

LOVESTONE CONTINUES ECONOMIC ANALYSIS AT WORKERS PARTY PLENUM

SECOND INSTALLMENT.

"Comrades: In examining the economic situation one prime question comes before us. It is a fact that mass production and efficiency coupled with the splendid resources of the country and with the intense exploitation of the workers has been the reason for the American prosperity. This mass production and efficiency have continued all the time and are increasing even now.

"Why is it then that we have an economic depression today? In 1926 we had less mass production and efficiency than we have in 1928. But in 1928 the economic trend is downward and in 1926 it was positively upward. We cannot answer this question unless we examine the basis of the fundamental trends of American economy. It may appear in certain phases abstract, but we must approach it in a thorough way and we will then understand why it is that with mass production and efficiency continuing to increase, the depression continues to deepen.

Auto Increase Competitive.

"First of all, let us examine the situation in the automobile and building industries. The automobile and building industries have been two of the outstanding buttresses for American prosperity in the last five years. The bourgeois press boasts of increas-

ing production in the automobile industry. Only to the superficial observer is this an index of prosperity, is this evidence of prosperity. The fact of the matter is this: the automobile market is essentially saturated. The increase in automobile production today is a competitive increase. It means a sharpening of the war between General Motors—which controls 46 per cent of the retail sales—and Ford. In this war with the resulting cheapening of prices it is the workers who will pay. The burden of the war between General Motors and Ford will fall on the shoulders of the workers through wage cuts, through increased speedup and even in cases, I believe, we may subsequently have lengthening hours even in this highly efficient industry.

In Building Industry.

"Take the building trades: Without delving into statistics let me say that the saturation here is about as complete. One of the leading authorities on building construction has declared that we have not had such a dangerous situation in the building business for fifteen years.

Credit and Speculation.

"The second force making for the present deep-going depression is to be found in the super-abundance of credit. This leads to speculation. Notice the tremendous increase in brokers' loans. In 1927 we had an increase in

brokers' loans of more than one billion dollars over 1926. The excessive flow of capital into the stock market is proof of the fact that industry—productive industry—in the United States does not enable the owners of large portions of capital to secure sufficient profits and therefore this capital goes into the stock market for speculation. The stock market's buoyancy is therefore not due to increased production, a trend toward increased profits. It is certainly not due to increased wages. It is due primarily to the superabundance of capital or as the bourgeois economists vulgarize it to 'cheap money.' 'Cheap money' is a very inaccurate and wrong way of expressing it. For the overwhelming masses of the country money is never cheap.

Gold Exports.

"Thirdly, the export of gold. Recent months have indicated a substantial increase in the trend toward export of gold from the United States. In 1927, for the first time since 1919 the United States was an exporter of gold. In this year American capitalism 'lost' more than \$150,000,000 of gold. That is, the export exceeded the import by this quantity. There have been two reasons for the Federal Reserve policy to export gold. First of all there has been a danger developing in the United States from too much gold. As the

bankers say, too much credit is as dangerous as insufficient credit particularly for a capitalist country working on the gold basis. The first reason for the recent trend in the export of gold is the superabundance of capital at home. The second reason is that some of the European countries have already succeeded in stabilizing their currency to such an extent, with the help of these very gold shipments directed by the Federal Reserve Bank, that it now pays American capitalism to ship gold to Europe. This speculation growing out of the superabundance of capital is worrying the bourgeoisie, and the Federal Reserve Bank is now raising the discount rates.

"Within the last few days not only Chicago but Richmond, New York and other banks have raised their discount rate. In the question of gold exports we have a fundamental contradiction which the bourgeoisie of this country cannot solve. When there is a surplus of gold there is a danger of inflation. When there is insufficient gold, money rates are high, business failures follow, wage cuts are the order of the day and unemployment comes en masse for the workers.

Installment Buying.

"The fourth force is the following. Here we have the question of installment buying. Installment buying has been most highly developed in Ameri-

ca as a means of stimulating and protracting artificially the period of prosperity. It serves the role of an oxygen-inhaler into the economic body of American capitalism. Installment buying, say such economists as economically because it is really a Professor Seligman, is perfectly sound form of commercial loans. This is nonsense. In commercial loans there are tangible assets.

"In commercial loans there are tangible assets; unusually good collateral to guarantee payment. In installment buying the best that the bourgeoisie can have is a mortgage on the future purchasing power of the workers, a mortgage on the future wages of the workers. Wages are the only collateral which the working class can afford or can be held to as a class. In 1927 installment buying totaled the tremendous sum of six and a half billion dollars and the Morris Plan loans, with which no doubt many of you are well acquainted, was last year more than a billion dollars. This is also a form of financial, installment, over-selling. The contradictory effects here are very marked. Today installment buying may still serve as a force for protracting prosperity, but tomorrow, when the contradictions of capitalist economy become deeper and stronger, this very force of install-

ment buying becomes a powerful factor to sharpen and deepen the crises because the credit disaster then is not merely limited to the top but goes all the way down the line to the lowest members of the bourgeoisie society even to the unskilled and semi-skilled. It is our opinion that installment buying has already seen its best days as a force for protracting prosperity.

Decreasing Exports.

"Fifth: Basic changes in the trend of the foreign trade of this country are noticeable. The maintenance of exports is essential for American prosperity. The export industry have been developed primarily during the war and in the immediate post-war period, not only thru the fact that American imperialism was able to seize markets, but also to the fact that huge credit extensions were made to them. If the export industries should suffer it would mean, therefore, not only that these industries alone suffer, but that the whole credit system would be undermined. When the whole credit system of the country is undermined the whole circulation system of bourgeois society is poisoned.

"Recent months like November and December indicate signs of decreasing exports to Europe. We may and will have months of increasing ex-

ports to Europe but that is not basic. What is basic is the following: The manufactured goods, instead of food and raw material, are increasing their proportion of American exports. What does this mean? This means that we are laying the basis for a decrease in our exports to the European capitalist powers, which in themselves are highly developed in manufacturing.

"This means that American capitalism, American imperialism must increase its exports to the Orient, primarily, because there they have a greater need of manufactured goods. It follows from this that American imperialism comes into sharper clash with European capitalist powers not only in the European market but especially over the market in the Orient. Both mean increasing competition for American imperialism."

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In yesterday's installment of Comrade Lovestone's report in *THE DAILY WORKER*, he was quoted as saying that unemployment in New York State was less in December, 1927 than in December, 1921. This was an error. He said, not that unemployment, but that employment in New York State was less in December, 1927, than in December, 1921.

The report will be continued in tomorrow's issue.