

# The Present Economic Situation

By Jay Lovestone

Last March, the economic experts of the leading newspapers and the Department of Commerce were busy denouncing those who saw that the United States was heading towards a sharp economic depression. Today, these same economists are busy in an effort to perform a two-fold task. First of all, they are trying to prove that there was a recession beginning last March, but that this recession is now all over. Secondly, America is on the eve of a great prosperity. 1928 will be a banner economic year. So say these "experts."

Coolidge's declaration on brokers' loans was an effort in the above direction. It had a very temporary stimulating effect on the stock market. The statement of Mr. E. H. H. Simmons, head of the New York Stock Exchange, to the effect that we are about to have the greatest prosperity this country has seen, is an effort of a similar character.

Both of these statements are violation of precedent for men of such office. But when in a tight corner, precedents do not count with ruling classes. The fundamental facts of American economy give the lie to all the trumpeteers of American prosperity.

## SOME SIGNIFICANT TRENDS

It is true that the general trend of American capitalism is still basically upward. But there has been a deep-going change in the immediate economic situation since last spring. Last May marked the beginning of the period of sharpening recession, which has not yet reached its lowest level. Today we have not only a sharp decline in industry and not only a definite passing of the peak of prosperity of the present cycle, but we are in the throes of the development of basic forces fundamentally undermining American economy to such an extent as to make the immediate economic situation anything but bright for the great mass of workers and exploited farmers.

Recently, Owen D. Young, reputed to be the real father of the Dawes Plan and head of the General Electric Company, told at Harvard University that "The greatest blot on our capitalistic system" is unemployment.

Roughly speaking, there are now about three million unemployed workers. The wealthiest state in the union, New York, in its

latest figures, indicates a drop to a point lower than December, 1921. For the country as a whole, the level of employment in November, was six percent lower than that of the corresponding period of the preceding year and almost fifteen percent lower than the corresponding month of 1923. It is especially important to note that the sharpest decline was in such basic industries as iron and steel (10.9 percent), electrical apparatus (9 percent) and in the railroad shops there has been a reduction of nearly 115,000 workers since September, 1923. On train and engine service, there has been a reduction of 21,848.

Bourgeois statistics are especially drab for the workers, but the prevailing unemployment presents an even drearier picture than the official pictures. No less than 90,000 are jobless in Cleveland. Boston's unemployment is at its highest point since 1914-15. Chicago's bread lines are much longer than at any time since 1913. In New York, the municipal lodging houses are having a banner season—more crowded than ever before. Los Angeles boasts of 70,000 jobless workers.

At the same time, the wage totals have been falling swiftly. In iron and steel, 15 percent; in automobile and railroad rolling stock, more than 10 percent. Miscellaneous industries, more than 10 percent. In metal products, other than iron and steel, more than 11 percent.

Wage cuts have come en masse in the bituminous fields, in the automobile industry, in the textile and shoe centers.

Even the prosperous building industry shows a drop, for the first time since the war, of .5 percent. New York, which is the center of building operations in the country, whose construction work equals the total of the next nine cities in size, suffered a particularly heavy decline (10 percent).

1927 factory sales of automobiles dropped to the lowest total in five years. Even in the highly developed insurance field, new business declined last year. The much-advertised group insurance so often hailed by the bourgeoisie as a stabilizer of peaceful relations in industry fell more than 21 percent last year.

For the first time in six years, the net operating income of railroads fell. For the last quarter, the net operating income of the leading Class One roads fell by over 30 percent.

The coal and oil industries have been in an acute condition for some time. Their condition has only been aggravated last year through huge waste, faulty organization and "over-production."

Much capital has been made by the official economic experts of the fact that the total crop values have increased by about \$600,-

000,000 in 1927 over 1926. An examination of these figures shows their misleading character and the treachery of their dispensers. If the total values of crop and animal products for the two fiscal years are compared one will find that 1927 shows a decline of about \$600,000,000. Besides, even the crop values of 1927 are smaller than 1925 and 24, which were not extraordinarily good years for the farmers. Even for the farmers getting an income largely through crops, the distribution is uneven. The wheat, potato, hay and principal fruit farmers received last year less than the preceding year.

Chain stores and public utilities did well last year. Their high concentration and the tremendous extent of rationalization in these fields are primarily responsible for their prosperity.

On the whole, the stock market had a good year. But finance capital is no longer an accurate index of the conditions in capitalist economy. Bank profits were very large in 1927. Industrial corporate profits declined by at least 8 percent last year while banking suspensions were fewer by over 35 percent in 1927. Failures in other fields tell a different and a sadder story. Commercial failures increased for the fourth successive year to the number of 23,146, or the second largest in the history of the country. In the last fiscal year, the total bankruptcy cases were over 48,000 with total liabilities of nearly \$900,000,000—an increase of half a billion dollars. Six thousand of these were farmers; twelve thousand were merchants.

#### THE BASIC PROBLEM BEFORE US

Mass production, efficiency, improved technique, scientific management, waste elimination, standardization, have been named by the bourgeoisie economic experts as the causes of American prosperity at its height. All of these phenomena have advanced in the last ten months, yet American economy has witnessed a considerable decline which has been increasing in acuteness. The cause for prosperity has not been removed in the eyes of the bourgeois experts. What, then, has brought on the depression? The answer to this question can be found in an examination of the basic factors of American economy, especially as manifested in the recent period.

##### 1. THE AUTOMOBILE AND CONSTRUCTION INDUSTRIES

The automobile and construction industries have been the two main props of American domestic prosperity. The automobile industry is a gigantic industry employing nearly four million people and using 15 percent of all the iron and steel and 80 percent of all the gasoline produced in the country. The deep-going effects

of a decline or an advance in the automobile industry are obvious. Therefore the adverse effects of the sharp decline in the automobile industry were of paramount importance in 1927.

The automobile market is saturated. It has been kept up largely through wide-spread extension of easy buying terms—extensive installment buying. Today much noise is being made about the increased auto production as a factor for prosperity in 1928. This is superficial reasoning and unwarranted deduction. The automobile market is extremely competitive despite the generally high concentration of the industry. General Motors now controls 46 percent of all motor vehicle sales. It is engaged in a war to the finish with Ford. Such intense competition is an additional factor, besides rationalization, for cheapening the cost of cars. This means that the automobile capitalists will institute sharp wage-cuts, intensive speed-up, increased exploitation in order to maintain profits. In many Detroit factories, wages have been cut within the last month by 30 percent. The much-vaunted boom year predicted for autos is bringing a bad year for the millions of workers in the automobile industry.

#### 1. THE AUTOMOBILE AND CONSTRUCTION INDUSTRIES

The building industry is likewise saturated. The war shortage is over. Forty percent of the 300 leading cities indicate less activity than in the preceding year. Many cities show over-building. There is a huge surplus of capital seeking real estate mortgage loans. The principal building experts frankly admit that “we have not had so dangerous a situation in the building business in fifteen years as we are entering upon now.” There is an increasing surplus of workers. There is a growing number of wage-cuts, even in this industry which has boasted of a high wage in recent years.

#### 2. THE CREDIT SURPLUS

The surplus of credit is in itself a source of great danger to American economy. Every financial and industrial crisis in the United States has been preceded by a huge surplus of credit, leading to dangerous speculation. The mere existence of “easy money” “in the Street” (Wall Street) does not spell prosperity. 1927 had “easy money,” but no prosperity. The Federal Reserve Banks of the Chicago, New York, and Richmond districts have already advanced the rediscount rate for the first time since August, 1926, in order to tighten money, to check speculation and to avoid financial difficulties. Last year, surplus credits caused an increase of over a billion dollars (35 per cent) in brokers’ (speculative) loans. Simultaneously, commercial and general loans of private banks in the

Federal Reserve system fell. Brokers' loans continued to rise. Production and commerce are now demanding less, while the financial (speculative) markets are demanding more. That is why the American Institute of Finance recently declared: "This increase is a danger signal of the first magnitude and must not and cannot be ignored by any individual."

Such a tremendous expansion of brokers' loans are not necessarily in themselves dangerous when credit conditions are sound. Here, four new factors are operating to make the credit situation a source of danger for such huge brokers' loans today. These are:

1. The United States is today losing and not gaining gold.
2. The economic decline has been the primary reason for credit flowing most abnormally into the stock market and away from production.
3. Unquestionably, America's credit position is still strong, but the trend of credit extension has been marked in loans "the collateral for which could not be eligible for rediscounting." Secondly, even if a business revival should come, its very occurrence, with its new demand for credits, would precipitate a big liquidation of securities and thus bring on big financial losses. The stock market's buoyancy has not been due to an upward swing in production, but primarily to "cheap money," to a surplus of bank capital.

### 3. THE EXPORT OF GOLD

For the first time since 1919, the United States has become an exporter of gold. The last quarter of 1927 was especially marked in this respect. The general policy of the Federal Reserve Bank has been, up to recently, to keep money rates low in America, so that sufficient funds will move abroad for the purpose of helping European capitalist stabilization through extending and maintaining the gold standard and thus also to stimulate American exports through strengthening the foreign exchange.

We need not exaggerate the immediate possibilities of the present heavy export of gold. The United States still has on hand at least a billion dollars of gold, which have not yet served as a vehicle for credit expansion. A goodly portion of this can be exported without any immediate basic effect on the money market. In 1927, America's gold stock was reduced by over \$150,000,000. The central banks of the leading European capitalist powers have, however, relatively less gold than they had a few years ago. Trade expansion resulting from partial stabilization has been increasing the credit requirements of European industry for the absorption of this metal.

The two primary reasons for the export of gold from the United States at this time are:

1. The plethora, the super-abundance of capital in the country.
2. Some of the European currencies have already arrived at a point making it profitable for American bankers to export gold. The export of gold will continue for some months. In order to bring the gold reserve of the central European banks even up to 40 per cent of their note and deposit liabilities, they must be given at least a billion and a quarter more dollars of gold.

In this light, we can understand the following internationally significant declaration of Secretary of the Treasury Mellon, made on December 7, 1927: "The present transitional stage through which the nations are passing in their progress toward the return to a gold basis has placed peculiar responsibility on the United States as the custodian of nearly half of the world's monetary gold. . . . *The huge movement of gold . . . would, in the absence of offsetting influences, have created serious disturbances in the credit conditions of this country.* (Our emphasis.)

In order to avoid the continued, rapidly increasing speculation growing out of the super-abundance of credit, the Federal Reserve Bank is trying to tighten the money rates through an increase of the rediscount rate. A general advance in interest rates and a "hardening of money" are on the way. This is bound to bring a decline in the stock market, which will tend to disrupt business.

But America, with all its tremendous gold reserve, is in a difficult position. Because of the tremendous inflation prevailing in the United States, individual bank deposits have risen 25 percent since 1923. Thus the actual ratio of reserve money in and out of the banks is much smaller than most people think it is. It is authoritatively said to be about 8 per cent. This explains why the American authorities, testifying before the India Currency Commission in London in 1926, emphasized that America could not afford to export gold.

Here we have before us a contradiction which is insoluble for the capitalists. Give them a surplus of gold and they face the danger of price inflation. Bring about an insufficient gold reserve and the countries based on the gold standard face high money rates, consequent increased business failures, wage cuts, unemployment en masse. The present export of gold has in it elements of undermining the pinnings of the structure of American capitalist economy.

#### 4. INSTALLMENT BUYING

The system of extensive installment buying has served as one of the most effective methods of prolonging the prosperity in the United States. This plan of extending credit on a large scale to many social layers has been a sort of oxygen-inhaler for the bour-

geoisie. Today's annual installment bill is over six and a half billion dollars. Installment selling is basically an extension of commercial loans with at least one fundamental difference. In commercial loans, there is almost always tangible property collateral; in the case of installment buying there is almost always no real collateral except future wages or salaries.

Any further material expansion of installment credit will only intensify the contradictions of American economy. It may artificially enlarge the workers' purchasing power today, but it certainly mortgages their purchasing power of tomorrow, even at its lowest point. The very system of installment buying now serving as a stimulant to prosperity will thus become a force deepening the economic crisis when the industrial depression becomes somewhat more acute. Last year, the Morris Plan loaned a billion dollars—largely to workers. Payment of this billion dollars and the billions secured through installment purchases must be made at the expense of the food and necessities which the workers must have tomorrow. These bills may not be paid during the crash in industry and finance. But this will not help the workers. And the effect on industry will be disastrous. It can be safely said that installment buying has already passed its greatest effectiveness as a force for artificially prolonging prosperity, though it will continue of such service for some time.

##### 5. FOREIGN TRADE

America is becoming increasingly a country dependent on exports. American exports are becoming dominantly of manufactured products. The total export of agricultural products from the United States is steadily declining.

The maintenance of American exports is basic for the prosperity of the country, especially of those industries which have been so much expanded because of the positions seized by American imperialism in the international market during the last war. These exporting industries have secured tremendous credit in order to facilitate their holding these markets. Should these exporting industries be undermined, then there would be an additional force making for a crisis. This crisis would not be limited to these industries proper, for credit would be rudely shocked and pushed headlong toward a breakdown because of its volume involved. The effect on other industries is clear.

Last November and December, the United States sold less to Europe than it did in the corresponding months of 1926. Simultaneously, Europe increased its export of commodities to the U. S.

A more thorough examination of the trends of export are very instructive. In the last fiscal year, the export of food stuffs de-

clined 23 per cent, as against the period 1910-1914, while simultaneously the export of finished manufactured products increased 63 per cent above the average of the period 1910-1914. Obviously, the increase of such American exports has been much greater to those parts of the world which are less industrially developed than Europe. This means further that the United States is now entering upon a period of increasing competition with the more stabilized European capitalist competitors not only in their own domestic markets but especially through increased competing capacity in the Oriental markets. That is why Director Julius Klein of the United States Bureau of Foreign and Domestic Commerce told the following to the Seattle Chamber of Commerce on November 10, 1927:

*"Competition in all of the trade areas of the Far East has been keen in the past, and will be even keener in the future. . . The time is coming when we will have a real struggle on our hands if the present rate of progress is to continue."*

In South America, for example, the American capitalists are today selling annually one hundred million dollars worth of commodities above the combined sales of England, France and Germany. Here we have markets captured by Yankee imperialists while the leading European bourgeoisie were on their backs. Two-thirds of American exports to South America are manufactured goods. There are multiplying signs of intensified competition for American imperialism in Latin America. Hence the Havana Conference is as much a manoeuvre of the United States against the imperialist powers of Europe as a move against the colonial and semi-colonial peoples of Central and South America.

#### 6. THE DAWES PLAN REPARATIONS

Next autumn the international bourgeoisie will confront one of the basic economic contradictions engendered by the last imperialist war. The question of the payment and transfer of reparation levies by Germany is now coming to the front. The German bourgeoisie are protesting against Germany's becoming a dependency of the United States. Germany is groaning under the burdens of the Dawes Plan. The victorious French and British imperialists are not longing for the day when huge reparations payments will be made to them. The worst is yet to come. The maximum payments under the Dawes Plan are yet to begin. Today, even before the maximum annual payment of a billion and a quarter gold marks has been reached Germany has been enabled to meet the reparations bill primarily through importing hundreds of billions of dollars of capital from the United States. America now has invested in Germany at least two billion dollars. With the repara-



tions payments, there is inextricably bound up the question of priority of war damage payments over these billions of private loans. This is a fundamental antagonism in international finance and industry which will be sharply reflected in the United States.

In the last resort, the payments of private debts and reparations must be made in exported commodities. Supposing there are transferred huge sums of money in payment of these debts. Such transfers in capitalist economy serve as additional forces making for lowering of prices in the debtor countries. This means reduced wages for the workers in the debtor countries. It also means a consequent slackening of production in the creditor countries importing these commodities directly or indirectly in payment of their debts and also an increase of prices in the creditor countries operating on a gold basis as a result of their receiving huge sums of gold. This brings about a further undermining of American industrial supremacy. It inevitably hastens the lowering of the American workers' standard of living. A slackening of production means unemployment, wage-cuts and lengthened hours. These translate themselves into less food, cheaper clothes, less comforts and more suffering. The debt-paying countries must economize in imports. In the case of Germany, for instance, such economy would bring substantial forces making for a decline in the prosperity of the American copper and cotton markets.

#### 7. WHAT RATIONALIZATION MEANS TO THE WORKERS

America has witnessed a tremendous advance in rationalization of its industries. This has often been called the second industrial revolution in the United States. In order to understand the effect of rationalization on the working class, we must analyze the process in its various stages.

In the first stage, mass production and efficiency may tend and in the United States have tended to increase the number of workers employed and in certain instances even to raise their standards of living. In the second and present stage of the rationalization process, as applied by the capitalists, there is a very opposite effect on the workers—a degrading effect. Today, rationalization spells reduced employment, lengthened hours of labor, slashed wages. In 1926, the manufacturing industries produced two and a half billion dollars worth more of commodities than in 1923, with four hundred thousand less workers. Since 1919, the decline in the number of workers employed in the manufacturing industries has been 7 per cent. The volume of production and the value of production have at the same time increased tremendously. It has been authoritatively estimated that there are over two million workers once

employed in manufacture, agriculture or railroad transportation whose industrial whereabouts are unknown. In some instances these workers may have gone into the luxury-producing industries and the recently developed huge distributive industries. But in order to maintain their profits the American capitalists are now forced to introduce intensive rationalization methods even in their distributive processes. That is why all sorts of efficiency schemes are now being resorted to in the field of distribution. Witness the tremendous growth of chain stores and the developing signs of a combination of the chain store and mail order house systems. Consequently, the rationalization of the distributive processes will throw out of work at least several hundred thousand working men who have recently entered these fields after being practically *disemployed* in the productive processes.

Lt. Ethelbert Stewart, Chief of the Bureau of Labor Statistics, Department of Labor, give us a picture of the effects of this rationalization for the workers:

"The production per man per hour is tremendously on the increase. If the difference between man-power and the manufacturing industries was 400,000 between 1923 and 1925, with the increase in production something over three billion, it is safe to say that with an increase of probably three billion dollars more in 1926 and two billion dollars more in 1927, the number of men employed has been reduced by 10 per cent.

"The question which everybody was asking in 1927 was: How is the reduced employment going to buy the increased output? (Rationalization spells increased output.) 1927 did not answer the question, and let us hope it will be as successfully sidestepped in 1928. Goods were sold; installment buying is probably the answer.

"There is no limit to installment buying. The trouble will come with installment collection. . . .

"Installment buying is a makeshift. It can only be maintained by maintaining the fullest volume of employment at the highest rate of wages. Only human beings buy; horse power has no purchasing power. . . ."

And Francis Jones, Director General of the Employment Service of the Department of Labor, has said: "Owing to the increased introduction of labor-saving machinery, considerable labor will be displaced." This is a bad New Year's prophecy for the workers.

It is obvious that even in the highly rationalized industries which have been the basic sources of American prosperity, the outlook for the workers is anything but bright. We are not now speaking of such "sick industries" as bituminous coal, oil, textile, shoe, which have been backward in their rationalization processes. We are not speaking of such industries as coal, which has been a sort of appendage industry to the railway and steel interests. In these indus-

tries, even the artificial methods of installment buying cannot be applied effectively on a wide scale. Primarily, installment buying is an economic oxygen-inhaler which does not function well in the basic raw material industries.

Here we have a basic cause for contraction of the domestic market, which is 90 per cent of the whole American capitalist market.

#### 8. THE TREND OF PRICES

The price trend is likewise assuming an unfavorable character for the workers. The development of mass production, with scientific management, waste elimination, personnel organization, etc., tends to make for a reduction of prices. It tends to make for a declining rate of profit but an increasing total profit because of large volume. But the surplus of credit, the super-abundance of bank capital, has a counter-effect on the trend of prices and makes for a rising of prices.

Given unemployment, lengthened hours, reduced wages and speed-up as well as worsened working conditions in industry and the way of prices for the workers tends to shift upward. Under the most intense form of rationalization, we now witness increasing indications pointing to a rise in prices growing largely out of the credit situation and the domination of monopoly capital in the United States. In recent months, wholesale prices in general have increased. Retail prices have followed. Wages, on the other hand, are declining; even in such prosperous industries as the building trades, we note multiplying signs of decline. This means in effect a still higher cost of living for the workers.

#### 9. THE SITUATION IN AGRICULTURE

Most of the \$635,000,000 of the crop value in 1927 over 1926 will go to the bankers for payment of old liabilities. But even if for the sake of argument we were to grant that the farmers got every cent of this money, it would mean only an increase of 2 per cent in the retail trade, which is a drop in the bucket. But this so-called prosperity crop of 1927 is priced at over a billion less than 1925 and one billion less than 1924.

The agricultural situation remains a basic force undermining prosperity in America. The "scissors" problem remains. The gap between the highly developed mass industries operating on a collective basis for capitalist profits and the still dominantly individual basis of operation prevailing in agriculture is not narrowing, despite marked efforts to increase rationalization processes in agricultural economy. This gap is the basic source of the farm crisis. Compared with the huge American industries, operating with very highly

organized technique, speed-up, scientific management, and mass production, agriculture in the United States is medieval. That explains the net decline of three million in the farm population in the last seven years. Supposing the rationalization process will be applied to agriculture. It will then only tend to increase this migration. Since 1914, the farmers' direct taxes have risen 150 per cent, to the point that they now consume fully one-third of his net income. More than four million of the less than six and a half million farmers are either tenants or heavily mortgaged.

American imports of food and raw material competing with the farmers products have increased 44 per cent since 1900. Simultaneously, the farmers' overhead expenses have risen three hundred per cent and their combined costs 180 per cent, while wholesale prices of their products have advanced only 125 per cent.

Today non-agricultural prices are still 52 per cent above the pre-war level, while farm prices are only 40 per cent above.

In the so-called prosperous agricultural year of 1927, the number of forced sales and defaults of farms, due to delinquent taxes, foreclosures of mortgages, bankruptcies, reached 22.8 per thousand—the highest level on record. It is clear that the underlying causes for the critical condition of American agriculture remain. Hence American agriculture continues to be a force aggravating the economic difficulties ahead of us in the coming months.

#### 1924 AND 1927 COMPARED

Is the present decline in industry merely a cyclical recession? Will a change for the better come soon?

There are two main differences between the recessions in industry in 1924 and in 1927. These differences are:

1. In 1924, European capitalist stabilization was in that stage—recovery stage—making for its increasing purchase of American commodities and the consequent hastening of the end of the period of depression then developing in American economy. Today, Europe is in a different stage of partial stabilization. Today, European capitalism can and does increasingly compete with American imperialism. Consequently, the partial stabilization of European capitalism today makes for a prolongation and deepening rather than for an ending of the recession in American economy.

2. American rationalization today, as has been pointed out, has different effects on the workers from those resulting during the first stage of rationalization in 1924.

In any other capitalist country of the world, the shrinkage of 13 per cent in railway traffic, of 30 per cent in railway net operating income to the lowest point for autumn in six years, a minimum

decrease of 16 per cent in steel production to the smallest in a similar period and a minimum decrease of 8 per cent in the net corporate profits and a decrease of 12 per cent in employment and a decline of 10 to 15 per cent in wage totals in the basic industries, would have brought a severe economic crisis. But American capitalism is still powerful. That is why it has been thus far able to avoid the dire consequences which would have visited European capitalist countries even in a less acute economic recession.

#### WHAT IS IN SIGHT?

At this time, it cannot be said that we are already on the eve of a deep-going economic crisis. In certain respects, however, the economic depression which we have with us, though today less acute, is more fundamental than the depression of 1921, which was basically a depression engendered by the readjustment of American economy from its war basis. We can say definitely now that the bottom of the present depression has not yet been reached. Wage cuts, speedup, lengthened hours, worsened working conditions, unemployment, all resulting from the so-called normal operation of capitalist economy, will be augmented by hundreds of thousands of additional unemployed workers because of the increasing rationalization in American industry which is compelled to resort ever-more to such processes in order to meet the sharpening competition from the other imperialist powers.

The two basic changes in the economic structure of American imperialism within the last five years made so clear in 1927 are:

1. Increasing capacities of other imperialist powers to compete with American imperialism in the international market.
2. The increasing limitations of the domestic market, the multiplying contradictions within this domestic market, which has been one of the tremendous advantages equipping American imperialism for success in its conflicts with other imperialist powers.

In examining the economic prospects for the United States, we must not lose sight of the tremendous reserve powers still at hand. These are of 5 main types:

1. Intensified exploitation of and increased export of capital to the Latin American hinterland and the Pacific Islands.
2. Intensive industrialization of the South, making for an increasing volume of employment and increased utilization of capital.
3. Still further rationalization of production and distribution.
4. The increase of electrification and use of electric power.
5. Special artificial methods of directing, controlling and stimulating trade and finance along the lines of the services rendered by the Federal Reserve Bank. Such services may be and usually are

only temporary in their effect, but when they come in a series over a period of time, they are not to be discounted lightly.

#### THE BASIC CONTRADICTIONS OF AMERICAN ECONOMY

No one can have an adequate understanding of the developments and potentialities of American imperialism unless he fully grasps the basic contradictions in American capitalism tending to undermine it. Let us merely enumerate these contradictions.

1. The United States has a large excess productive capacity as indicated in the over-development of certain industries.

2. There is a fundamentally critical condition of agriculture.

3. The super-abundance of credit literally threatening to choke industry now and then. That is why some bankers speak of a huge export of gold as a "desirable calamity."

4. Intensive installment buying, which really should be called over-buying or over-selling, has been serving as the basis of prosperity. For a time such a mortgaging of future purchasing power of the workers and exploited farmers may defer an economic depression. Sooner rather than later, it will become an aggravating force in an economic crisis.

5. Due to insufficient rationalization in some instances and in some instances to the conditions of the world market, and in still other instances to being appendage industries like coal, there is to be found a deep-going derangement in certain basic fields of production in the United States.

6. The rapid development of great international cartels in Europe indicates a growing capacity of other imperialist powers not only to challenge but even to undermine the supremacy of American imperialism in the world market today.

7. American capitalism is depending on other imperialist powers for such basic materials as rubber, oil, nitrates, tin, nickel, etc.

8. The increasing export of capital creates for American imperialism a crucial problem in the final repayment in commodities. This soon puts sharply in the foreground the problem of decreasing the tariff rates of the United States. Lowering the tariff barriers is an unavoidable prerequisite for making possible the collection of its debts. This soon means increasing competitive capacities of the debtor against the creditor, American capitalism, not only in the world market but in the hitherto unlimited domestic markets.

#### THE SHARPENING ANTAGONISMS

Thus the very contradictions of American capitalism, as well as its tremendous powers, are making for an aggressive policy by American imperialism—the driving for new markets for its sur-

plus capital, for its commodities, for new sources of raw material, for its gigantic industries. This explains the sharpening offensive of American imperialism against Nicaragua, Mexico, Latin America. This is the basis of its war policy against the genuine revolutionary forces in China. This explains the growing, acute antagonism towards Great Britain and the increasingly forceful attitude towards Europe. Here really is the crux of the refusal of the American government to recognize the Soviet Union.

In this aggression of American imperialism lies the explanation for the increasing militarism and navalism, for the headlong rush American imperialism is making towards its being a most active participant in the coming world war.

Let no one in appraising the role of American imperialism overestimate the strength of capitalist economy in the United States. There are forces gnawing at its very vitals, despite all outward superficial signs of invincibility. Above all, national capitalism is now in its last stage, the decadent stage of capitalism. American capitalism is more and more being involved and becoming an integral part of international capitalism, now facing its basic crisis. This basic crisis is brought into bold relief by the existence and victory of the Soviet Union.

