

The New Capitalism—And After

by

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THERE is nothing new in economic crises and depressions in capitalist countries. They come and go with the regularity of natural phenomena. They are part of the capitalist system; unavoidable rules of the game.

Whenever one of these crises comes along economists and sociologists hasten to explain to the people what it is all about. In bulky volumes, with much quotation and many statistical tables they show that there is really nothing basically wrong with our economic machine. Some trifle went wrong; this may happen to the best of machines. The "trifle" will be fixed up in a short while and everything will be all right again.

Politicians, preachers and demagogues popularize this scientific work in newspaper articles, in popular speeches over the radio, through the talkies and the church. Special catch-words are invented and popularized; the starving masses chant them in unison with the rest and all wait patiently until everything is all right again.

There are, of course, economists of another kind also: those who cannot believe that a machine that goes wrong at regular intervals is all right in itself. There must be something basically wrong with this machine. With them it is not a question of repairing a trifle, but of replacing the defective machine by another, newer model. But they are always in a minority. Their books are read by few people. They have neither newspapers, nor radios, nor moving-pictures, nor churches. They are at best ridiculed as chronic pessimists, and at worst declared to be alien enemies, foreign agitators, in a word, the kind of people to whom a good American,

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though starving in the midst of plenty, must not listen. The "good Americans" do their patriotic duty and do not listen.

When the working class has paid its toll to capitalism and a relative prosperity takes the place of the depression, the apologists for Capitalism are jubilant. A flood of "I told you so" books is unloaded on the market and with great skill the spirit of optimism begins again to be cultivated.

"The American public," says Prof. Paul Einzig, in his study of the world crisis, "is inclined to exaggerate everything. . . . It was widely, almost generally believed that prosperity would last forever and would go on increasing." The spirit of optimism that attended our late prosperity had no equal even in America, where exaggerated optimism is the usual thing. In spite of the fact that the fruits of prosperity reached a very small number of the American population, in spite of the fact that tens of thousands of workers labored, even during the years of the greatest prosperity, for wages that would not be considered too high even in times of depression; in spite of the fact that during the years of prosperity most American workers were no more sure of their jobs than they are now, the general belief that this prosperity would last forever and go on increasing was universal. To doubt it was heresy of the worst kind.

The theory of the New Capitalism was created. Its outstanding prophet was Henry Ford; its scientific spokesman, Prof. Thomas Nixon Carver. Henry Ford sums up his philosophy of the New Capitalism in the following four fundamentals:

- 1) To make an ever-increasingly large quantity of goods of best possible quality; to make them in the most economic fashion and to force them out on the market.
- 2) To strive always for higher quality and lower prices as well as lower costs.
- 3) To raise wages gradually but continuously and never cut them down.
- 4) To get the goods to the consumer in the most econom-

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ical manner so that the benefits of low cost production may reach him.¹

"These fundamentals," says Ford, "are all summed up in the single word 'service'."

Another representative of the same school, Owen D. Young, in speaking about the relations of Capital and Labor says: "Gradually we are reducing the area of conflict between the two. Slowly we are learning that low wages for labor do not necessarily mean high profits for capital." And again: "Business . . . will not have accomplished its full service until it shall have provided the opportunity for all men to be economically free."²

This was the theory, and it surely had a glorious ring. Who, when and under what circumstances had ever heard Capitalism using such words? The New Capitalism was a specifically American product; the specific expression of the American genius, as our patriots love to say.

How Europe envied us! "Americanism" became a magic word abroad. It stood for the most rational system of production, for high wages, for general prosperity, in short for a new economic order in which Capitalism and Socialism merge. Every capitalist country in the world strove to "Americanize" itself, capitalist Germany as well as Soviet Russia. "Learn how from the Americans" was the most popular slogan in Soviet Russia.

And how we pitied poor Europe. In Europe there are poor and starving people, there is in poor Europe a bitter class struggle. There is even talk of Revolution. Thank God, there are no such things in our America. We enjoy a widespread prosperity; our people are happy and content. Professor Carver thus sums up American conditions:

"Instead of concentration of wealth, we are now witnessing its diffusion . . . Instead of the laborer being in a position of dependence, he is now rapidly attaining a position of independence." And triumphantly the Pro-

1) See "A Philosophy of Production," a symposium edited by J. George Frederick, N. Y. 1930.

2) Ibid.

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fessor exclaims: "The apostles of discontent are being robbed of their thunder."

Europe may speak of revolution, but

"The only economic revolution now under way is going on in the United States. It is a revolution that is to wipe out the distinction between the laborers and capitalists, by making the laborers their own capitalists and by compelling most capitalists to become laborers of one kind or another."⁸

This sounds like ancient history now. It is hard to imagine that people really believed this stuff, but it is true. Only two or three years ago Carver was looked upon as a competitor to Marx, and there are some who believe even now that the economic machine that went wrong will soon be fixed up and that Carverism will still triumph over Marxism.

II.

How much of the theories and hopes of the New Capitalism was really embraced by American capitalists is hard to say. All evidence points to the belief that outside of a few big industrialists, the average American capitalist did not bother much with these theories. If he had to pay higher wages, he paid. This was however not "service" but profit. The theory of the New Capitalism found its disciples not among the capitalists, but among the laboring classes. The labor leaders embraced it wholeheartedly. In a sense the theories of Prof. Carver and other apologists of Capitalism became the new bible of the American Federation of Labor.

The American trade union movement has never distinguished itself by its revolutionary spirit or its militancy of action. In its pure and simple form, with its old-fashioned craft unionism, it was always the most conservative part of the American Labor movement. It has always been practical in its aims and opportunistic in its tactics. It has no special vision, and no unity of thought. Those who speak of the philosophy of the American Federation of Labor, misuse the

⁸) Thomas Nixon Carver: Present Economic Revolution in the United States. pp. 8-10.

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term philosophy. The A. F. of L. has no philosophy. It has never had one; it has always been afraid of theory. The A. F. of L. never fought Capitalism. It fought capitalists; the A. F. of L. never was, and never intended to be a working class organization. It always was an organization of workers. It conducted strikes, lockouts, boycotts, but the term class-struggle was always anathema to it. It never viewed its own struggle as a part of a greater whole. It learned nothing from the past and had no vision of the future.

Nevertheless, in spite of its lack of vision, its lack of militancy and its archaic form of organization, it has succeeded in organizing millions of workers, and to a certain extent it has wrested some concessions from the employers without being militant. It has to its credit many aggressive and spectacular fights in the interests of the workers.

Since the advent of the New Capitalism the A. F. of L. has lost the last vestige of its proletarian character. Instead of placing its hope in the power of the working class it has banked on the benevolence of the capitalists. It has practically given up the strike as a weapon. The appeal to fairness, the appeal to politicians to intervene, became its only hope. Gompers was a conservative, but with his conservatism he went to the workers; William Green and Matthew Woll go with their "ideals", not to the workers, but to the capitalists. William Green has spoken perhaps in more churches in the last five or six years than union halls; Matthew Woll is far better known as a representative of the Civic Federation, and as a "red baiter" than as a trade union leader. Labor leaders all over the country follow in the footsteps of their national leaders. To prevent strikes has become their first concern.

In the light of the philosophy of the New Capitalism these tactics seem quite logical and justified. If the aim of business is to provide opportunity for equality to everyone, if prosperity is to go on and on, and expand and diffuse its benefits among wider sections of the working class; if it is to the interests of the capitalists that wages shall be constantly raised and never lowered, there is nothing better for the A. F. of L. to do than "heartily co-operate" with the capitalists. Class

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collaboration is the logical consequence of the New Capitalism. President William Green proudly declared: "It is my opinion that the so-called 'irrepressible conflict' which some economists claim exists between the employers and employees can be terminated. Good judgment and reciprocal concessions in arriving at a settlement of industrial disputes can bring about a realization of this happy result."

Notice that Green himself does not believe that there is such an "irrepressible conflict," but as there are "some" economists who do believe in it he is willing "for argument's sake" to admit its existence, and to show that even if they are right, the conflict can be terminated by the use of "good judgment and reciprocal concessions." The A. F. of L., one must admit, has made more than enough concessions, but they were not reciprocal.

The A. F. of L. has earned the praise and the compliments of every supporter of Capitalism. It has been held up by the capitalists of Europe as a good example of what a good labor organization should be. The "higher strategy of labor" has been widely discussed and praised. "The higher strategy of labor is beginning to be appreciated and is understood perfectly clearly by multitudes of laboring men," says Prof. Carver, but "unfortunately only a few leaders who have this point of view come to the top."⁴ This was written in 1925 and even then there were more than a few leaders who had this point of view. In 1931 there seem to be none who do not share it.

What have been the practical results of the "higher strategy of labor"? The A. F. of L. has ceased to be even a moderate fighting organization. The only fight that it did take up was the struggle against Communism and Socialism, against independent political action, against every progressive thought or word in the labor movement. The workers it left to the mercies of the New Capitalist. Gradually the workers lost all interest in their unions; they lost all faith in their unions and began to look upon them as on an outside force. Some of them remained members of the unions because they had to;

4) Ibid. pp. 203-4.

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others because they did not care to resign. Most of the workers were, and still are, outside the unions. Well-organized trade unions began to decline; no efforts were made to infuse new life into them. The most important industries were not organized at all; no effort is made to organize them. The A. F. of L. is steadily drifting down hill and does not seem to notice it or to worry about it.

The back-bone of the fighting labor organization is the enthusiasm of its members; their faith in the movement; their readiness to fight and sacrifice for it. The American trade union has lost its backbone. It cannot rely on its members any longer. It must look for another force on which to rely. This leads to the rise of cliques, of union machines that care more for their position within the union than for the position of the workers within the industry.

The philosophy of the New Capitalism opened wide the doors of the unions to both the Communists, and the trade union racketeer: the one trying to convert the union into a tail of his party; the other converting it into a private business for himself, and neither trying to preserve the union for the working class.

III.

The rise of the New Capitalism found the American Socialist movement in the midst of a severe crisis. It had just emerged from a bitter inner party struggle which had greatly weakened it. Years of organization and educational work were wiped out by the world war and by the rise of Communism. It had to begin all over again. That was hard work for which much patience was needed. There were many obstacles in its way, but the greatest of them all was prosperity and the philosophy of the New Capitalism.

Socialism is a working class movement. It is based on the class struggle. It has really only one argument: under Capitalism the working class must always remain the poor and exploited wage class, creating wealth for others and nothing but poverty and suffering for itself. This deplorable condition can not be remedied otherwise than by the conscious class

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struggle of the workers. The working class has no one to rely on but itself. Only by organizing itself politically and economically, by consciously using its power as the creator of all wealth, can it after a hard and desperate struggle, which cannot be otherwise than revolutionary, change the present capitalist order into a socialist order.

The rise of the New Capitalism seemed to rob Socialism of its *raison d'être*. Capitalism seemed to be forming itself into something that was not Capitalism at all. The everlasting and ever expanding prosperity and the new social conscience of the New Capitalist were expected to do what Socialism promised to do. Class distinctions were rapidly disappearing; every worker was on the way of becoming a capitalist and this was to be accomplished, not through the class struggle, but through class collaboration. The abolition of poverty and of class distinctions had become an all-American ideal. Herbert Hoover used this reasoning as an argument for himself and his party in his campaign speeches:

"We in America to-day are nearer to the final triumph over poverty than ever before in the history of any land." And this was being accomplished not by the class struggle of the workers; Capitalism itself was taking care of the problem.

Socialists have never accepted the philosophy of the New Capitalism, but it frightened them. Speaking and writing against it, they nevertheless made concession after concession to it. They toned down their revolutionary ardor, they avoided the term "class struggle"; they relegated the proletarian character of Socialism to a secondary place. Many Socialists seemed to have lost their faith in their party as well as in the working class. Socialism became for them, not the hope of the working class, but of good and intelligent people; the proletarian revolution was changed to "America's Way". Its most important function became not the conquest of the working class for Socialism but the gaining of the good graces of the liberal *intelligentzia*. It seemed as if they said: "Oh, if we could only get the liberal professors, the ministers, the priests and the rabbis—the good people in general, all would be well. To get the favor of this element we may have

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to sacrifice some of our revolutionary phrases. Well, what of it? The old Socialism is 'not abreast of our times' anyway."

"The capitalist system has . . . done a great deal during the last decade to improve the material conditions of the American workers, and shows great productive vitality," declared Paul H. Douglas at the League for Industrial Democracy conference in 1929. "Socialistic arguments based upon the theory of increasing misery are consequently in direct opposition to the facts and will make no appeal to the workers, nor can the Socialists hope to make many converts by an attempted demonstration of the inevitability of the cataclysmic downfall of Capitalism."⁵

Moreover Douglas is convinced that there is only one way in which we still can make a success of our Socialism. "It will be necessary," he says, "for Socialism to prove its way by making a success of a series of specific experiments." In other words we must turn from Marx to Robert Owen, to Fourier. From scientific Revolutionary Socialism to the old Utopianism.

When a Dr. Wolfson at the same conference complained that the Socialist Party had failed to point out to the capitalist, to the man who piles up wealth and material things, that wealth does not bring him any happiness, August Claessens took up the challenge: "I assure Dr. Wolfson," he proudly declared, "there is no necessity for addition to the socialist philosophy such as you suggested. . . . I will be more than happy to give you a bibliography . . . of socialist books which have stressed this point, and I may modestly include my own contribution."⁶

Let us hear the advice of still another comrade, McAlister Coleman: "Of this class struggle as taught by its more extreme propagandists, the worker may well remark: It's pretty but is it art? And just where does it get me? And recent experience has shown us that the only honest answer to this question is that it gets the worker more firmly in the clutches of the employer, splits his union to pieces, diminishes the sum total of production, over whose division he is supposed to be

⁵) *The Socialism of Our Times*—A symposium edited by Harry W Laidler and Norman Thomas. The Vanguard Press, N. Y., 1929, pp. 10-11.

⁶) *Ibid.* p. 161.

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struggling and leaves him in the end with notably thinned pay envelope." ⁷ Now you can see what a terrible and dangerous thing this class struggle is. It puts the worker in the clutches of his employer, it splits his union, diminishes production and reduces his wages. Ergo, down with the class struggle!

And here is a word of cheer from another Comrade to those that are afraid that our Socialism still remains old and European. "The title of the last year's L. I. D. symposium, "Prosperity", marks the change in socialist viewpoint from the pain economy to the pleasure economy, from the phraseology of the European laborer with nothing to lose but his chains to that of the American worker with his demands for a Ford and a radio."

Even European Socialists have tried to help us Americanize our Socialism. S. Ivanovich, one of those Socialists that was so frightened by Russian Bolshevism that he is afraid of any thing that may remind him of revolution, has made a study of American prosperity, and concludes that the concept of the class struggle can not be applied to America. The prophet of American Socialism is not Marx, but Carver (though he does not mention Carver by name), and Abraham Cahan, being afraid that the American workers might miss the brilliant discoveries of the Russian Socialist, hastened to popularize the theories of Ivanovich in a series of articles in the New Leader. No one was found to reply to or take issue with Cahan.

What these Socialists lacked was a fearless and systematic theoretician, one that could with one stroke make an end to Marxism. Such a theoretician they found in Henry De Man.

Here is a man who was himself a Marxist for many years, and now has not only repudiated it, but has made "The Liquidation of Marxism" his business. Of all criticism of Marx, De Man's is the most shallow and superficial, but he is hailed as the new Prophet; he "blazed a trail" for some of our leading Socialists.

Where were the Marxists? Has everybody really abandoned Marxism? Certainly not. At the L. I. D. conference, where Socialists together with non-Socialists "revised" Marx-

⁷) Ibid. p. 243.

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ism, people like Hillquit, Lee, Oneal and a few others strongly affirmed their Marxian convictions, but they were discouraged; they were not sure of themselves. They preferred, it seems watchful waiting to fighting the enemy wherever one meets him.

What were the results of this new and Americanized Socialism? We really did convince a small group of liberals that there is no danger in sometimes (not always) associating with us, but we have lost much of the prestige that we had with the working class.

The more intelligent part of the working class, that is precisely the part of the working class that we could hope to reach with our socialist message, did not classify our liberals supporters as Socialists, they rather classified us as Liberals.

We have turned all of our attention to political action and political action we have narrowed down to electioneering. The Socialist Party never accepted the philosophy of the New Capitalism, the official theory of the party remained as it was before,—Marxian. The anti-Marxists were few and were content usually to leave Marxism alone. In practice, however, Marxism became the philosophy of individual comrades. In our practical work we adapted ourselves to the philosophy of the New Capitalism. We became exceedingly practical. We limited our propaganda to practical issues, refraining wherever we could, from mentioning either the class struggle or Socialism.

Liberals praised us; we praised ourselves, but we passed out as a factor from the class struggle. We helped the trade unions as outsiders help, but we did not participate in their struggles. Members of the Socialist Party were active in the trade unions, but the Party never organized them for socialist work within the unions. It never instructed its members how to act. Instead of "boring from within" we contented ourselves simply with "helping". Of course we did criticize everything that was wrong in the unions. The New Leader was always at its post calling the attention of its readers to every false and objectionable step in the trade union movement, but that was done not by the New Leader alone. The Nation and

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the New Republic did the same. Criticism is very important and necessary, but it is not enough. Our criticism must go together with an organized fight against everything that we consider harmful to the interests of the working class.

Some of our Party members are afraid that an organized struggle within the unions for our principles and ideals will lead us into the Communist camp. These comrades, it seems, do not know the Communist aim in the unions. They want to capture the unions for their party. We want to capture the unions for the workers. The Communists want to get organizational control over the unions in order to dictate to them and to tell them how to conduct their trade union business. We want neither to control the unions organizationally, nor to annex them to our Party, nor to provide our members with well paid jobs. We want to teach the members of the trade unions the class-struggle and how it is to be applied to their everyday struggles. The tactics of the Communists cannot serve our purpose. We know very well that no educational work can be done by the use of invectives, and nothing but harm can result by provoking inner factional fights or causing splits. This can only weaken the movement. Our work in the unions is purely educational, but have we done this purely educational work? Some of us have done so as individuals. The Party as a whole has done very little. Every Socialist within the trade union movement acted not only at his own risk, but also according to his own views and convictions. This "private initiative" has often harmed the Party more than it has helped it.

The Socialist Party has never accepted the philosophy of the New Capitalism, but it was frightened by it. It tried to adapt itself to the "New Era" of prosperity and failed. We may well be thankful that it did fail. Its failure assures return to theory and tactics of Revolutionary Socialism.

IV

The Wall Street crash of October 1929 was the official registration of the death of our "everlasting" prosperity. Some of its prophets did not at first admit that this was the end.

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Capitalist economists as usual showed convincingly, that the "crisis" was only psychological, only in the minds of Socialists. But, when the number of the unemployed kept growing larger, when the sufferings of the unemployed and of their families could no longer be concealed, even President Hoover admitted that there was indeed a crisis in the home of prosperity, and that there were indeed millions of homes in which there was want and starvation, and that the soft-hearted American capitalists must raise millions at once to help the unemployed. The philosophy of the New Capitalism was suddenly forgotten. Its cardinal principles that "wages must always rise and never be lowered" gradually vanished. A veritable epidemic of wage reductions was the answer of the "progressive", the "New" American Capitalism to the crisis.

Hoover and his party have only one remedy: Charity! Charity degrades; charity places the recipient in a position of dependence on the one who gives. Surely unemployment insurance is a more dignified as well as a more effective form of relief. Hoover opposes it. With few exceptions every capitalist politician is against it. But what about the Labor Movement? The American Federation of Labor is also opposed to unemployment insurance! Together with President Hoover, the A. F. of L. is against "any kind of dole", but it is for charity; against state insurance, but for state charity! For President Hoover as well as for President Green, the present crisis is only a temporary disturbance, "a trifle gone wrong" in an otherwise perfectly good machine. Moreover, the A. F. of L. sees in this crisis an opportunity for our government. Thus, Mr. Edward P. McGrady speaking before the Sub-committee of the Senate Committee on manufactures says: "Here is a great opportunity for the Federal government to renew the faith in their government". And what is the A. F. of L. itself going to do for the unemployed?

"We are going to try to assist our members as much as possible in the future, but with unemployment increasing we very much fear that we will have to call upon the public authorities to assist us in carrying this load."

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The Socialists have advanced a comprehensive and dignified program for unemployment relief. The A. F. of L. will not accept this program. In fact, it is opposed to it, because the Socialist program views the crisis as a constant companion of the capitalist system of production and distribution, while the A. F. of L. "knows" that it is nothing more than an "accident", "a trifle gone wrong" in a good machine.

The more progressive section of the capitalist ideologists seems to understand, very well, that the present crisis is more than a "trifle gone wrong". Says Walter Lippman in his "Notes on the Crisis":

"We have been and are even now under the spell of an illusion, a kind of popular superstition, of a type common enough in history. It is, in our case, a belief in the magical restoration of prosperity. Whereas up to the autumn of 1929 we had dreamed that depressions were abolished.

"This belief in the automatic restoration of prosperity has made us for the time being a nation of fatalists. We have told ourselves in a thousand public statements that if winter comes spring cannot be far behind. We have looked upon our troubles, not as problems to be solved, but as so much bad weather in which the chief thing to do was to sit in front of the barometer and wait for a change in the wind. Thus we have become more interested in prophesying the future than in preparing for it, in guessing than in governing, in statistical curves than in statesmanship, in wishing than in willing".

What is necessary above all, according to Mr. Lippman is an understanding of the fact that,

"Slowly but steadily since about the turn of the century, violently and spectacularly since 1914, the whole world has been drawn into one of the greatest readjustments among continents, nations and classes of which there is any record. It is a marvel, looking back upon it now, that we could ever have so complacently thought that a boom under such treacherous conditions was permanent. It is more marvelous that so many should still

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think so, and should still mistake for solid metal the golden bubble we managed to inflate, when for a brief moment there was a lull in the storm".

Walter Lippman's opinions on the crisis are representative of the general opinion of the most advanced group of American economists, sociologists and publicists. They begin to see the crisis as part of our economic system and realize that some drastic changes in this system must be made. What do they propose? Their newest remedy is Social Planning. Capitalist production is chaotic, without order or plan. Everyone thinks in terms of his own private interests and not about the interests of society as a whole; everyone tries to outwit every one else. "Industrial production," says a British economist, "is a lengthy process necessarily carried on ahead of demand. . . . The fluctuations, therefore which are normal characteristics of Modern Industrial activity represent the errors in anticipation and estimates of the business men who direct production to demand."

Social planning will do away with these "errors of the business men". It will bring order into capitalist chaos. But, how will it do so? Chaos and planlessness in capitalist industry is the result of free competition, and free competition is the necessary corollary of private ownership of the social means of production. The first thing any social plan would have to do is to abolish (restriction is not enough) free competition. Some kind of an economic council would have to be set up, and this council would have to have authority to regulate production, distribution and prices. Can it be done while retaining private ownership of the means of production? The idea of social planning came to our progressives as a result of their admiration of the Russian Five Year Plan. They want to imitate the Russian plan, but they ignore the fact that before inaugurating their industrial plan the Russians abolished private ownership of the means of production. Our social planners would like to have both; planned production and private ownership of the means of production. That is, they want to eat their cake and have it. This cannot be done. Either we have private ownership of the means of production

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or socially planned production. It is either the one or the other. They do not go together.

The advocates of planned production are very careful to make it clear that they do not intend to abolish private property. Professor Charles A. Beard stipulates in his plan: "that no confiscation of property is contemplated here."⁸ Professor Lewis L. Lorwin assures his readers that "we (i.e. the advocates of planned production) do not wish to join those who call for a complete break with the past and for a violent overthrow of all institutions."⁹ In short, planned production is advocated as an improvement on Capitalism.

V.

Planned production will never be established under Capitalism. All the talk about Social Planning will remain nothing but talk. No one **really** expects any practical results from this plan-propaganda. If not Social Planning what other way is there out of the present crisis? There are some, especially among the Communists, who believe that this is the "last crisis of Capitalism", its final collapse. But this is not so. Capitalism is still strong enough to overcome the present crisis. It is true that the prosperity which we have had in this country will not return again. Unemployment, due to technological causes has come to stay. It has become a permanent feature of latter-day Capitalism. Nevertheless, we certainly are not yet in for "the last and decisive struggle," neither in America nor in any European country.

What does face us in the near future is not the speedy final collapse of Capitalism, but a long and desperate class-struggle. The collapse of the illusion of everlasting and everlasting and ever-expanding prosperity will bring the class-struggle to the fore. The Socialist and Labor movement will have to readjust itself to this new phase of open and bitter struggle in which the two opposing camps will face each other. Whoever will not be able to make the readjustment will be left behind as irrelevant to the class-struggle.

⁸) Forum, July, 1931.

⁹) See article by Lewis L. Lorwin, Survey-Graphic, December, 1931.