

The Wall Street Crash and the Class Struggle

By EARL BROWDER

THE Wall Street crash, wiping out 43 per cent of all stock "values" of American corporations, was caused by a shaking in the economic foundations. In its turn it has deepened the cracks in the foundation, and brought the entire capitalist system face to face with crisis, developing at a speed hitherto never witnessed. It is the first outstanding evidence of the beginning of a cyclical crisis of capitalism which, in the conditions of the third period, will become one of the most momentous economic cataclysms in the history of capitalism.

Such judgment of the Wall Street events is, of course, strenuously denied by all capitalist spokesmen and their lackeys. The eminent Mr. Hoover issues optimistic statements about the "basic strength and soundness" of capitalist economy. The press and the talking pictures compete with one another as to which can put forth the most optimistic assurances. The Rev. Norman Thomas parrots the capitalist propaganda about the "psychological causes" which have no relation to economic realities. And last, but not least in significance, the renegade from communism, Lovestone, joins in the capitalist chorus. The following gems from the second issue of (Counter)-"Revolutionary Age," shows Lovestone's complete solidarity with Hoover, Thomas & Co.:

"The panic in Wall Street did *not* come as a result of the decline of American capitalist economy. *It came as a result of the very strength of American capitalist economy magnifying and sharpening the contradictions of world capitalism...* Nowadays the Stock Exchange is no longer an accurate or a sensitive barometer of the state of the capitalist productive economy." (Lovestone's emphasis).

Of course, no literate bourgeois economist would be guilty of such vulgarization as Lovestone, but his crudely expressed ideas are essentially the same as their more skillful propaganda. None of them are to be found declaring, as Lovestone does, that the sickness of the Stock Exchange, which the *New York Times* describes as "suffering from high fever and delirium and convulsions," as being in itself evidence of "the very strength" of American cap-

italism. Lovestone now sets himself to outdo the official apologists and direct paid-agents of the bourgeoisie.

WHAT CAUSED THE SMASH?

Most of the capitalist spokesmen carefully avoid saying anything about the causes of the crash. They confine themselves to vague generalizations about the evils of "speculative excesses," which bring about "reaction." But Mr. Lovestone rushes in where his elders in the game fear to tread,—giving "the basic cause of the panic." And what is this basic cause, according to Lovestone? It is precisely "the superabundance of capital in the country." This "superabundance" of capital caused "the most serious dislocation" between the stock market and the strong, healthy, growing "fundamental conditions of the capitalist productive economy," creating a sickness in the stock market which had no relation to the underlying economic conditions.

Contrast this disgusting bootlicking of capitalism by Lovestone, with the words of those capitalists and their serious economists who are speaking among themselves and not to the "public." Facing their own gigantic problems, these capitalists are forced to frankly abandon the tommy-rot which is spread in the daily press and which Lovestone repeats in an exaggerated — even caricatured — form; they are forced by the necessity of meeting their problems, to speak quite differently in their own serious economic journals. Thus, *The Annalist*, one of the most authoritative financial journals, says:

"Most of the traditional forecasters of future business conditions are decidedly unfavorable to any immediate termination of the current decline." . . . The decline "came into view before the stock market break of October."

Another example of plain-spoken admission of the downward course of American economy is that of Mr. Ralph B. Wilson, vice-president of the Babson Statistical Organization, who declared on November 17:

"Trade has been gradually falling off in many ways since the middle of the Summer, and a fundamental cause for the decline in the stock market has been due to this recession in business. In other words, those who think that the decline in business is due to the stock market are putting the cart before the horse. Rather it has been declining business that is a real root of the crash in the market."

From London comes a report by the Federation of British Industries which predicts a major setback in American business, in the course of which it says: "The trade recession to which we look for-

ward is something more serious than a mere contraction of luxury expenditures resulting from direct losses in the New York Stock Exchange."

It is clear that the stock market crash was only the most dramatic symptom of a fundamental downward tendency of the capitalist productive process, a shrinking of production with consequent shrinking of profits. This not only called a halt to the speculative "present realization of future profits"—the nature of the crash, its deep going nature, wiping out fifty billion dollars of stock "values" in a fortnight, demonstrates that this downward tendency was recognized, not as a temporary recession, due to some slight maladjustment, but as the result of an insoluble problem of markets, unsolvable at least in the "normal" course of business. In its turn the crash is intensifying these downward tendencies. The crash in the capitalist superstructure of the stock market was the result of a less obvious crisis in the foundation, in the production of surplus values.

II. THE PROBLEM OF MARKETS

The Thesis of our October Plenum pointed out the most fundamental contradiction of American capitalism, the factor most influential in maturing the now-beginning crisis, as "the disproportion between the growth of the productive forces and the market." This contradiction is today the sharpest expression of the collision between the productive forces released by capitalism, on the one hand, with the fetters of capitalist property relationships, on the other hand, which choke these productive forces.

The result of this fundamental inner contradiction of capitalism is more and more to force it into a struggle for extending its markets abroad. This is clearly recognized, for example, by the chief organ of British finance capital, the *London Economist*, when it said:

"An examination of the available data suggests that American manufactured exports so far have been merest wavelets compared with the tide that is to come. The keynote of American success in manufacture is large scale production and in certain industries—of which cotton manufactures is the most conspicuous—the production capacity of the country far exceeds the consuming power of the home market so that increased exports are essential if the plant is to be economically worked."

What relation has this question of foreign and domestic market, and the tariff question now creating a government crisis in Washington, to the stock market crisis in Wall Street? A significant remark was made by the liberal *New Republic*, on August 28, when

it was strenuously denying any crisis factors in American economy, when it said regarding the Smoot-Hawley Tariff Bill:

"It is reasonable to suppose that the supporters of the Bill believe that the business of the country, especially the manufacturing part of it, is threatened with a grave crisis which demands vigorous action by the Government."

The renegade Lovestone, driven by his opportunist theory of the "primacy of outer contradictions," can see the relationship between these factors only in an inverted way, standing on their heads. He says that the increasing tariff rates, and the whole struggle for world markets "does not arise from the fear of a collapsing, a shrinking domestic market." He sees the sharpening inner contradictions purely as reflections of the sharpening relations between the imperialist powers.

Leaving aside for the moment the question as to what are the driving forces throwing the imperialist powers into collision (Lovestone's only explanation is "the insatiable greed" of the capitalists; that is, if the capitalists were not "greedy," if they were "good capitalists," things would be different!), let us ask Mr. Lovestone to explain how and why it happens that the stock market crash and the downward tendency of production in basic industry, comes in a time of *continued heavy increase of exports*. The first ten months of 1929 witnessed an increase of exports over the same period of 1928 by six and one-half per cent, and over 1927 by almost ten per cent. If the domestic markets had increased in the same ratio, this domestic increase would have been greater than the total foreign markets and could have completely replaced them.

When this market crisis of the third period is added to the recurrence of a cyclical crisis, coming with more than ordinary severity because of the accumulation of contradictions, all conditions are present for an explosion of unprecedented magnitude.

It is quite clear that American imperialism is making its drive for foreign markets under the pressure of inexorable inner contradictions of its own being. The "greed" of American capitalists has not simply a "spiritual" basis, but a very material, concrete one in its own inner necessities, arising from the conflict, the head-on collision, now taking place between the productive forces and the fetters placed upon them by capitalist property relationships—the contradiction between the productive forces and the market.

III. WALL STREET AND THE CLASS STRUGGLE

What is the relation between the Wall Street crash and the class struggle? In examining this question we again must demolish the social-democratic opportunist conceptions of the renegades from

Communism, Lovestone, Gitlow and company. In their "explanations and analysis" of the Wall Street crash, these worthies connect up the class struggle as a sort of afterthought, with the conclusion that the capitalists will try "to make the workers pay" the stock market losses "in the form of wage cuts and intensified exploitation. This will mean a sharpening of the class struggles in the country."

It must not be thought that this belated recognition of "sharpening class struggles" is any political advance on the part of the renegades. Quite the contrary. By placing these sharpening struggles merely as the result of the Wall Street crash, after they have disconnected the crash from any connection with the underlying economic conditions, they suspend the class struggle in the air without any material foundations, or reduce these class struggles to mere "disturbances" caused by temporary dislocations in economy and finance. Thus their "recognition" is merely another form of their systematic sabotage of the class struggle.

A Marxian approach to this question must be, to trace the common origin of the Wall Street crash and of the sharpening class struggles, and, secondarily, their mutual reactions upon one another.

The common origin of these two phenomena is precisely the conflict between productive forces and market limitations. The imperative necessity for capitalism to enlarge its markets, gives rise to the pressure upon the working class; costs of production must be reduced, to enable U. S. capitalism to compete with its rivals and enlarge the domestic market; greater surplus value must be made available by longer hours of labor, or by intensifying the labor of each hour (speed-up), or by reducing wages. In fact all three methods are used. This intensified exploitation is the source of the sharpening struggles between the working class and the capitalist class.

The same force of struggle for markets and sources of profit intensifies the agrarian crisis, and thereby the differences within the bourgeoisie (e. g., the struggle over the tariff in Congress), and sharpens class relations on the land. The operations of the Farm Board are strengthening the grip of finance capital upon agriculture, and increasing the pressure upon the farming population. Agriculture finds itself in the very sharpest contradiction, between its capacity of production and available markets; its prices in the domestic market are determined by the world market, which is based upon the lowest paid agricultural labor of Argentine, India and China; but even its chance to participate in this world market by exports are constantly limited more and more by the necessity for manufacturing industry to monopolize the export possibilities of the country.

But the very success of capitalist industry in its rationalization

and its growing dominance over agriculture slashes into its foundation of the domestic market. The purchasing power of the masses is being sharply curtailed. The extension of the domestic market depends more and more upon the constantly expanding capital investments; these in turn enormously increase the productive capacity, and present the same problem again in an aggravated form. Every postponement of the solution of these contradictions only makes the next crisis more deep and far-reaching. And finally it is no longer possible to postpone. Economic life takes a downward trend, the accumulated contradictions come to the explosion point. The Wall Street crash is the first great repercussion of this crisis in the superstructure of U. S. capitalism.

This is the basic dialectical relationship between the class struggle and the stock exchange crisis. The secondary ones are: that the developing resistance of the working class to rationalization hastened the maturing of the crisis; and at the same time, the crisis acts to sharpen immeasurably the class struggle, not merely as Mr. Lovestone would have it, because the capitalists want to make the workers pay their losses, but primarily because the capitalist system cannot continue to operate at all except by the most intensive increase of surplus values.

The Wall Street crash is a sign of the beginning of economic crisis, showing us that the deepest forces of capitalist society are tearing apart its foundations; the working class faces new speed-up and wage-cut drives; unemployment on a mass scale is on the order of the day; and only the most militant struggle by the working class will save it from extreme degradation of its conditions of life.

IV. THE WALL STREET CRASH AND THE WAR

Imminence of war is another thing glaringly revealed and hastened by the Wall Street crash. The crash reveals the failure of U. S. imperialism to find the solution of its inner contradictions by "peaceful," "normal" means. By revealing beyond all doubt this failure, it hastens the realization of the inevitable next step—the attempt to find the solution in war.

American capitalism has been extending its foreign markets. But the rate of increase has necessarily lagged behind the enormously expanding productive forces; European competition has been reviving; industrial production in the backward countries has advanced; resistance of the colonial peoples to imperialist domination has enormously increased. The limits of expansion are far short of the necessities of American imperialism.

And just now have come severe setbacks. The great Chinese market, upon which Hoover had set his eyes as the salvation of

American industry for the next period, had apparently been corralled by U. S. control of the Kuomintang government of Chiang Kai-shek. American advisers were filling the Nanking offices, and American capitalists were making out juicy concessions. A new colonial empire for American imperialism was visioned, with England and Japan squeezed out, and the American puppet rulers in Nanking supreme over the 440 millions of Chinese.

Alas for the dreams of imperial conquest! The Anglo-Japanese bloc had not played its last card; the united front of Chang Hsueh-liang, Yen Hsi-shan, Feng Yu-hsiang, the Kwangsi clique, Chang Fa-kwei, and Wang Chang-wei is already pounding at the doors of Nanking, and the regime of America's puppet is ingloriously expiring. The resignation of Mr. MacMurray, the American minister to China, who had to bear the responsibility for this debacle, will soon be followed by the flight of Chiang Kai-shek. With him falls one of Hoover's dreams of a solution of the inner contradictions of American capitalism by the so-called peaceful means of a new colonial empire.

Where are the necessary markets to be found? American imperialism is searching feverishly for the remedy to its sickness. And always before its eyes it has the vision of the always available solution—the markets can be found through *war*.

This solution has a double attractiveness for capitalism. War is not only a means of winning markets. War is also itself one of the greatest markets. Into its yawning mouth can be poured the most unlimited stream of commodities, which are then utterly destroyed, leaving new and growing demands. The market of war is precisely the kind of market of which capitalism dreams—unlimited in scope of demand or range of prices.

It is from this approach, with this background, that the speech of Herbert Hoover on Armistice Day must be estimated. This speech was a declaration that American capitalism has grimly faced the alternatives before it and chosen the path of war. It was the first mobilization speech to prepare the masses for the coming war.

For the working class of America the lesson must be drawn sharp and clear. We are in a period of sharpening class struggles, economic cataclysms, imperialist wars, and revolutions. This is the characteristic of the third period of post-war capitalism. The working class is faced with enormous tasks of organization and struggle against capitalist rationalization and against imperialist war. With a hundred-fold energy we must turn ourselves to smashing the Lovestone renegades, eliminating all remnants of opportunism in our ranks, mobilizing the masses against the social-fascists of the

A. F. of L. and socialist party, building the revolutionary trade unions, and consolidating the only revolutionary party of the working class—the Communist Party.

A Word of Cheer to Our Readers!

DEAR COMRADE READER:

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