

# IS THE "NEW DEAL" SOCIALISM? A SOCIALIST LEADER ANSWERS

## Norman Thomas Says No—That What Roosevelt Has Done Is To Lay the Foundations for a Structure of State Capitalism

From many sources comes the question whether the nation is moving toward socialism. Here is an answer formulated by the Socialist candidate for the Presidency in the last campaign.

By NORMAN THOMAS.

THE passage of the administration's bill for the control of industry is the capstone of a legislative performance which in three months has worked out, to a chorus of almost universal approval (except for economies affecting veterans), a genuine revolution in American economic and political life. It is with the nature, the significance and the degree of adequacy of that revolution that this article is concerned.

In brief, what Mr. Roosevelt has done has been to lay the foundations for an immense structure of State capitalism. He has carried the control of government over business to extraordinary lengths. He has shown an enlightened concern to correct some of the most notorious abuses of the old capitalism. He has recognized that the United States has to exist in some sort of world order, and newspaper headlines rather prematurely have shouted the fact that he has ended American isolation. Nevertheless, in all this he has not ended, but has rather strengthened, the basic principle of capitalism, which is not and has not been for a long time economic individualism, but the right of private ownership of productive goods and their operation for private profit.

### Pointed Questions.

The questions that concern us are such as these: How far can Mr. Roosevelt's State capitalism go in bringing genuine prosperity? To what extent may we expect to have the economics of fascism without its politics? How long can the President hold the rather incongruous elements now supporting his program in effective unity behind him?

Before we consider these questions, let me review the facts which justify my insistence that Mr. Roosevelt's revolutionary achievement is emphatically in the direction of State capitalism and not socialism. An enlightened State capitalism coming to power in times like these for its own sake may have to clean up the worst abuses of the chaos which it found and give some degree of consideration to labor such as socialism has urged. Its technique of control, political and economic, may be similar to what socialism would use under such circumstances. The difference lies in the all-important field of purpose.

Socialism would capture the power of the political State and use it to end the predatory society and establish the cooperative commonwealth. State capitalism would use the power of the political State to bring order out of our present chaos and stabilize it. It is the latter which is obviously the purpose of the acts which an obedient Congress has passed.

### Consistency Deemed Lacking.

I do not mean by this statement to imply a conscious and definitely formulated philosophy behind the acts of the administration or a perfect consistency of program. Indeed, it is the very lack of these things that makes the tendency expressed in these measures, many of them labeled "temporary" and "for emergency only," so striking. So far as our internal economy is concerned, only one of Mr. Roosevelt's bills, that for the control of Muscle Shoals and of the Tennessee Valley, fails to deal with tender solicitude for property rights.

Nothing in the slow development of the banking program modifies what I have previously written concerning the capitalistic nature of a program which saved the banks only to return them to private owners. To a Harding in good times or to a Hoover even in bad times the prosecution of a Mitchell, an official inquiry into the income taxes of a Mellon, or a public examination of a Morgan himself might have seemed like sacrilege, but when all is said and done most of the money changers are back in the temple singing in the choir praises to Roosevelt. I see no reason to modify my earlier prediction that sooner or later once more they will own the temple. Even the laws avowedly for the relief of farmers and home owners from the weight of their mortgages seem more likely to help the money lenders out of a very tight box.

### Securities and Rail Laws.

The law for the protection of investors may save a few lambs—the producing masses, not investing lambs, are the object of Socialist concern—but will probably work out to aid great and established corporations rather than smaller or new corporations to get capital. Railway labor's fortunate success in protecting itself against wholesale discharge and wage reductions leaves the Railroad Relief Law a very limited means of achieving economies for bondholders and stockholders. It merely delays and makes probably more expensive the necessary socialization of the roads.

The Farm Bill was finally passed too late to be of much effect this Spring, and its most important provisions are necessarily suspended, because of their adverse effect on the tariff truce which the President promised as a preliminary to the London Economic Conference. Its chief use so far has been to enable the government to persuade Milo Reno to call off his farm strike, I

am still skeptical of the effectiveness of the bill in terms of general relief for the farmers. I am certain that if it works at all to help the farmers it will be at the price of artificially stabilizing a chaotic capitalist agriculture. Indeed, there is nothing more utterly damning in our whole capitalist system than that in a starving world and a hungry America the government can think of but one way to help the farmers, and that the way of subsidizing an artificial scarcity.

The inflationary provisions which were incongruously married to the Farm Bill have not yet been put into effect extensively enough to judge the results. So far the President is proceeding along what bankers regard as orthodox lines. He has instructed the Federal Reserve Board to buy securities on terms that will increase bank credit and he has refused to consider financing public works on any other plan than the usual interest-bearing bond issue. The only controversy concerns the rescinding of the provisions for paying bonds in gold and in this matter there is nothing revolutionary in any sense of that much abused term. Both inflation and deflation are old capitalist devices.

### Control of Industry.

The same cannot be said for the act for the control of industry. After completely ignoring the Swope plan and other similar measures during the campaign, the President has now bargained with industry for a semi-dictatorial control of it which Mussolini might honestly applaud. Industry's own bitter necessity and the great boon of the mitigation of the anti-trust law seemingly make this act acceptable to the most conservative industrialists.

Parenthetically, I may point out that Socialists generally, myself in-



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cluded, in speech and writing have suggested that the anti-trust laws might be modified at the price of definite social control over industries seeking this modification. We sought direct representation of the public on the governing bodies of corporations which might avail themselves of the privilege of relaxed anti-trust laws; but we do not quarrel with the President's willingness, for a price, to abandon legislation which is archaic and, on the whole, productive of more harm than good. What we do quarrel with is the obvious intent of the act to guarantee power and profits to absentee owners who, without the power of government to regulate them, have made such a mess even of their own affairs.

We insist that what society must regulate so elaborately society should own for social purposes. By their greed and incapacity oil and coal owners have lost their right, if they ever had it, to the privilege and profit in that which they did not make and cannot administer save under some drastic scheme of regulation. All the logic of the act points to regulation of industry by the more powerful, under supervision of a government which they basically will control. The best one can hope of this law is that it will provide the framework which may facilitate a genuine socialization of industry.

### Labor's Attitude Important.

Here, of course, much will depend on the attitude of labor. Unquestionably labor gets valuable concessions in the act, not the least of which is the right of collective bargaining. If any of the labor provisions had been weakened, or if the administration of them should become unfriendly, we should have a completely servile State. The licensing provision was necessary if the law was to be more than a suspension of the anti-trust laws plus some pious sentimentalities about ethics. The value of the law will depend upon what happens next.

What is to be hoped is that labor will use its position to press on toward social ownership and management for use and not profit. What is to be feared is that many unions, in line with the dominant A. F. of L. policy, will be content to be little more than company unions to the new capitalist State, only a few degrees freer than the State-controlled unions in Italy or Germany.

Some thoughtful German Socialists believe that plans not dissimilar to this in pre-Nazi Germany reduced the resistance of the workers to fascism by making them industry rather than class conscious. Often they cooperated in a given industry with the bosses on terms where the

bosses got far more in prices than the workers in wages. Workers in general suffered. Spending power was reduced, not raised, but the bosses, even before Hitler, were fairly secure. Will this happen here?

Much will depend on the shrewdness of the big industrialists and their willingness to pay the modest price necessary to capture the support of many of the leaders of the better-intrenched unions. They did a fair job of it in the war when both the employers and the workers were under the emotional compulsion of patriotism—and had plenty of profits to share. Whether they can do it under the equally urgent but emotionally less compelling motives of peace-time reconstruction, in a period when one major sign of recovery will be, as emphatically it should be, an ever-growing demand of the workers for relief from the sweatshop wages which depression has forced upon them, is another matter, and one on which the success of the President's plan, from a capitalist standpoint, will depend.

### Old Order "Dead."

Successful or unsuccessful, the plan marks a revolutionary acceptance of the plain facts of the death of the old capitalist order. Laissez faire capitalism was old when the great war came. It died of the war, but its ghost still plagued the earth. Men practiced the ruthless and utterly amoral economics of the age of irresponsible mergers and more irresponsible gambling (let the names of Insull, Kreuger, Mitchell, the testimony of Owen Young and the extraordinary records of the House of Morgan be our witness), but they did it with the gospel of Adam Smith on their lips. That almost forgotten man, Herbert Hoover, actually thought he was praising the "American plan," called "rugged individualism," what time he threw upon its grave such great stones as the Federal Reconstruction Finance Corporation.

The revolutionary nature of what has happened since March 4 is shown in the general acceptance by the administration and the country of the realities of the situation and the beginning of at least a partial effort to stave off catastrophe, on the one hand, and avoid socialism on the other, by the beginnings of a recognizable State capitalism, of which the act for industrial control is the most important item. Whatever may be uncertain about the future, nothing is clearer than that the clock won't be turned back. A particular bill may be modified at the end of its two years' life; it will not be abandoned save for something far more drastic.

### Will the New Plan Work?

Will this new State capitalism work at all? My own prediction is that it may suffice to bring us out of this particular depression, but it cannot bring us real prosperity or deal adequately with the threat of war. Even to bring us out of the present depression will be an achievement far less certain than optimists suppose. Such small gains as have been made can be fully explained by some recovery of confidence, by the need of replenishing sadly depleted stores of materials, and by the measures of inflation begun or expected. Of itself this recovery will not last long or go far unless there is a great increase in spending power.

Mere inflation will not long provide that increase, and if it helps by reducing the intolerable burden of debt it may be at the price of new dangers. (Logically the fairest and most scientific way of reducing debts is a capital levy such as I advocated during the campaign. I said then, and I repeat now, that psychologically no form of capitalism can accept this form of remedy without getting the jitters—which is one reason I doubt the capacity of capitalism to survive.)

President Roosevelt and his advisers, seeing the need of spending power, are trying to provide it by a \$3,000,000,000 program of public works. The amount is only about half of what would be necessary to

raise the construction level to the level of the boom years and it does not begin to provide for a genuine war on the shocking housing of America. Nor are the taxation provisions for financing the bond issue as equitable in incidence as might have been devised. In short, the whole public works program is an example of that timidity of capitalism which cannot bear to do the bold thing which might save it for a while longer. That same timidity will be even more in evidence when it comes to trying to save the coal or the oil industry.

### State Capitalism Evaluated.

Theoretically, laissez faire capitalism could never deal at all with unemployment while a well-planned and vigorously controlled State capitalism may greatly reduce it. (But there are more unemployed in Italy now than when Mussolini began his march on Rome.) Practically, it is doubtful if capitalism will consent to the controls necessary to prevent periodic crises and it is certain that it will not bring that amazing prosperity which depends on a solution of the problem of distribution impossible under any system of production for private profit rather than for use.

Indeed, the temporary success of State capitalism may doom it. Why should workers and managers, manual or professional, in a world of potential abundance accept their scanty rewards and their inferior status in a servile State where government perpetuates the profits of irresponsible absentee owners?

At least under a laissez faire capitalism the owner had a certain responsibility—by hook or by crook he had to hang onto what he got—and this gave a sanction to the older capitalism which State capitalism lacks. State capitalism, while it may correct some of the chaos of the present, cannot provide itself with social or intellectual sanctions, such as the older economists gave to the older individualism. It is significant that neither in Italy nor Germany has State capitalism of the Fascist sort tried to provide itself with economic sanctions. Instead, it has begged the issue. It has appealed to the prestige of "little men," a great many of whom were truly workers and only members of the middle class psychologically. The Fascists won many of those whom logically the Socialists should have had in their own camp, in which is a lesson to socialism.

### The Appeal to Nationalism.

Even more important than the appeal to the little man was the Fascist appeal to a rampant nationalism which beclouded all economic logic. Granting that this appeal both in Italy and Germany was stronger, because of injured

national pride following the war, than it would be as yet in the United States, it is all too likely that State capitalism to maintain itself in America will need the heady wine of jingoism to distract the workers from its lack of economic logic or justice.

In short, we shall not long have the economics of fascism without a considerable dose of its politics. Neither Mr. Roosevelt nor any one else can long ride three horses at once: international understanding, which the London conference may or may not promote; a highly conscious nationalism, and that anemic beast which in America we call liberalism. It is immensely to my present point that both Congress and the country, which have easily made the President a temporary dictator over agriculture and industry, will almost certainly not give him the minor power to forgive the debts of our former allies and will put up a great fight against granting him further power to lower tariffs. To get power to raise them may be easier!

In truth, the factors making for an American fascism have if anything increased since I enumerated them in the campaign. We have our vehement nationalism, our violent racial prejudices, our unthinking contempt for the ideals and institutions of democracy, our organized minorities willing to try any kind of pressure politics, and of late our disposition utterly to betray democracy by economizing on the education of the masses, partly on the openly expressed ground that they are incapable of the choice of policies and leaders under which they are to be governed.

### The Courses Open.

In all this there is nothing to modify the verdict: mankind is at the crossroads. There is no road back to the older capitalism. There is one forward straight to catastrophe. There is one to State capitalism, almost inevitably of the Fascist brand, which is of itself disaster and may possibly postpone but cannot avert catastrophe. A third road leads to communism with its ruthless dictatorship and denial of religious and civil liberty. It is a road we in America will scarcely take unless we have first traveled the terrible road of a Fascist dictatorship far more reactionary than communism.

The only other road leads to socialism. It is by no means the road which Mr. Roosevelt and his advisers have taken, though some of the things they have done will make it easier for an aroused and determined movement of workers of hand and brain to press along it to the conquest of poverty and the abolition of the predatory society.