



JE KINDLE-NOTITIES VOOR:

Strictly Confidential: The Private Volker Fund Memos of Murray N. Rothbard (LvMI)

door Murray N. Rothbard, David Gordon, Brian Doherty

Gratis directe Kindle-preview: <https://a.co/hTz2eVA>

60 Highlights

Highlight (Geel) | Pagina 27

The principal feature of anarchist communism is that it attacks private property just as vigorously as it attacks the State. Capitalism is considered as much of a tyranny “in the economic realm” as the State is in the political realm. The left-wing anarchist hates capitalism and private property with perhaps even more fervor than does the socialist or Communist. Like the Marxists, the left-wing anarchist is convinced that the capitalists exploit and dominate the workers, and also that the landlords invariably are exploiting peasants.

Highlight (Geel) | Pagina 28

The economic views of the anarchists present them with a crucial dilemma, the pons asinorum of left-wing anarchy: how can capitalism and private property be abolished, while the State is abolished at the same time? The socialists proclaim the glory of the State and the use of the State to abolish private property—for them the dilemma does not exist. The orthodox Marxist Communist, who pays lip service to the ideal of left-wing anarchy, resolves the dilemma by use of the Hegelian dialectic: that mysterious process by which something is converted into its opposite. The Marxists would enlarge the State to the maximum and abolish capitalism, and then sit back confidently to wait upon the State’s “withering away.”

Highlight (Geel) | Pagina 28

The spurious logic of the dialectic is not open to the left-wing anarchists, who wish to abolish the State and capitalism simultaneously. The nearest those anarchists have come to resolving the problem has been to uphold syndicalism as the ideal. In syndicalism, each group of workers and peasants is supposed to own its means of production in common and plan for itself, while cooperating with other collectives and communes. Logical analysis of these schemes would readily show that the whole program is nonsense. Either of two things would occur: one central agency would plan for and direct the various subgroups, or the collectives themselves would be really autonomous. But the crucial question is whether these agencies would be empowered to use force to put their decisions into effect.

Highlight (Geel) | Pagina 28

All of the left-wing anarchists have agreed that force is necessary against recalcitrants. But then the first possibility means nothing more nor less than Communism, while the second leads to a real chaos of diverse and

clashing communisms, that would probably lead finally to some central Communism after a period of social war. Thus, left-wing anarchism must in practice signify either regular Communism or a true chaos of communistic syndics. In both cases, the actual result must be that the State is reestablished under another name. It is the tragic irony of left-wing anarchism that, despite the hopes of its supporters, it is not really anarchism at all. It is either Communism or chaos.

Highlight (Geel) | Pagina 28

It is no wonder therefore that the term “anarchism” has received a bad press. The leading anarchists, particularly in Europe, have always been of the left-wing variety, and today the anarchists are exclusively in the left-wing camp. Add to that the tradition of revolutionary violence stemming from European conditions, and it is little wonder that anarchism is discredited. Anarchism was politically very powerful in Spain, and during the Spanish Civil War, anarchists established communes and collectives wielding coercive authority. One of their first steps was to abolish the use of money on the pain of a death penalty. It is obvious that the supposed anarchist hatred of coercion had gone very much awry. The reason was the insoluble contradiction between the antistate and the anti-property tenets of left-wing anarchy.

Highlight (Geel) | Pagina 30

The individualist anarchists have contributed a great deal to libertarian thought. They have provided some of the best statements of individualism and anti-statism that have ever been penned. In the political sphere, the individualist anarchists were generally sound libertarians. They favored private property, extolled free competition, and battled all forms of governmental intervention. Politically, the Tucker anarchists had two principal defects: (1) they failed to advocate defense of private landholdings beyond what the owner used personally; (2) they relied too heavily on juries and failed to see the necessity for a body of constitutional libertarian law which the private courts would have to uphold.

Highlight (Geel) | Pagina 30

Contrasted to their minor political failings, however, they fell into grievous economic error. They believed that interest and profit were exploitative, due to an allegedly artificial restriction on the money supply. Let the State and its monetary regulations be removed, and free banking be established, they believed, and everyone would print as much money as he needed, and interest and profits would fall to zero.

Highlight (Geel) | Pagina 30

This hyperinflationist doctrine, acquired from the Frenchman Proudhon, is economic nonsense. We must remember, however, that “respectable” economics, then and now, has been permeated with inflationist errors, and very few economists have grasped the essentials of monetary phenomena. The inflationists simply take the more genteel inflationism of fashionable economics and courageously push it to its logical conclusion.

Highlight (Geel) | Pagina 31

The irony of this situation was that while the individualist anarchists laid great stress on their nonsensical banking theories, the political order that they advocated would have led to economic results directly contrary to

what they believed. They thought that free banking would lead to indefinite expansion of the money supply, whereas the truth is precisely the reverse: it would lead to “hard money” and absence of inflation. The economic fallacies of the Tuckerites, however, are of a completely different order than those of the collectivist anarchists. The errors of the collectivists led them to advocate virtual political communism, while the economic errors of the individualists still permitted them to advocate a nearly libertarian system. The superficial might easily confuse the two, because the individualists were led to attack “capitalists,” whom they felt were exploiting the workers through State restriction of the money supply. These “right-wing” anarchists did not take the foolish position that crime would disappear in the anarchist society. Yet they did tend to underestimate the crime problem and as a result never recognized the need for a fixed libertarian constitution. Without such a constitution, the private judicial process might become truly “anarchic” in the popular sense.

Highlight (Geel) | Pagina 31

Tolstoy’s program of nonviolence has influenced many alleged pacifists today, mainly through Gandhi, but the latter do not realize that there can be no genuinely complete pacifism unless the State and other defense agencies are eliminated. This type of anarchism, above all others, rests on an excessively idealistic view of human nature. It could only work in a community of saints.

Highlight (Geel) | Pagina 55

More important is Bramson’s positive critique and historical analysis of the development of modern sociology and its “conservative” antecedents in the first half of the nineteenth century. One of the most important neglected truths in the history of modern political theory is emphasized by Bramson: that modern left-wing and socialistic theories grew out of nineteenth-century conservatism, which adumbrated theories of holism, organicism, the “community,” the group as superior to the individual, statism against laissez-faire, a fixed, hierarchically ordered society, etc.

Highlight (Geel) | Pagina 56

This doctrine of conservatism originated as a reaction against the ideals of the Enlightenment and eighteenth-century liberalism and laissez-faire, which had brought to the world the ideas of liberty, industrial progress, separation of church and state, individualism, reason, equality before the law, etc. It was in reaction to this that the originators of conservatism such as Bonald, de Maistre, Hegel, etc., attacked classical-liberal and industrial society as being “atomistic,” as “disintegrating” the helpless individual, etc., and called for a “reintegration” of the individual in the group and the community, a reestablishment of organicism, the “whole man,” the State, hierarchical order, militarism, mystical irrationalism, etc.

Highlight (Geel) | Pagina 56

Bramson shows that the original “socialists” were directly derived from this reactionary wave: e.g., Comte and Saint-Simon, who both wished to restore stagnation, hierarchy, and status from the period from which the Enlightenment had dethroned them. Karl Marx was more of an eclectic, as Bramson shows. From the classical liberals, Marx took an at-least-proclaimed devotion to humanism, reason, industry, peace, and the eventual “withering away of the State”; from the conservatives, however, he took much more, including an idealization of

the feudal period, an opposition to individualism on behalf of favored classes and the whole collective society, a determinist belief in laws of history, and the charge that liberal division of labor and the free society “alienated” the laborer from his work, “atomized” the individual, etc.

Highlight (Geel) | Pagina 71

In this claim to be the inheritor of the Federalist Party interpretation of American history, Beard was correct. The Federalist view of the struggle over the Constitution was that it represented a class conflict between wealthy commercial capitalist creditors on the one hand and poor agrarian debtors on the other. This Federalist interpretation was carried on and applied throughout early-nineteenth-century American politics to the agitation over paper money, over stay laws for debts, over land policies, over the tariff, etc. It was carried on by Whig historians (National Republicans) such as Hildreth.

Highlight (Geel) | Pagina 71

The difference between the attitude taken by the Federalists and Whigs to these struggles, as against later twentieth-century socialists, was that the former favored the allegedly “capitalist” side, while the latter favored the allegedly “agrarian” or “anticapitalist” side. But despite the vast political differences, the economic and class interpretations of history were the same by both camps. Both the eighteenth- and nineteenth-century Federalists and Whigs, and the latter-day socialists believed that the poor debtor farmers were anti-tariff, pro-paper money, anti-Central Bank, anti-Constitution, etc.; while the rich capitalist creditors were pro-tariff, anti-paper money, pro-Central Bank, pro-Constitution.

Highlight (Geel) | Pagina 72

Baldly, his class-interest doctrine is sheer nonsense, both methodologically and for American history. There are no homogeneous classes on the market, only individual interests. Indeed, the alleged “classes” on the market are usually the ones in strongest competition with each other. There is no basic conflict of interest between the propertied and the nonpropertied; in the first place, they are not rigid “classes” on the free market; secondly, it is one of the great truths of economics that the nonpropertied as well as, if not even more than, the propertied benefit from the free market economy based on the defense of the rights of private property. On the free market, therefore, there are no clashing class interests.

Highlight (Geel) | Pagina 72

The class-conflict theorists, from Madison to Beard through Marx, use analysis appropriate only to the latter applied to the former. Where certain groups are specially privileged or specially disabled through the coercive power of the state, they become castes, and these castes are definitely in conflict. While on the free market, one man’s gain is another man’s gain, wherever government intervenes and establishes favored and unfavored castes, one man’s or one caste’s gain is another caste’s loss. Where government intervenes, there is inevitable “caste conflict.” Thus, if wool manufacturers ask for a tariff on wool and fail to get it from the State, they remain diverse individuals competing on the market; but if they do get it from the State, they become a privileged caste with a common interest against other castes.

Highlight (Geel) | Pagina 73

Here it should be pointed out that Professor Richard Hofstadter, a Beard disciple, has applied the class-struggle theories to Calhoun, making Calhoun to appear an ancestor of Marx. On the contrary, Calhoun in essence had the caste theory, although he used the term class. Calhoun defined the ruling caste as being the caste that receives more in government subsidy than it pays in taxes, while the ruled caste are the people who pay more in taxes than they receive from the government.

Highlight (Geel) | Pagina 73

Furthermore, it is nonsense to assert that men will always follow their immediate monetary interest, that all other ideals are pure sham. This is flagrant error. Rather than being motivated by objective monetary interest, in fact, man is motivated by all sorts of ideas, including ideas about his monetary advancement. But even there, the latter are not necessarily controlling. This notion of so-called purely “economic” motivation is not specifically Marxism, which concentrates more on the productive forces, but Marx himself made much use of this technique, which verges closely on polylogism. When abstract ideas are written off and reduced to their alleged “economic” motives, this is a Marxist polylogism, and something I am sure the Federalists never committed. A particularly flagrant use of polylogism by Beard is his dismissal of Bancroft’s religious view by calling it “his deference to the susceptibilities of the social class from which he sprung.”

Highlight (Geel) | Pagina 74

Beard’s specific class analysis was completely erroneous as well. Thus, as [Joseph] Dorfman and others have shown, in all of the early American controversies cited above, there were capitalists, merchants, manufacturers, farmers, etc. on both sides of each issue. It is obvious theoretically, and illustrated historically, that various “capitalists” will favor, as well as oppose, paper money in any given period. It is absurd to consider debtors as confined to poor, or to farmers. There were, even in those days, a great many wealthy debtors. Furthermore, it is impossible without minute investigation of a man’s financial record to say whether or not any given merchant was a “debtor” or “creditor” at any given time. The so-called “class lines” of this favorite class of the historians were almost ludicrously fluid.

Highlight (Geel) | Pagina 78

This thesis—which Mises would call a caste-conflict theory—and which anticipated its modern formulation by Albert Jay Nock, was developed by Charles Dunoyer and Charles Comte in the immediate Restoration period in France. This postulated two essential “classes” or castes: the State, and its subsidized favorites; and the public, who are exploited by the State.

Highlight (Geel) | Pagina 79

This was the original “class” analysis and exploitation analysis; the State, and its subsidizees, exploited the producing public. The producers included everyone on the free market, from manufacturers to laborers. Saint-Simon, Marx, etc. twisted this around to add the “capitalists” to the list of exploiters and to dub the “producers” as only the proletariat. The only remnant of Beardian hypothesis that has interest, therefore, is when he

concentrated, e.g., on the class (caste) interest of veteran army officers in federal government pensions or on the interests of government security holders. (Here the empirical importance of security holders has turned out to be negligible for the Constitution but at least the hypothesis was cogent. However, there appears to be much more foundation for government security-holder interest behind the Hamiltonian debt-assumption program—a much more direct causation, of course, than in considering the Constitution as a whole.) To do a completely thorough evaluation of the book would require detailed checking of the sources, detailed comparison and contrast of Main and McDonald, more reading on the Main-McDonald controversy, etc. But the whoppers are plentiful enough to say that this book is hopeless as any sort of significant grappling with the problem.

Highlight (Geel) | Pagina 191

The logic of North's position, which apparently he does not carry through, is basically protectionist; industry is weighted more highly than other goods, exports more highly than other industries, etc. North does pursue his logic, however, to proclaim his bias for egalitarianism. Unequal distribution of income he associates with a "plantation" economy, where the planters have the ill grace to spend their money on imported luxuries; this is contrasted to the noble, more egalitarian economy where more people develop home industry and home activities.

Highlight (Geel) | Pagina 192

In addition, North revives the hoary myth of "long cycles" of economic activity, which he thinks prevailed during this period and are comparable to the well-known, shorter, business cycle. Actually, there is no such "cycle"; if there are long swings in wholesale prices or in particular industries, this has nothing to do with the business cycle as we know it; the important point is that there is no such cycle in production or business activity, i.e., production does not fall for twenty or thirty years, etc. (The fact that rates of increase change is not the same thing, and is only a "cycle" produced by statistical refinement, not in the real world.) His explanation for these so-called long cycles is lengthy "periods of gestation" of investments; this is the erroneous Schumpeter explanation.

Highlight (Geel) | Pagina 227

The Keynesian theory (or model) highly oversimplifies the real world by dealing with a few large aggregates, lumping together the activity of all individuals in a nation. The basic concept used is aggregate national income, which is defined as equal to the money value of the national output of goods and services during a given time period. It is also equal to the aggregate of income received by individuals during the period (including undistributed corporate profits).

Highlight (Geel) | Pagina 227

Now, the fundamental equation of the Keynesian system is aggregate income = aggregate expenditures. The only way any individual can receive any money income is for some other individual to spend an equal sum. Conversely, every act of expenditure by an individual results in an equivalent money income for someone else. This is obviously, and always, true. Mr. Smith spends one dollar in Mr. Jones's grocery—this act results in one dollar of income for Mr. Jones. Mr. Smith receives his annual income as a result of an act of expenditure by the

XYZ Company; the XYZ Company receives its annual income as a result of expenditures made by all its customers, etc. In every case, expenditures, and only expenditures, can create money income. Aggregate expenditures are classified into two basic types: (1) final expenditure for goods and services that have been produced during the period equals consumption, and (2) expenditure on the means of production of these goods equals investment. Thus, money income is created by decisions to spend, consisting of consumption decisions and investment decisions.

Highlight (Geel) | Pagina 227

Saving, in the Keynesian system, is defined simply as not spending on consumption. A fundamental Keynesian tenet is that, for any particular level of aggregate income, there is a certain definite, predictable amount that will be consumed and a definite amount that will be saved. This relationship between aggregate income and consumption is considered to be stable, fixed by the habits of consumers. In the mathematical Keynesian jargon, aggregate consumption (and therefore aggregate savings) is a stable, passive function of income (the famous consumption function). For example, we shall use the consumption function: consumption = 90 percent of income. (This is a highly simplified function, but it serves to illustrate the basic principles of the Keynesian model.) In this case, the savings function would be savings = 10 percent of income.

Highlight (Geel) | Pagina 228

Consumption expenditures are, therefore, passively determined by the level of national income. Investment expenditures, however, are, according to the Keynesians, effected independently of the national income. At this stage, what determines investment is not important—the crucial point is that it is determined independently of the income level.

Highlight (Geel) | Pagina 228

We have left out two factors that also determine the level of expenditures. If exports are greater than imports, the total amount of expenditures in a country is increased, hence national income increases. Also, a government budget deficit increases aggregate expenditures and income (provided that other types of expenditure can be assumed to be constant). Setting aside the foreign trade problem, it is obvious that government deficits or surpluses are, like investment, decided independently of the level of national income.

Highlight (Geel) | Pagina 228

Now, by simple arithmetic, income equals ten times independent expenditures. For every increase in independent expenditures, there will be a ten-fold increase in income. Similarly, a decrease in independent expenditures will lead to a ten-fold drop in income. This “multiplier” effect on income will be achieved by any type of independent expenditure—whether private investment or government deficit. Thus, in the Keynesian model, government deficits and private investment have the same economic effect.

Highlight (Geel) | Pagina 229

It is important to notice that equilibrium was reached in both cases when aggregate investment = aggregate saving. The above equilibrium process can be described in terms of saving and investment: When investment is

greater than saving, the economy expands and national income rises until aggregate saving equals aggregate investment. Similarly, the economy contracts if investment is less than saving, until they are again equal.

Highlight (Geel) | Pagina 230

Note that two very important things must remain constant in order that equilibrium be reached. The consumption function (and therefore the savings function) is assumed to be constant throughout while the level of investment is constant at least until equilibrium is reached. The question now arises: what is so important about aggregate money income that it should be the continual focus of attention? Before this question can be answered, it is necessary to make certain assumptions.

Highlight (Geel) | Pagina 230

Assume that the following things be considered as given (or constant): the existing state of all techniques, the existing efficiency, quantity, and distribution of all labor, the existing quantity and quality of all equipment, the existing distribution of national income, the existing structure of relative prices, the existing money wage rates(!), and the existing structure of consumer tastes, natural resources, and economic and political institutions. Then, given these assumptions, for every level of national money income, there corresponds a unique, definite volume of employment. The higher the national income, the greater will be the volume of employment, until a state of "full employment" is reached. (We can define full employment as simply a very low level of unemployment.) After the full-employment level is reached, a higher money income will represent only a rise in prices, with no rise in physical output (real income) and employment.

Highlight (Geel) | Pagina 230

Summing up the above model, known as the Keynesian theory of underemployment equilibrium: To each level of national income there corresponds a unique level of employment. There is, therefore, a certain level of income to which corresponds a state of full employment, without a great rise in prices. An income below this "full-employment" income will signify large-scale unemployment; an income above will mean large price inflation. The

Highlight (Geel) | Pagina 232

But aggregates are meaningful only in the world of arithmetic, not in the real world. Business firms may receive in the aggregate just what they had expected; but this does not mean that any single firm is necessarily in an equilibrium position. Business firms do not make earnings in the aggregate. Some firms may be making windfall profits, while others may be making unexpected losses. Regardless of the fact that, in the aggregate, these profits and losses may cancel each other, each firm will have to make its own adjustments to its own particular experience. This adjustment will vary widely from firm to firm and industry to industry. In this situation, the level of investment cannot remain at 10, and the consumption function will not remain fixed, so that the level of income must change. Nothing in the Keynesian system, however, can tell us how far or in what direction any of these variables will move.

Highlight (Geel) | Pagina 232

Similarly, in the Keynesian theory of the adjustment process toward the level of equilibrium, if aggregate investment is greater than aggregate saving, the economy is supposed to expand toward the level of income where aggregate saving equals aggregate investment. In the very process of expansion, however, the consumption (and savings) function cannot remain constant. Windfall profits will be distributed unevenly (and in an unknown fashion) among the numerous business firms, thus leading to varying types of adjustments. These adjustments may lead to an unknown increase in the volume of investment. Also, under the impetus of expansion, new firms will enter the economic system, thus changing the level of investment.

Highlight (Geel) | Pagina 232

In addition, as income expands, the distribution of income among individuals in the economic system necessarily changes. It is an important fact, usually overlooked, that the Keynesian assumption of a rigid consumption function assumes a given distribution of income. Therefore, the change in the distribution of income will cause change of unknown direction and magnitude in the consumption function. Furthermore, the undoubted emergence of capital gains will change the consumption function. Thus, since the basic Keynesian determinants of income—the consumption function and the level of investment—cannot remain constant, they cannot determine any equilibrium level of income, even approximately. There is no point toward which income will move or at which it will tend to remain. All we can say is that there will be a complex movement in the variables of an unknown direction and degree.

Highlight (Geel) | Pagina 233

This failure of the Keynesian model is a direct result of misleading aggregative concepts. Consumption is not just a function of income; it depends, in a complex fashion, on the level of past income, expected future income, the phase of the business cycle, the length of the time period under discussion, on prices of commodities, on capital gains or losses, and on the cash balances of consumers. Furthermore, the breakdown of the economic system into a few aggregates assumes that these aggregates are independent of each other, that they are determined independently and can change independently. This overlooks the great amount of interdependence and interaction among the aggregates. Thus, saving is not independent of investment; most of it, particularly business saving, is made in anticipation of future investment. Therefore, a change in the prospects for profitable investment will have a great influence on the savings function, and hence on the consumption function. Similarly, investment is influenced by the level of income, by the expected course of future income, by anticipated consumption, and by the flow of savings. For example, a fall in savings will mean a cut in the funds available for investment, thus restricting investment.

Highlight (Geel) | Pagina 235

Keynesians, particularly those who are rabid partisans of the “liberal-labor movement,” attempt to refute this solution by contending that cuts in money wage rates would not lead to a reduction of unemployment. They claim that wage incomes would be reduced, thereby reducing consumer demand, and lowering prices, leaving real wage rates at their previous level. This argument rests on a confusion between wage rates and wage incomes. A reduction in money wage rates, particularly in industries where wage rates have been most rigid, will

lead immediately to an increase in hours worked and the number of men employed. (Of course, the amount of the increase will vary from industry to industry.) In this way, the total payroll is increased, thus increasing wage incomes and consumer demand. A fall in money wage rates will have an especially favorable employment effect in the construction and capital-goods industries. It is just these industries that now have the strongest unions.

Highlight (Geel) | Pagina 236

Furthermore, if wage incomes are reduced, then the incomes of entrepreneurs and others will be increased and total "purchasing power" in the community will not decline.

Highlight (Geel) | Pagina 282

One of the most important supporters of the compulsory cartelization idea was Bernard M. Baruch, Wall Street financier and perennial "elder statesman." As early as 1925, Baruch, inspired by his experience as chief economic mobilizer in World War I, had conceived of a great economy of trusts, regulated and run by a federal commission. In the spring of 1930, Baruch proposed to the Boston Chamber of Commerce a "Supreme Court of Industry."⁵⁷ It might also be pointed out that Swope's younger brother, Herbert Bayard Swope, was Baruch's closest confidant. Herbert Hoover had been leaning in this direction ever since his stint as secretary of commerce in the 1920s, and liked to pepper his speeches with vague but disquieting talk about interindustry "cooperation" and "elimination of waste." To his eternal credit, however, Hoover was horrified at this scheme, and, despite the concerted business pressure upon him, turned it down cold. In a note, sending the Swope Plan to his attorney general for comment, and published much later in his memoirs, Hoover wrote about the plan:

Highlight (Geel) | Pagina 283

And the pressures on Hoover were severe indeed. Hoover relates that Henry I. Harriman warned him that if he persisted in opposing the Swope Plan, the business world would support Franklin D. Roosevelt for president, because Roosevelt had agreed to adopt the plan! (And adopt it he did!) Truly, Virgil Jordan, economist for the National Industrial Conference Board, was right when he wrote at the time (with approval) that the world of business was ready for an "economic Mussolini"—and they could hardly have picked a better candidate than FDR.

Highlight (Geel) | Pagina 284

When the New Deal arrived, Gerard Swope was called the only industrialist among the FDR brain trusters. Swope helped write the final draft of the National Industrial Recovery Act, and then stayed in Washington to help run the NRA. As a member of the industrial advisory board of the NRA, Swope took part in a famous joint meeting of the industrial and labor advisory boards in June 1933, which hammered out an agreement, setting a minimum wage and a maximum work week for all of industry. Swope was also one of the three industry representatives on the early National Labor Board.

Highlight (Geel) | Pagina 284

In the meanwhile, Henry I. Harriman turned up as a leader in the agricultural brain trust that put over the AAA and also helped write the NRA. Chosen head of the NRA was General Hugh S. Johnson, a friend of Swope's and

an old disciple of Bernard Baruch. When Johnson was removed from his post, Baruch himself was offered the job of head of the NRA, but turned it down. And Johnson's old colleague George Peek, another Baruch disciple, was named head of the AAA. Baruch, it might be pointed out, paid part of Johnson's salary while the latter was in office.

Highlight (Geel) | Pagina 284

With the draft of the NRA still in the works, President Roosevelt hinted on April 12 about a forthcoming plan to secure "the regulation of production, or, to put it better, the prevention of foolish overproduction." When the U.S. Chamber of Commerce met in Washington in early May, FDR called on business to work with government "to prevent over-production, to prevent unfair wages, to eliminate improper working conditions." The businessmen were highly enthusiastic; twenty-seven out of the forty-nine speakers urged more government direction of industry. Paul W. Litchfield of Goodyear Tire and Rubber said, "we must make substantial concessions to what we have in the past classified as the more radical school of thought." In his second fireside chat, on May 7, FDR heralded a "partnership in planning" between government and business. When the NRA bill passed on June 13, FDR said that the bill "is a challenge to industry which has long insisted that, given the right to act in unison, it could do much for the general good which has hitherto been unlawful. From today it has that right." General Johnson assured industry that he was not planning to control them; "It is industrial self-government that I am interested in. The function of this act is not to run out and control an industry, but for that industry to come to this table and offer its ideas as to what it thinks should be done."

Highlight (Geel) | Pagina 286

The code authorities, in each industry, were fully bossed by industry. They represented the trade association and had no labor or public members. The NRA delegated its powers over prices and production to these trade associations.

Highlight (Geel) | Pagina 286

By the fall and winter of 1933 disillusion with the NRA was beginning to set in. William Randolph Hearst called it "absolute state socialism," and Walter Lippmann denounced its "bureaucratic control" and "excessive centralization." There were widespread evasions of the codes and breakdowns of the code system. Yet, business, generally, was simply angry at the pro-labor union codes and wanted the cartelizing turned over completely from government to organized business—but with government, of course, to provide the enforcing arm. By November, Gerard Swope now proposed that the NRA be replaced by a National Chamber of Commerce and Industry, headed by the U.S. Chamber of Commerce, which would replace the NRA as the superorganizer and overseer of trade associations.

Highlight (Geel) | Pagina 304

The proper reaction to this would have been to point out (a) that government expenditure is not properly "investment" at all, (b) that it is misallocation of funds that consumers and savers would have spent elsewhere, (c) that investment is only investment if it leads to its proper goal: consumption goods. Since the forced saving of socialist countries leads only to glorification of the rulers via what Clark well terms "conspicuous production"

or “conspicuous investment,” this is not really investment at all; and (d) that government investment is misallocation because investment (as Lachmann pointed out in his *Capital and Its Structure*) is not a mere aggregate quantity, but a subtle, interrelated, fitted network of finely meshed parts. In a free market, governed by the price system, we can take, as a shorthand, the total quantity of investment, because the market sees to it that the various parts are finely meshed and harmonized. But when government “invests,” there is no such mechanism to insure harmony, and the result is gigantic malinvestments, and failure of the parts to mesh. In

Highlight (Geel) | Pagina 346

“Capitalist encirclement” it saw as a reality, not a slogan; this was confirmed by the failure of the United States to recognize the existence of the Soviet Union for sixteen years, until 1933; and then by the evident desire on the part of many Westerners to encourage Hitler to have a go at conquest of the Soviet Union. The “strategic defensive” was, then, not adopted for some sort of diabolic reason, or to “lull the West,” or any similar “outer space” motivation; it was adopted simply and candidly because the Soviet Union was afraid of Western invasion, and its main and perfectly logical objective was—and always shall be—“defense of the socialist fatherland.”

Highlight (Geel) | Pagina 347

Indeed, insofar as Stalin was able to influence the Communist parties abroad (and they were never the absolute monolith conceived of by Frank Meyer and the Sunday supplements), his influence—before, during, and after World War II—was always in the direction of moderation, of abstaining from violent revolutionary change. And this critical fact is one of the basic reasons for the current worldwide split in the Communist movement; ever since Stalin’s ouster of Trotsky, the “left wing” of the Communist movement has been accusing Stalin and the Soviet leadership of “betraying” the world revolution, of inducing Communist parties to collaborate with the “class enemy.”

Highlight (Geel) | Pagina 348

The position of the Soviet Union has always, since 1917 and since Brest-Litovsk, been defensive; the position of the various Communist parties has always been “offensive” in the sense that they, like any other party, try to advance to power as best they can.

Highlight (Geel) | Pagina 348

But there is nothing diabolic or mysterious about the process or the dichotomy. As a matter of fact, as we have indicated above, the influence of the Soviet Union on the various Communist parties has always been a moderating one. This was particularly true during and after World War II. So impressed was Stalin with the friendship of FDR, and so impressed was he with the need to maintain the “Grand Alliance” with the West, that Stalin went to great lengths to try to induce the various Communist parties throughout the world not to revolt and not to seize power where they were able. We must remember the conditions that obtained in Europe and Asia during and immediately after World War II. The so-called Soviet “expansion” into Eastern Europe occurred as the inevitable and natural consequence of the rollback of the German armies. Russia could only defeat Germany by occupying Eastern Europe and part of Germany; most of Eastern Europe was not only

occupied by Germany but had had governments allied with Hitler in the attack on Russia. But in addition, as the German armies fell back from occupied Europe, and the Japanese armies fell back from China and Southeast Asia, a natural power vacuum remained in these countries. This vacuum naturally tended to be filled by the guerrilla armies that had been rebelling against Nazi or Japanese occupation. Now, in those countries where guerrilla armies existed, the guerrillas were invariably led by Communists. This was not the result of some sort of diabolic Communist plot; it was the simple result of the fact that it was generally only the Communists who were anti-Nazi enough, and determined enough, to form guerrilla rebel bands. In Asia, the Chinese Communists profited enough by the Japanese defeat to move forward to eventual conquest of China. Ho Chi Minh had occupied all of Indochina immediately after the Japanese defeat. In Europe, Communist guerrilla armies were in a position to take over the following countries: Greece, France, Belgium, Italy, Yugoslavia, and Albania.

Highlight (Geel) | Pagina 349

Yugoslavia and Albania were taken over by Communist guerrilla troops. But in the other countries, Stalin “sold out” the Communist movement; in the interests of what was later to be called “peaceful coexistence,” in the interests of preserving the Big Three alliance for lasting peace, Stalin induced the Communist parties and guerilla bands of France and Italy to refrain from seizing power and to join coalition governments; in Greece, where the Communist guerillas (with strong “left” tendencies) refused to do likewise, Stalin consented to the British reinvasion of Greece and the imposition of a conservative government. (The Greek Communists were able to continue the struggle against the imposed Anglo-American counterrevolutionary government, because the independent Marshal Tito continued, despite Stalin, to supply the Greek Communist troops.) And in Indochina, Stalin consented to the reinvasion of the country by French imperialism, which beat back Ho Chi Minh. In China, Stalin tried many times to induce the Chinese Communists to enter coalition government with Chiang, but the angry Chinese Reds refused and went on to victory.

Highlight (Geel) | Pagina 349

It is this record of what many dedicated Communists considered to be Stalin’s base betrayal of the world Communist movement that has set the indispensable background for the Soviet-Chinese split of today. Stalin, therefore, began the conscious policy of “betraying” the interests of the world class struggle on behalf of a policy of what was later termed “peaceful coexistence” with the capitalist West.

Highlight (Geel) | Pagina 350

After the death of FDR, the West began immediately an intensified and aggressive pressure against the Soviet Union, particularly attempting to roll back Soviet and Communist power out of Eastern Europe. This aggressive pressure, launched by Churchill, Truman, Byrnes, Vandenberg, et al., refused to be satisfied with either the Yalta concept of coalition governments in the occupied countries, or with the several free elections that the Russians permitted in Eastern Europe (e.g., in Hungary, in 1944–1945 and 1947). Inexorably from 1945–1947, the United States launched the policy of an American empire. Military bases were constructed circling the Soviet Union, continual pressure was placed for a rollback in Eastern Europe, the German four-power occupation agreement was cut and the West German state established, and the United States assumed the old British role in Greece and Turkey. By 1948, Stalin, in despair of ending the Cold War that had been launched by the West, ended the coalition policy in Eastern Europe, and fastened complete Communist governments on the countries of Eastern

Europe. The Soviet policy can only be considered defensive, and the Russian troop withdrawal, in the postwar era, from Iran, from Austria, from Finland, and from Manchuria, can only be considered as part of this defensive policy. Another new condition faced by the Soviet Union after the war was the expansion of the Communist community as a result of the successful revolution in China, as well as the new wave of “national liberation” movements against Western imperialism in the underdeveloped countries of Asia and Africa. The American policy of “containment” was not a defensive policy, as it may superficially seem to be. In the first place, this policy extends the American commitment from its own borders to the borders of all non-Communist nations, which constitutes, as Garett Garrett pointed out, the shift from “Republic to Empire.” Secondly, the containment program was not only directed against any prospects of Soviet military aggression; it was and is directed also against internal, domestic Communist movements in every country. The fallacy here is common to Frank Meyer and many other writers: the melding together, as if they were one and the same band on the same plane, of Russian military movements and actions, and internal Communist growth or uprisings within other countries. Yet here is precisely the difference between a policy of peace in the nineteenth-century tradition, and a policy of imperialism. The American commitment, therefore, not only by Communist standards but also by any standards of nineteenth-century international law, is one of an imperialist propping up of unpopular dictatorial governments throughout the world, even in defiance of the will of the indigenous population.

Highlight (Geel) | Pagina 352

Hence, the aggressiveness of American-imperialist actions in Greece, in Vietnam, in Laos. Hence the aggressiveness of the frankly CIA-directed coup against Mossadegh in Iran, and the CIA-directed coup against a democratically elected pro-Communist government in Guatemala. It was the Guatemalan coup that also helped to precipitate the Kremlin-Chinese-Albanian split; for the official Communists, moderate as always, had insisted that, in Guatemala, as in other underdeveloped countries, the first aim of the Communists should be to form a “national liberation front” with the “national bourgeoisie,” in the fight against imperialism. The Left Communists came to the conclusion that more radical measures were necessary: viz., in dictatorial countries, immediate guerrilla uprisings based on the peasantry—thus skipping over the bourgeois-worker stages of orthodox Marxism. It is this Maoist-Trotskyite tradition of Left Communism that gave rise to Fidel Castro, and now in young Communist circles throughout the underdeveloped world, radical Maoist-Castroite groups are chafing bitterly against the Kremlin restraint. The fact that Khrushchev is attacking the “Stalinists” should not be permitted to obscure the fact that Stalin’s policy was also one of moderation and peaceful coexistence, although he had not refined it to the extent of Khrushchev.

Highlight (Geel) | Pagina 352

In the conditions of the postwar world, then, the Kremlin redoubled its older policy of defense and of peaceful coexistence with the West. Stalin made many retreats before the aggressive blows against his World War II-born position in Eastern Europe, but, finally, after the Cold War was fully under way, he could only consolidate his position in Eastern Europe, in the meantime launching a plea for peace, as embodied in the Stockholm Peace Appeal. Postwar conditions also saw an anti-imperialist movement (partly Communist, largely nationalist) in many underdeveloped countries, and here fissures developed, with the Kremlin still trying to exercise a restraining influence on the left-Maoist-Trotskyite-Castroite forces.

Highlight (Geel) | Pagina 363

Furthermore, as we shall see documented below, the Communists do not, contrary to Meyer, believe in “all-out support for wars of national liberation.” They believe only in moral support; they believe, as part of the theory of peaceful coexistence, in withholding material support for revolutionary wars of national liberation, provided that the United States and other Western powers also refrain from material support for counterrevolution against national liberation. This is certainly a fair position. Meyer, then, is totally wrong in calling “wars of national liberation” “aggressive local wars against the West.” They are revolutions against imperialist or imperialist-dominated governments. Meyer also falsifies the other

Highlight (Geel) | Pagina 365

In short, the Albanians-Chinese do not reject the concept of peaceful coexistence altogether; but they consider it as a mere tactic only, and not a genuine “main line” of foreign policy. The attack on this view is the nub of the Soviet-Khrushchevite difference with the Chinese-Albanians.

Highlight (Geel) | Pagina 373

In an interview with the New York Times (September 7, 1961), Khrushchev further explained his foreign policy position: no country may fight even a war of liberation for another country, that country must fight its own war. The concept of peaceful coexistence, Khrushchev added, meant not just the absence of war, but also the rejection by all states of military intervention in each other’s affairs, even when the social and economic systems of these states have antagonistic differences. Each state should respect and recognize each other’s sovereignty and pursue friendly trade and cultural relations. The export of both revolution and counterrevolution were opposed by Khrushchev.
