

Can American Capitalism Be "Organized"?

A Review of Lyon's "Hand to Mouth Buying."

By Jay Lovestone

FOR years high-priced economic experts have been advertising the notion that in the United States capitalist production and exchange have reached a state of happy "equilibrium". As a result, these bourgeois economists say the United States has entered upon a "new era", an era in which there would be no more business "cycles", no more depressions, and in which, therefore, all poverty would soon be "abolished" (Hoover, Carver, etc.) !

One of the main props of these "theories" was the much-hailed system of *hand-to-mouth buying*, i. e., "placing no orders ahead, buying in small lots, buying only for immediate requirements." For instance, one hears much talk, nowadays, that there can be no serious depression in the country because, as a result of hand-to-mouth buying, inventories have been kept down.

Of course the crash on the Stock Market has wrecked many of the "new era" philosophies as well as the fortunes of some of these philosophers. But there is still much talk about the capacity of capitalism in America or elsewhere to organize a completely planned economy.

It is in this light that Lyon's book* is especially timely today. It is a valuable contribution to the study of the basic problems of capitalist economy, to the study of one of the recent significant structural changes in American capitalism. This book deals concretely with an important phase of the problems of capitalist rationalization and "stabilization." The main findings of Mr. Lyon are based on a thoro investigation of the actual conditions and trends in such industries as steel, textile, shoe, canning, oak-flooring, etc., over a representative number of years.

Not a New "Panacea"

Most people believe that hand-to-mouth buying began as a result of the post-war "boom" collapse in 1920-21. This is only partly true. Hand-to-mouth buying was much in evidence immediately after the Civil War as a result of the economic readjustments, improved transportation, doing away with the necessity of stocking-up commodities, etc. This was then especially true for the dry-goods and shoe industries; nor is hand-to-mouth buying only a post-war development in the iron and steel industry.

Here we have a case where a quantitative change becomes a qualitative one. After the War, the practice of hand-to-mouth buying became so much more extensive that it really constituted structural changes in post-war capitalist economy.

The Effects of Hand-To-Mouth Buying.

The author raises the basic question: "Does hand-to-mouth buying stabilize production?" He does not give a decisive answer, affirmatively or negatively, in regard to its effect on capitalist production and exchange as a whole, but he does speak of some effects of hand-to-mouth buying "to release for other purposes, capital invested in supplies and inventories, to make American industry less speculative and more nearly a matter of planning and control".

This conclusion of Mr. Lyon is untenable. It is false. The very lack of substantial advance orders tends to make planned production more difficult and can only add hesitation and in-

stability to capitalist industry. Mr. Lyon himself has shown that, for instance, in the knit-underwear industry, production is much less stable during periods of hand-to-mouth buying than during periods of substantial advance orders. The general conclusion of Mr. Lyon does not chime with another statement of his to the effect that "hand-to-mouth buying has affected stability of production differently in different cases".

Futhermore, *the system of hand-to-mouth buying only adds to the general wastefulness of capitalism*. It has been estimated that about \$10,000,000,000 is wasted every year in marketing commodities in the United States. Hand-to-mouth buying means an increase in the proportion of smaller orders and a consequent increase in the cost of the selling and marketing per order.

It is a fact that in the last two years, the volume of American production has increased at least 15%. Yet, commodity inventories in the hands of corporations and warehouses have not only not increased proportionately, but, with the exception of such industries as the automobile and radio, have even declined. What has happened? To the superficial observer, this would mean that hand-to-mouth buying has thus served to stabilize American capitalist production. Nothing of the sort is the case. Hand-to-mouth buying, like the rest of the rationalization schemes, has only made American capitalist production more unstable, has only sharpened and has not solved its inherent contradictions.

Because of the wide-spread installment buying—at least \$6,000,000,000 every year—"the inventory of merchandise is held by the public rather than by corporations". In reality, we see that hand-to-mouth buying, and its counterpart, installment buying, do not do away with heavy inventories but only tend to hide them by taking them out of warehouses and placing them in the hands of the installment buyers who have paid for them only in part. It is clear that a prolonged period of severe unemployment will undermine the whole installment system. In this way installment buying which only yesterday was one of the buttresses of capitalist "prosperity" and "stability", becomes in time of economic crisis, a powerful factor for deepening and sharpening the inherent instability, chaos, and anarchy of capitalist production by rocking the whole credit system, by helping to paralyze production and consumption.

The Problem of Planned Economy.

To an extent Mr. Lyon vaguely sees this. But he fails to arrive at a proper conclusion, when he says:

"The most dramatic conflict in American economic ideas is the struggle between our engineering and our private enterprise attitude.... The two issues do not harmonize overly well. Effective 'planning' in the grand manner appears to involve planning by some for the many. If America is ever ready for the great economic strategy, for the supremacy of the engineered society, she will have modified greatly her faith in individual enterprise and consumer freedom. In the meantime America embodies both faiths in a marked degree. Russia is the only modern country in which there is, as some see it, vision and imagination, or as others see it, the blindness and despotism, to undertake the planning of national economy."

We do not deny that capitalism has been making desperate efforts, thru rationalization, to organize a generally planned economy. A special indication of this is the recent Hoover Busi-

ness Conference. We do not deny that in some industries certain elements of planning have been introduced. But *even this introduction of limited planning has not stabilized production*. On the contrary, it has actually tended only to sharpen the basic contradictions of American capitalist economy as a whole. What we do deny is that genuine planned economy, as we have in the Soviet Union today, making great strides under the Five Year Plan, is possible under or even compatible with capitalism. Of course, the kulak and Nepman in the Soviet Union, and their prototypes and defenders in the United States cannot but consider such genuine planned economy as "despotism", since it systematically and steadily wipes out all exploitation and exploiters.

The "Engineered Society" is a meaningless term in any other light. Or else, as it is used especially by the American capitalists, it is only a means of exploiting the workers most intensely, or enslaving the workers effectively.

Lenin some time ago estimated the whole problem dialectically, scientifically, when he said:

"Present economic conditions have caused the disappearance of planless capitalism. Up to the war there were monopolies, trusts, syndicates; since the war we have had state monopoly. Universal labor service is something new, something that constitutes part of a Socialist whole,—this is often overlooked by those who fear to face present economic conditions frankly."

"The central point of the first part of the resolution is an analysis of conditions of capitalist economy thruout the world. It is noteworthy that 27 years ago Engels pointed out that to characterize capitalism as something distinguished by its planlessness, means to overlook the role played by trusts, and is unsatisfactory. Engels' criticism was that 'when we come to the trust, then planlessness disappears', tho there is capitalism. This remark of Engels is particularly appropriate now, when we have a military state, when we have state-monopoly capitalism. The introduction of planning into industry keeps the workers enslaved none the less, tho it enables the capitalists to gather in their profits in a more planful way. We now witness the metamorphosis of capitalism into a higher, a regulated form of capitalism."

How Capitalism Is Being Undermined.

And recent developments, particularly since the collapse of the Stock Market, have borne out the correctness of the estimate which we have time and again made of *the very higher technique of American capitalism itself undermining its existence*.

In fact, in the last decade, in which there has been so much talk of capitalist "equilibrium", we have had such severely violent upsettings of capitalist "stability" and resulting disruptions of economy as in 1921, 1924, 1927, 1929-30. Today, in a large measure, because of the very advance of rationalization itself, capitalist economy is fundamentally less stable than before the War. This explains why many capitalist economists consider 1925, 1926, and part of 1927 as "Back to Normalcy" years—that is years approaching "stability"—years which are now arbitrarily and without foundation considered by them as "normal" and "stable".

A study of Lyon's *Hand-to-Mouth Buying* affords much valuable proof of the fact that no such thing like *genuine order is possible in capitalist economy, even in the strongest and richest capitalist country*. Indeed, *the very structural changes in American capitalist economy have only served to sharpen its inherent contradictions*—for instance, between overproduction and underconsumption. Herein lies the basic cause of the present economic crisis in the country. All the factors which are supposed to have brought prosperity a

A Great Demonstration!

ELIZABETH GURLEY FLYNN GETS GREAT OVATION AT WEEKLY REVOLUTIONARY AGE BANQUET.

FIVE hundred workers, including many Party members and sympathizers, crowded the hall at the New Harlem Casino, Saturday evening, February 1, at the great banquet for the *Weekly Revolutionary Age* arranged by the New York organization of the C.P-Majority Group. The hall presented a striking appearance with the red banners, revolutionary decorations, slogans and pictures. It was an occasion that few who were present are likely to forget!

The militant workers of New York showed their determined support of the struggle of the CP-Majority Group. There were delegations present from among the striking furniture workers, the striking shoe workers, from the needle trades workers, from the Harlem Tenants League and a number of other working class organizations of various kinds. Cheer after cheer rent the air as the speakers greeted the growing strength of the movement represented by *Revolutionary Age*.

Elizabeth Gurley Flynn, whose name is identified with some of the best traditions of militant class struggle on the part of the American working class, was received with a tremendous ovation. Eli Keller, former secretary of the National Textile Workers Union, N. Nelson, of the Needle Trades Workers Industrial Union, William Battles, President and A. Elizabeth Hendrickson, Executive Secretary of the Harlem Tenants League, M. Perlov, leader of the striking furniture workers, S. Jonas, vice-president of the Independent Shoe Workers Union, Bertram D. Wolfe, Ben Gitlow, J. O. Bentall, Eddie Marshall (of the YCL-Majority Group), and finally Jay Lovestone were among the speakers. Harry Winitzky was a chairman worthy of the occasion. The speakers' program was interrupted for a few moments by a rising tribute to the memory of Steve Katovis.

The entertainment at the banquet included revolutionary ballads by Louis Cibulsky, Negro work songs by Flourney and Clark, selections from Schumann and from Tosca by Janet Kean, and a violin solo by Sarah Nemser. The banquet was concluded with the singing of the International.

For a week previously the Party burocrats had schemed and planned on how to break up this banquet. They organized "strong arm" squads, and mobilized all elements who would consent to be used for such shameful work. But at the last minute, realizing the strong mass support behind our banquet both in the Party and among the militant workers and having seen the strong defence our comrades had prepared against any sort of hooliganism, the Party burocrats "changed their mind a little." A few "scouts" under the leadership of Bydarian and Harfield hung around the hall for some time and then beat a hasty retreat to the "Cooperative" Restaurant.

The spirit of the banquet, the tremendous enthusiasm for the *Weekly Revolutionary Age*, was shown in the collection which netted a large sum in cash, including donations by comrades still in the Party. The Harlem Section group, in addition to a substantial donation, presented a splendid banner.

The whole banquet—the largest gathering arranged by the New York CP-Majority Group—is a splendid political demonstration of the headway our struggle has made among the ranks of the militant workers inside and outside the Party.

year ago remain, and yet we have a very severe economic depression in the country.

Genuine Planned Economy In the Soviet Union

The more the capitalists in the United States and in every other capitalist country strive for order in their economy based on the exploitation of the working class by the owning class, the more they are widening the chasm of chaos towards which their system is heading. It is only in a country where capitalist exploitation has been abolished and where the workers have set up their own government that effective steps can be taken towards genuine planned economy, free from panics and crises, and towards completely socialized economy operating solely in the interest of the great mass of the population—the working and farming masses. The Soviet Union is an inspiring, living proof of this great truth taught us by Marx and Lenin.

*HAND-TO-MOUTH BUYING by Leverett S. Lyon. Institute of Economics of the Brookings Institute. 1929.