

all, price rises in such necessities were prevented by subsidies to producers, which gave them more payment for production without any increase in the final selling price. As a result, in Britain the cost of living rose from 100 in 1939 to 126 in 1941, but rose no more than to 129 by the war's end in 1945. In the United States wholesale prices of all commodities rose only 26 percent from 1940 to 1945, but were twice as high as in 1940 in 1947. Most of this increase in the United States came after the war's end, and may be attributed to the refusal of the Republican-controlled Congress, led by Senator Taft, to profit from the errors of 1918-1920. As a result, most of the mistakes of that earlier period, such as the ending of price controls and rationing and the delays in reconversion to peacetime production, were repeated, but only after the war itself had been won.

### A New Economic System Emerges

Outside the United States, many of the wartime control mechanisms were continued into the postwar period, and contributed substantially to the creation of a new kind of economic system which we might call the "pluralist economy" because it operates from the shifting alignments of a number of organized interest blocs, such as labor, farmers, heavy industry, consumers, financial groups, and, above all, government. This will be analyzed later. At this point we need only say that the postwar economy was entirely different in character from that of the 1920's following World War I. This was most notable in the absence of a postwar depression, which was widely expected, but which did not arrive because there was no effort to stabilize on a gold standard.... This has been brought about by the new concern with real economic factors instead of with financial counters, as previously. As part of this process, there has been a great reduction in the economic role of gold. From this has flowed two persistent postwar problems which would have been avoided by the gold standard. There are (1) slow worldwide inflation arising from the competing demands for economic resources by consumers, by investors, and by defense and government needs; and (2) the constant recurrence of acute exchange difficulties, such as the "dollar shortage" in world trade, arising from the inability of gold shipments or foreign demand to influence domestic prices sufficiently to reverse these foreign movements. But these inconveniences, associated with the absence of a gold standard and the inadequacies of the financial arrangements in substitute for it, were generally regarded as a small price to pay for the full employment and rising standards of living which advanced industrial countries were able to obtain under planning in the postwar era.

## Part Eight—International Socialism and the Soviet Challenge

### Chapter 23—The International Socialist Movement

The international Socialist movement was both a product of the nineteenth century and a revulsion against it. It was rooted in some of the characteristics of the century, such as its industrialism, its optimism, its belief in progress, its humanitarianism, its scientific materialism, and its democracy, but it was in revolt against its laissez faire, its middle-class domination, its nationalism, its urban slums, and its emphasis on the price-profit system as the dominant factor in all human values. This does not mean that all Socialists

had the same beliefs or that these beliefs did not change with the passing years. On the contrary, there were almost as many different kinds of Socialism as there were Socialists, and the beliefs categorized under this term changed from year to year and from country to country.

Industrialism, especially in its early years, brought with it social and economic conditions which were admittedly horrible. Human beings were brought together around factories to form great new cities which were sordid and unsanitary. In many cases, these persons were reduced to conditions of animality which shock the imagination. Crowded together in want and disease, with no leisure and no security, completely dependent on a weekly wage which was less than a pittance, they worked twelve to fifteen hours a day for six days in the week among dusty and dangerous machines with no protection against inevitable accidents, disease, or old age, and returned at night to crowded rooms without adequate food and lacking light, fresh air, heat, pure water, or sanitation.

These conditions have been described for us in the writings of novelists such as Dickens in England, Hugo or Zola in France, in the reports of parliamentary committees such as the Sadler Committee of 1832 or Lord Ashley's Committee in 1842, and in numerous private studies like *In Darkest England* by General William Booth of the Salvation Army. Just at the end of the century, private scientific studies of these conditions began to appear in England, led by Charles Booth's *Life and Labour of the People in London* or B. Seebohm Rowntree's *Poverty, a Study of I own Life*.

The Socialist movement was a reaction against these deplorable conditions of the working masses. It has been customary to divide this movement into two parts at the year 1848, the earlier part being called "the period of the Utopian Socialists" while the later part has been called "the period of scientific Socialism." The dividing line between the two parts is marked by the publication in 1848 of *The Communist Manifesto* of Karl Marx and Friedrich Engels. This work, which began with the ominous sentence, "A spectre is haunting Europe—the spectre of Communism," and ended with the trumpet blast, "Workers of the world, unite!" is generally regarded as the seed from which developed, in the twentieth century, Russian Bolshevism and Stalinism. Such a view is undoubtedly an oversimplification, for the development of Socialist ideology is full of twists and turns and might well have grown along quite different paths if the history of the movement itself had been different.

The history of the Socialist movement may be divided into three periods associated with the three Socialist Internationals. The First International lasted from 1864 to 1876 and was as much anarchistic as Socialistic. It was finally disrupted by the controversies of these two groups. The Second International was the Socialist International, founded in 1889. This became increasingly conservative and was disrupted by the Communists during World War I. The Third, or Communist, International was organized in 1919 by dissident elements from the Second International. As a result of the controversies of these three movements, the whole anticapitalist ideology, which began as a confused revolt against the economic and social conditions of industrialism in 1848, became sorted

out into four chief schools. These schools became increasingly doctrinaire and increasingly bitter in their relationships.

The basic division within the Socialist movement after 1848 was between those who wished to abolish or reduce the functions of the state and those who wished to increase these functions by giving economic activities to the state. The former division came in time to include the anarchists and the syndicalists, while the latter division came to include the Socialists and the Communists. In general the former division believed that man was innately good and that all coercive power was bad, with public authority the worst form of such coercive power. All of the world's evil, according to the anarchists, arose because man's innate goodness was corrupted and distorted by coercive power. The remedy, they felt, was to destroy the state. This would lead to the disappearance of all other forms of coercive power and to the liberation of the innate goodness of man. The simplest way to destroy the state, they felt, would be to assassinate the chief of the state; this would act as a spark to ignite a wholesale uprising of oppressed humanity against all forms of coercive power. These views led to numerous assassinations of various political leaders, including a king of Italy and a president of the United States, in the period 1895-1905.

Syndicalism was a somewhat more realistic and later version of anarchism. It was equally determined to abolish all public authority, but did not rely on the innate goodness of individuals for the continuance of social life. Rather it aimed to replace public authority by voluntary associations of individuals to supply the companionship and management of social life which, according to these thinkers, the state had so signally failed to provide. The chief of such voluntary associations replacing the state would be labor unions. According to the syndicalists, the state was to be destroyed, not by the assassination of individual heads of states, but by a general strike of the workers organized in labor unions. Such a strike would give the workers a powerful esprit de corps based on a sense of their power and solidarity. By making all forms of coercion impossible, the general strike would destroy the state and replace it by a flexible federation of free associations of workers (syndicates).

Anarchism's most vigorous proponent was the Russian exile Michael Bakunin (1814-1876). His doctrines had considerable appeal in Russia itself, but in western Europe they were widely accepted only in Spain, especially Barcelona, and in parts of Italy where economic and psychological conditions were somewhat similar to those in Russia. Syndicalism flourished in the same areas at a later date, although its chief theorists were French, led by Georges Sorel (1847-1922).

The second group of radical social theorists was fundamentally opposed to the anarcho-syndicalists, although this fact was recognized only gradually. This second group wished to widen the power and scope of governments by giving them a dominant role in economic life. In the course of time, the confusions within this second group began to sort themselves out, and the group divided into two chief schools: the Socialists and the Communists. These two schools were further apart in organization and in their activities than they were in their theories, because the Socialists became increasingly moderate and

even conservative in their activities, while remaining relatively revolutionary in their theories. However, as their theories gradually followed their activities in the direction of moderation, in the period of the Second International (1889-1919), violent controversies arose between those who pretended to remain loyal to the revolutionary ideas of Karl Marx and those who wished to revise these ideas in a more moderate direction to adapt them to what they considered to be changing social and economic conditions. The strict interpreters of Karl Marx came to be known as Communists, while the more moderate revisionist group came to be known as Socialists. The rivalries of the two groups ultimately disrupted the Second International as well as the labor movement as a whole, so that anti-labor regimes were able to come to power in much of Europe in the period 1918-1939. This disruption and failure of the working-class movement is one of the chief factors in European history in the twentieth century and, accordingly, requires at least a brief survey of its nature and background.

The ideas of Karl Marx (1818-1883) and of his associate Friedrich Engels (1820-1895) were published in the Communist Manifesto of 1848 and in their three-volume opus, *Das Kapital* (1867-1894). Although they were aroused by the deplorable conditions of the European working classes under industrialism, the chief sources of the ideas themselves were to be found in the idealism of Hegel, the materialism of the ancient Greek atomists (especially Democritus), and the theories of the English classical economists (especially Ricardo). Marx derived from Hegel what has come to be known as the "historical dialectic." This theory maintained that all historical events were the result of a struggle between opposing forces which ultimately merged to create a situation which was different from either. Any existing organization of society or of ideas (thesis) calls forth, in time, an opposition (anti-thesis). These two struggle with each other and give rise to the events of history, until finally the two fuse into a new organization (synthesis). This synthesis in turn becomes established as a new thesis to a new opposition or antithesis, and the struggle continues, as history continues.

A chief element in Marxist theory was the economic interpretation of history. According to this view, the economic organization of any society was the basic aspect of that society, since all other aspects, such as political, social, intellectual, or religious, reflected the organization and powers of the economic level.

From Ricardo, Marx derived the theory that the value of economic goods was based on the amount of labor put into them. Applying this idea to industrial society where labor obtains wages which reflect only part of the value of the product they are making, Marx decided that labor was being exploited. Such exploitation was possible, he believed, because the working classes did not own the "instruments of production" (that is, factories, land, and tools) but had allowed these, by legal chicanery, to fall into the hands of the possessing classes. In this way, the capitalistic system of production had divided society into two antithetical classes: the bourgeoisie who owned the instruments of production and the proletariat who lived from selling their labor. The proletariat, however, were robbed of part of their product by the fact that their wages represented only a portion of the value of their labor, the "surplus value" of which they were deprived going to the bourgeoisie as profits. The bourgeoisie were able to maintain this

exploitative system because the economic, social, intellectual, and religious portions of society reflected the exploitative nature of the economic system. The money which the bourgeoisie took from the proletariat in the economic system made it possible for them to dominate the political system (including the police and the army), the social system (including family life and education), as well as the religious system and the intellectual aspects of society (including the arts, literature, philosophy, and all the avenues of publicity for these).

From these three concepts of the historical dialectic, economic determinism, and the labor theory of value, Marx built up a complicated theory of past and future history. He believed that "all history is the history of class struggles." Just as in antiquity, history was concerned with the struggles of free men and slaves or of plebians and patricians, so, in the Middle Ages, it was concerned with the struggles of serfs and lords, and, in modern times, with the struggles of proletariat and bourgeoisie. Each privileged group arises from opposition to an earlier privileged group, plays its necessary role in historical progress, and is, in time, successfully challenged by those it has been exploiting. Thus the bourgeoisie rose from exploited serfs to challenge successfully the older privileged group of feudal lords and moved into a period of bourgeois supremacy in which it contributed to history a fully capitalized industrial society but will be challenged, in its turn, by the rising power of the laboring masses.

To Marx, the revolution of the proletariat was not only inevitable but would inevitably be successful, and would give rise to an entirely new society with a proletariat system of government, social life, intellectual patterns, and religious organization. The "inevitable revolution" must lead to an "inevitable victory of the proletariat" because the privileged position of the bourgeoisie allowed them to practice a merciless exploitation of the proletariat, pressing these laboring masses downward to a level of bare subsistence, because labor, having become nothing but a commodity for sale for wages in the competitive market, would naturally fall to the level which would just allow the necessary supply of labor to survive. From such exploitation, the bourgeoisie would become richer and richer and fewer and fewer in numbers, and acquire ownership of all property in the society while the proletariat would become poorer and poorer and more and more numerous and be driven closer and closer to desperation. Eventually, the bourgeoisie would become so few and the proletariat would become so numerous that the latter could rise up in their wrath and take over the instruments of production and thus control of the whole society.

According to this theory, the "inevitable revolution" would occur in the most advanced industrial country because only after a long period of industrialism would the revolutionary situation become acute and would the society itself be equipped with factories able to support a Socialist system. Once the revolution has taken place, there will be established a "dictatorship of the proletariat" during which the political, social, military, intellectual, and religious aspects of society will be transformed in a Socialist fashion. At the end of this period, full Socialism will be established, the state will disappear, and a "classless society" will come into existence. At this point history will end. This rather surprising conclusion to the historical process would occur because Marx

had defined history as the process of class struggle and had defined the state as the instrument of class exploitation. Since, in the Socialist state, there will be no exploitation and thus no classes, there will be no class struggles and no need for a state.

In 1889, after the First International had been disrupted by the controversies between anarchists and Socialists, a Second International had been formed by the Socialists. This group retained its allegiance to Marxist theory for a considerable period, but even from the beginning Socialist actions did not follow Marxist theory. This divergence arose from the fact that Marxist theory did not provide a realistic or workable picture of social and economic developments. It had no real provision for labor unions, for workers' political parties, for bourgeois reformers, for rising standards of living, or for nationalism, yet these became, after Marx's death, the dominant concerns of the working class. Accordingly, the labor unions and the Social-Democratic political parties which they dominated became reformist rather than revolutionary groups. They were supported by upper-class groups with humanitarian or religious motivations, with the result that the conditions of life and of work among the laboring classes were raised to a higher level, at first slowly and reluctantly, but, in time, with increasing rapidity. So long as industry itself remained competitive, the struggle between industrialists and labor remained intense, because any success which the workers in one factory might achieve in improving their wage levels or their working conditions would raise the costs of their employer and injure his competitive position with respect to other employers. But as industrialists combined together after 1890 to reduce competition among themselves by regulating their prices and production, and as labor unions combined together into associations covering many factories and even whole industries, the struggle between capital and labor became less intense because any concessions made to labor would affect all capitalists in the same activity equally and could be covered simply by raising the price of the product of all factories to the final consumers.

In fact, the picture which Marx had drawn of more and more numerous workers reduced to lower and lower standards of living by fewer and fewer exploitative capitalists proved to be completely erroneous in the more advanced industrial countries in the twentieth century. Instead, what occurred could be pictured as a cooperative effort by unionized workers and monopolized industry to exploit unorganized consumers by raising prices higher and higher to provide both higher wages and higher profits. This whole process was advanced by the actions of governments which imposed such reforms as eight-hour days, minimum-wage laws, or compulsory accident, old age, and retirement insurance on whole industries at once. As a consequence, the workers did not become worse off but became much better off with the advance of industrialism in the twentieth century.

This tendency toward rising standards of living also revealed another Marxist error. Marx had missed the real essence of the Industrial Revolution. He tended to find this in the complete separation of labor from ownership of tools and the reduction of labor to nothing but a commodity in the market. The real essence of industrialism was to be found in the application of nonhuman energy, such as that from coal, oil, or waterpower, to production. This process increased man's ability to make goods, and did so to an amazing

degree. But mass production could exist only if it were followed by mass consumption and rising standards of living. Moreover, it must lead, in the long run, to a decreasing demand for hand labor and an increasing demand for highly trained technicians who are managers rather than laborers. And, in the longer run, this process would give rise to a productive system of such a high level of technical complexity that it could no longer be run by the owners but would have to be run by technically trained managers. Moreover, the use of the corporate form of industrial organization as a means for bringing the savings of the many into the control of a few by sales of securities to wider and wider groups of investors (including both managerial and laboring groups) would lead to a separation of management from ownership and to a great increase in the number of owners.

All these developments were quite contrary to the expectations of Karl Marx. Where he had expected impoverishment of the masses and concentration of ownership, with a great increase in the number of workers and a great decrease in the number of owners, with a gradual elimination of the middle class, there occurred instead (in highly industrialized countries) rising standards of living, dispersal of ownership, a relative decrease in the numbers of laborers, and a great increase in the middle classes. In the long run, under the impact of graduated income taxes and inheritance taxes, ... the great problem of advanced industrial societies became ... the exploitation of unorganized consumers (of the professional and lower-middle-class levels) by unionized labor and monopolized managers acting in concert. The influence of these last two groups on the state in an advanced industrial country also served to increase their ability to obtain what they wished from society as a whole.

As a consequence of all these influences, the revolutionary spirit did not continue to advance with the advance of industrialism, as Marx had expected, but began to decrease, with the result that the more advanced industrial countries became less and less revolutionary. Moreover, what revolutionary spirit did exist in advanced industrial countries was not to be found, as Marx had expected, among the laboring population but among the lower middle class (so-called "petty bourgeoisie"). The average bank clerk, architect's draftsman, or schoolteacher was unorganized, found himself oppressed by organized labor, monopolized industry, and the growing power of the state, and found himself caught in the spiral of rising costs resulting from the efforts of his three oppressors to push the costs of social welfare and steady profits on to the unorganized consumer. The petty bourgeois found that he wore a white collar, had a better education, was expected to maintain more expensive standards of personal appearance and living conditions, but received a lower income than unionized labor. As a consequence of all this, the revolutionary feeling existing in advanced industrial countries appeared among the petty bourgeoisie rather than among the proletariat, and was accompanied by psychopathic overtones arising from the suppressed resentments and social insecurities of this group. But these dangerous and even explosive feelings among the petty bourgeoisie took an anti-revolutionary rather than a revolutionary form and appeared as nationalistic, anti-Semitic, anti-democratic, and anti-labor-union movements rather than as anti-bourgeois or anticapitalist movements such as Marx had expected.

Unfortunately, as economic and social developments in advanced industrial countries moved in the un-Marxian directions we have mentioned, the unionized laborers and their Social Democratic political parties continued to accept the Marxist ideology or at least to utter the old Marxist war cries of "Down with the capitalists!" or "Long live the revolution" or "Workers of the world, unite!" Since the Marxist ideology and the Marxist war cries were more easily observed than the social realities they served to conceal, especially when labor leaders sought all publicity for what they said and profound secrecy for what they did, many capitalists, some workers, and almost all outsiders missed the new developments completely and continued to believe that a workers' revolution was just around the corner. All this served to distort and to confuse people's minds and people's actions in much of the twentieth century. The areas in which such confusions became of great significance were in regard to the class struggle and to nationalism.

We have pointed out that the class struggles between capitalists and the laboring masses were of great importance in the early stages of industrialism. In these early stages the productive process was more dependent on hand labor and less dependent on elaborate equipment than it became later. Moreover, in these early stages, labor was unorganized (and thus competitive), while capitalists were un-monopolized (and thus competitive). As the process of industrialization advanced, however, wages became a decreasing portion of productive costs, and other costs, especially the costs of equipment for mass production, for the technical management required by such equipment, and for the advertising and merchandising costs required for mass consumption, became more and more important. All of these things made planning of increasing significance in the productive process. Such planning made it necessary to reduce the number of uncontrolled factors in the productive process to a minimum while seeking to control as many of these factors as possible. An industry which had hundreds of millions of dollars (or even billions) in equipment and plant, as did the steel industry, automobiles, chemicals, or electrical utilities, had to be able to plan, in advance, the rate and the amount of usage that equipment would receive. This need led to monopoly, which was, essentially, an effort to control both prices and sales by removing competition from the market. Once such competition had been removed from the market, or substantially reduced, it became both possible and helpful for labor to be unionized.

Unionized labor helped planning by providing fixed wages for a fixed period into the future and by providing a better trained as well as a more highly disciplined labor force. Moreover, unionized labor helped planning by establishing the same wages, conditions, hours (and thus costs) on an industry-wide basis. In this way unionized labor and monopolized industry ceased to be enemies, and became partners in a planning project centered on a very expensive and complex technological plant. The class struggle in Marxian terms largely disappeared. The one exception was that, in a planned industry, the managerial staff could compare wage costs with fixed capital costs and might decide, to the resentment of labor, to replace a certain amount of labor by a certain amount of new machinery. Labor tended to resent this and to oppose it unless consulted on the problem. The net result was that rationalization of production continued, and advanced industrialized countries continued to advance in spite of the contrary influence of the



monopolization of industry which made it possible, to some extent, for obsolete factories to survive because of decreased market competition.

The effects of nationalism on the Socialist movement was of even greater significance. Indeed, it was so important that it disrupted the Second International in 1914-1919. Marx had insisted that all the proletariat had common interests and should form a common front and not fall victim to nationalism, which he tended to regard as capitalistic propaganda, seeking, like religion, to divert the workers from their legitimate aims of opposition to capitalism. The Socialist movement generally accepted Marx's analysis of this situation for a long time, arguing that workers of all countries were brothers and should join together in opposition to the capitalist class and the capitalist state. The Marxian slogans calling on the workers of the world to form a common front continued to be shouted even when modern nationalism had made deep inroads on the outlook of all workers. The spread of universal education in advanced industrial countries tended to spread the nationalist point of view among the working classes. The international Socialist movements could do little to reverse or hamper this development. These movements continued to propagate the internationalist ideology of international Socialism, but it became more and more remote from the lives of the average worker. The Social Democratic parties in most countries continued to embrace the international point of view and to insist that the workers would oppose any war between capitalist states by refusing to pay taxes to support such wars or to bear arms themselves against their "brother workers" in foreign countries.

How unrealistic all this talk was became quite clear in 1914 when the workers of all countries, with a few exceptions, supported their own governments in the First World War. In most countries only a small minority of the Socialists continued to resist the war, to refuse to pay taxes, or to serve in the armed forces, or continued to agitate for social revolution rather than for victory. This minority, chiefly among the Germans and Russians, became the nucleus of the Third, or Communist, International which was formed under Russian leadership in 1919. The Left-wing minority who became the Communists refused to support the war efforts of their various countries, not because they were pacifists as the Socialists were but because they were anti-nationalist. They were not eager to stop the war as the Socialists were, but wished it to continue in the hope that it would destroy existing economic, social, and political life and provide an opportunity for the rise of revolutionary regimes. Moreover, they did not care who won the war, as the Socialists did, but were willing to see their own countries defeated if such a defeat would serve to bring a Communist regime to power. The leader of this radical group of violent dissident Socialists was a Russian conspirator, Vladimir Ilich Ulyanov, better known as Lenin (1870-1924). Although he expressed his point of view frequently and loudly during the war, it must be confessed that his support, even among extremely violent Socialists, was microscopic. Nevertheless, the fortunes of war served to bring this man to power in Russia in November 1917, as the leader of a Communist regime.