them of all political power, and march forward under the political rule of the working people. the great majority of society, toward a new economic system.

This new economic system is socialism. It is superior to the out-dated crisis-ridden capitalism because it solves the basic problem of overproduction by expropriating the present owners of the means of production. Under socialism the working class, the class that produces everything, becomes the owning class: all of the wealth of society belongs collectively to the working people. Socialist production is based on the needs of the people, not on the profit drive of a tiny handful.

Socialism stands the present system upside down. Instead of bankers and monopolists pulling the string of government and openly dictating to the working class, all power is in the hand of the working people, who openly dictate to the handful of former bankers and monopolists, punish them for their crimes, prevent them from meddling and interfering with the economy and the government and force them to do work. The police and the army no longer stand over the people as the repressive arms of the non-producing capitalist class. Under socialism, the working people, armed and organized, form the local militia to the regular army, hold the power of the state in their own hands. They are masters in their own house.

Socialism does away with private profit and with the disasters of the private-profit system: unemployment, poverty, crisis and war. In place of the anarchy and chaos of capitalism, socialism organizes production and development through democratic central planning, drawing on the direct knowledge of the millions of producers and putting the needs of the people for constant all-around improvement of their material and cultural standards in command. In this way, inflation is eliminated; prices can be reduced year after year. The waste of overproduction is abolished; there is produc-

tive work for everyone. Economic crisis is unheard of, and the causes of war are eliminated.

Under the present system, Black people, Brown people, Asians and Native Americans are crushed under a double yoke of oppression and exploitation. The status of women is inferior and doubly insecure; and there is no real justice or democracy for the great majority of the people. With the development of socialism, the struggle for equality and an end to the oppression of minority nationalities and women is carried forward and won. The people themselves decide what is just according to what serves the people in developing society on the basis of cooperation.

But socialism is not a utopia, where there are no more problems. Socialism is born out of the old capitalist system. And it cannot immediately eliminate the capitalist class, or all the selfish ideas and inequalities that the capitalist system, and other slave societies before it, have established over thousands of years. The old ruling class of capitalists, although overthrown and stipped of political power, is still around and it makes every effort to corrupt and sabotage the people's struggle to remake society. It will take a long time, perhaps several hundred years, before the working people can completely abolish the capitalist class and the inequalities it promotes, and banish altogether its corrupting influence. When this is accomplished, everywhere in the world, when the ideas of cooperation and putting the needs of the people as a whole above personal interest have become second nature to everyone in society, we will have reached the stage of communism. This is a society without classes, with no rulers and ruled and without any sate machine, armies or police.

Socialism is just the first, and lower stage of communism. In building along the socialist road toward communism, the working people are bound to make mistakes and suffer setbacks.

This is what happened in the Soviet Union, where since the mid-'50s the working class has been temporarily overthrown, the capitalist class is back in power, and Soviet society is as rotten as capitalist society everywhere.

The capitalists and their agents and mouthpieces, desperately trying to convince us that communism can't work, point to the Soviet Union as an example: a society that calls itself socialist, but has oppression, exploitation, injustice, overproduction, unemployment, crisis and aggressive imperialist drives like the U.S.A. But this only shows that the capitalist class is back in power, because during the time that socialism was being built in the USSR—from 1920 to the 1950s—it had none of these things. The old capitalist class in Russia, once overthrown, wormed its way into the educational system, and into posts as managers, by pretending to go along with building socialism. From these posts, the old capitalists promoted selfish ideas and encouraged black marketing and other illegal forms of capitalism in the city and countryside. In this wya, they undermined the working class in its struggle to build socialism. Finally, they had built up the forces of a new capitalist class and actually recaptured power. As Joseph Stalin, leader of the Soviet

Union when the working class was in power warned: "The easiest way to capture a fortress is from within."

The Soviet Union was the first socialist society. When the working class took control, it had no examples to go by in building socialism. And shortly after the death of Stalin (whom the capitalists hated and slandered all his life), the Russian working class was betrayed by Khrushchev, Kosygin, Breshnev and their cronies, who brought back capitalism.

But, exactly because capitalism brings back with it exploitation and oppression, the working people of the Soviet Union are already fighting back. The rule of the new capitalist class cannot last long, and once the working class regains power in the Soviet Union, it will surely learn from the past and safeguard its socialist rule.

Already in China, where the working people seized power in 1949, they have learned from the experience of the Soviet Union. When a handful of officials, administrators, managers and bureaucrats tried to drag them back down the road to capitalism, they rose up, hundreds of millions strong, under the leadership of the Communist Party of China, and its chairman,

Workers soundly criticize the counter-revolutionary revisionist line peddled by the renegade, hidden traitor and scab Liu Shao-chi.

Mao Tse-tung, and smashed this treacherous plot to capture the workers' fortress from within. This was the Great Proletarian Cultural Revolution we heard so much about, between 1965 and 1969.

In the Cultural Revolution, all Communist Party and government officials, administrators and managers had to stand before the masses of people, and explain their actions. The people wrote posters putting forth their ideas on who was helping the working people build socialism and who was working against socialism. Over three years, the people struggled this out and sifted it all through. Finally they decided that the great majority of leaders had made mistakes, but were honestly serving the working people, and only a handful had to be kicked out of office and denounced.

But as a result of the Cultural Revolution, all managers, officials and administrators are required to do productive work alongside the rest of the workers; no one will be allowed to stand above the working class. Every factory and every farm is run by a committee of workers, party members and members of the People's Liberation Army. All these do productive work and are chosen by the people themselves to form this committee. In China the working people, holding their future in their own hands, are marching together down the road to socialism and communism.

How terrible, say the capitalists, pointing to China! A country where everyone is doing productive work, where no millionaires rob the workers of the fruits of their labor, where no chain stores and landlords can gouge and screw, where prices go down year after year, and the currency is stable as a rock. How terrible that income taxes have been wiped out, that no debt is owed by society to any bankers, that the sexes and nationalities are wiping out the inequality of the past centuries, that food, housing, clothes, medical care and other necessities cost less than half of the workers' paycheck. How terrible a place where basic needs are guaranteed, where everybody cooperates and helps each other out, and the people are united by a common struggle for a better future.

A society where those who produce everything own and control everything collectively, and the class of bankers and monopolists have been smashed. Horrible, says this class of bankers and monopolists! Is that a way to live, they ask.

The answer of the working class will thunder back: "You're damned right, it is. That is the way we are going to live, and nothing can stop us!"

DOWN WITH CAPITALISM AND THE N.E.P! UP WITH THE WORKING CLASS, SOCIALISM AND COMMUNISM!

--The Revolutionary Union

For further information, write us at

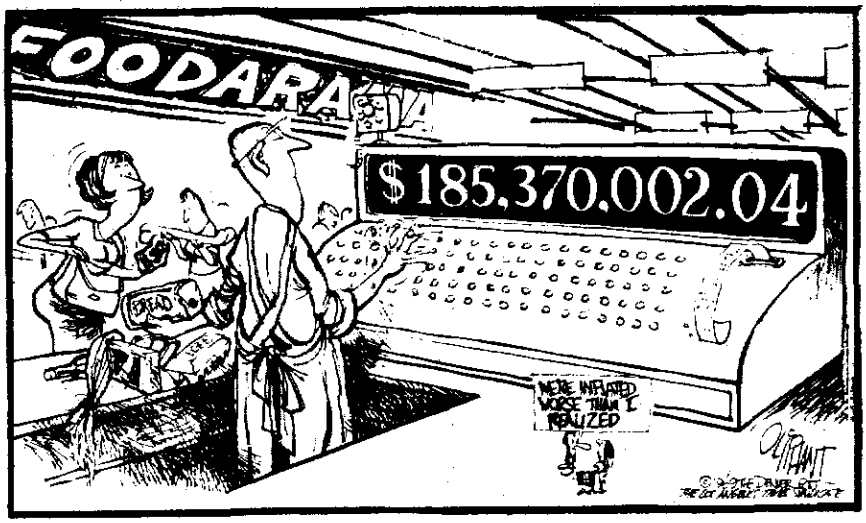
The REVOLUTIONARY UNION
Box 291
1230 Grant Avenue
San Francisco, Ca. 94133

The REVOLUTIONARY UNION is a national communist organization made up mainly of workers and students, Black, Brown, Asian, Native American and white. Our immediate program is to bring together, under the leadership of the working class, the main spearheads of struggle against the US imperialist system: the liberation struggle of the oppressed minority nationalities, the fight against imperialist wars of aggression like Vietnam, the defense of democratic rights and opposition to the growth of fascist repression by the imperialist state; the battle against the oppression of women, and resistance to the monopoly capitalists' attacks on the peoples' living standards. The long-range goal of this United Front Against Imperialism, led by the working class, is to overthrow the dictatorship of the handful of monopoly capitalists (imperialists) and to establish the dictatorship of the working class, the great majority of society, to build toward socialism and communism.

In order to solidify its leadership of this United Front Against Imperialism, to weld together and advance the spearheads of struggle against the imperialist system, to seize political power from the monopoly capitalists and continue to build socialism and communism, the working class must have the leadership of a genuine Communist Party, made up of its most dedicated, self-sacrificing, disciplined and far-seeing representatives, of all nationalities. This Communist Party must be based on Marxism-Leninism Mao Tse Tung Thought, which draws its name from the three greatest leaders of the working class: Karl Marx, father of communism; V. I. Lenin, leader of the first successful communist revolution, in Russia; and Mao Tse Tung, leader of the Chinese people, who have made the greatest advances in building socialism.

Marxism-Leninism-Mao Tse Tung Thought is the science of the development of social life through several forms of class oppression -- slavery, feudalism and capitalism -- and the revolutionary struggle to overcome class oppression and achieve classless society: communism. Communists in the United States must apply the universal laws of this science to our own particular conditions, in order to lead the working class and oppressed people to victory. To do this, we must join together into a single Communist Party, with the discipline, division of labor, and strategy and tactics capable of leading the immediate struggle of the people toward the long-range goal, and, when the time is right, organizing the people to deal the death blow to the imperialist system.

The REVOLUTIONARY UNION is carrying forward this work, along with other communist organizations, and laying the basis, through common work, struggle, and discussion of our programs, to unite our forces to form this single Communist Party of the United States, based on Marxism-Leninism-Mao Tse Tung Thought.



The Bay Area Radical Education Project publishes a wide variety of materials on such subjects as imperialism, women's liberation, unemployment, etc. Write for our literature list.

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