

Jay Lovestone Discusses "Prosperity" in Talk at Workers Party Plenum

THIRD INSTALMENT

(Continued From Yesterday's DAILY WORKER)

"A few words about the question of the payment and the transfer of reparations. The Dawes Plan vitally affects every American working man. This year will see the beginning of the maximum payments of one and one-half billion gold marks annually by Germany in Dawes reparations. What has been happening since 1924 is the following. The maximum payments have not been due and American imperialism has been feeding German capitalism with a gold spoon. There are more than two billion American dollars already invested in German industries. In the last report the payment of these debts must be in manufactured commodities. A large portion of the payments will come in gold. Now, what does that mean for the creditor countries? If the payments come in gold, in the creditor countries also operating on a gold basis, the tendency will be towards higher prices. If the payment is made in commodities it means an undermining in production in the creditor countries. An undermining of production in creditor country like the U. S. means unemployment, wage cuts, worsened working conditions for the proletariat.

"Rationalization has been at one time the basic force in making for American prosperity. However, when we examine rationalization we must examine it not in a static sense, but dynamically and dialectically and must see its contradictions. There are definite stages and effects of rationalization. In the first stage of rationalization on a mass scale in the U. S. the tendency was for increased employment in certain basic industries, but in its second stage, nationalization develops to such a degree and assumes such a quality that it tends to throw out hundreds of thousands of workers through the very increase of efficiency. In 1926 American capitalism produced with four hundred thousand less workers commodities

having a value of two and a half billion dollars more than in 1923. Some of these workers thrown out from the manufacturing industries went into the distributive process. But now we are viewing rationalization in these industries, also; it means that rationalization here will throw out these workers who were rushed into the distributive processes en masse as a result of rationalization in the productive industries.

"Let me read you what the Department of Labor, the chief of the bureau of labor statistics, says in estimating the effects of American efficiency on the workers during the last year. Mr. Ethelbert Stewart says:

"The year just closed has been a fair average year in industry with nothing startling along any line. Outside of the strongly organized industries, such as those in the building trades, the tendency of wages has been slightly downward. . . .

"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 \$3,000,000,000 it is safe to say that with an increase of probably \$3,000,000,000 more in 1926 and \$2,000,000,000 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 in part:

"Owing to the increased introduction of labor-saving machinery, considerable labor will be displaced."

"Especially in the basic industries which previously were sources of prosperity is the outlook for the workers bad. In the industries which have been weak, such as coal, oil, textile, the outlook for the workers is even worse. These factors are making for the contraction of the domestic markets which is 90 per cent of the whole American market.

"Let us examine the eighth factor of a basic character undermining American capitalist prosperity. When I speak of these factors, I do not speak of temporary, periodical factors, I speak of deep-going organic changes in American capitalist economy. The trend of prices: Here we have conflicting forces. Surplus credits tend in a capitalist society to bring on higher prices. Mass production and efficiency tend to bring lower prices. But even the price decline does not mean the improvement of the standard of living of the workers. Why? First of all, big capital continues to dominate; secondly, with a decline in prices there tends to follow unemployment, wage cuts, and all other manifestations which are inherent evidence of a depression. Thirdly, we must keep in mind the fact that the rate of decline of retail prices is always slower than the rate of decline of wholesale prices and is considerably slower than the rate of decline in wages. The fact of the matter is that in recent months retail prices have increased while wages have been decreasing.

"The last basic force making for fundamental changes in American economy is the critical agricultural situation.

Agricultural Comparisons.

"The capitalist experts have been making a lot of noise about the fact

that in 1927 the crop value was six hundred thirty-five million dollars above the crop value of 1926. Here we must remind the workers of a saying about figures and statisticians. Why don't the bourgeoisie compare the crop values of 1927 with 1925, with 1924, and they will find that 1927 had a total crop value less by a half billion dollars than in 1925, and less by a billion dollars in 1924. Neither year was a startlingly prosperous year, a banner year for the farmers.

"Secondly, the farmers do not produce only crops. They also have animal products. If we examine the total value of crops and animal products we will find that it is less in 1927 than in 1926 by six hundred million dollars. One can juggle figures easily, but one cannot hide realities. Supposing even that the farmers got this 635 million dollars. It would mean an increase in retail trade of less than 2 per cent, which is insignificant. Besides, most of this money went to bankers for old debts. The basic reason for the acute crisis in American agricultural economy is to be found in the so-called 'scissors' problem—the gap between highly developed technical mass production and efficiency in industrial economy, and the relatively low development in agricultural economy. We speak only relatively. But let us suppose capitalism will introduce rationalization as some are now beginning to do in agriculture. Does that mean prosperity for the farmers? Within the last 7 years the net loss of farm population through migration was at least three million. If there should be introduced rationalization the bourgeoisie would succeed in driving more farmers off the farms and expropriating the farmers at a greater rate than they are now being expropriated. It is a fact that at about two out of every three American farms is either heavily mortgaged or tenants.

"And the president of the Farm Bureau Federation, a very reactionary organization, was compelled to declare that in the 'prosperous' agri-

cultural year of 1927, the number of forced sales and defaults of farms due to delinquent taxes, foreclosure of mortgages, bankruptcies, etc., reached nearly 23 per thousand, the highest level on record. Obviously, the prosperity of the country is not existent in so far as the agricultural masses are concerned and the critical condition of agriculture continues to be a basic force for a deep-going depression in the United States.

"We must say a word about the differences in the effects of the world war on European economy and on American economy. In so far as American economy is concerned, the world war proved a powerful lever, a powerful precipitant for rationalization, for increase in efficiency of production. The American bourgeoisie have had no real problem of stabilization, like the Europeans, but only in a narrow sense, actually no stabilization. Our bourgeoisie had a problem of readjustment. With European capitalism the war brought disruption in economy, some rationalization and partial stabilization.

"Let us also in speaking of depressions ask ourselves this question. Well, do you mean to say that we will not have prosperity again in the United States? Didn't we have a depression in 1924? And then it ended. Yes, we may have an end to this depression in a short time. We may still have and we certainly will have ups and downs in the curve of capitalist development, but we must clearly notice certain basic differences between the depression of 1924 and the depression which we have today. In 1924 stabilization in Europe was in a different stage. American rationalization then had a different effect than it has today. In 1927 we have the competitive stage of European capitalist rationalization which is no longer a stimulant but a competitive force for American economy.

"Secondly, the contradictions of American capitalist rationalization are today so intensely developed that they have a very harmful effect on

the welfare, on the standards of living of the workers. But American capitalism is still powerful enough to weather such a basic depression as we have without its being immediately noticeable in mass misery. If France or Germany or Great Britain were to have such marked declines in industry as America has been having, the crisis in its effects would be far more acute than in this country.

"Finally, what is in sight? It cannot as yet be said that we are facing an immediate, deep-going crisis. But it must be emphasized that the continuous development of the inner contradictions make inevitable this deep-going crisis for American capitalism soon. The productive capacities are far in excess of the domestic market. The developing crisis is not merely of a temporary, cyclical character, but is of a fundamental character. The bottom of the present depression has not yet been reached. More wage cuts, more speed-up, more unemployment are coming to us.

But we should not develop a disease with which we once suffered in America, where we expected the final crisis, the collapse, to be around the corner every time unemployment increased in volume. American capitalism still has tremendous resources and reserve powers to stay this crisis, to counteract certain effects of the crisis on economy. For instance, it can increase, it can intensify its exploitation of Latin-America. It can resort to still further rationalization, particularly in the distributive process. Electrification and electric power can serve as still more powerful forces for strengthening American imperialism.

"Also, there are certain artificial methods often resorted to by the bourgeoisie which by themselves have only a temporary effect, but when applied continuously over a period of years have an effect which is not to be discounted lightly. I refer, for instance, to the role of the Federal Reserve Bank.

"It is our opinion that it would be

very dangerous for the Party to overestimate the basic, the fundamental strength of American capitalism. We here point out certain basic, fundamental organic contradictions in American capitalism which gnaws at the very vitals of American imperialism. We enumerate merely:

"One: The large excess productive capacity.

"Two: The deepening fundamental critical condition of agriculture.

"Three: The superabundance of credit.

"Four: Intensive installment buying, which is really intensive over-selling.

"Five: Derangement in certain basic industries such as coal, oil, textiles.

"Six: Rapid development of great international cartels.

"Seven: Dependence of American capitalism on other imperialist powers for certain basic materials like rubber, tin, etc.

"Eight: Increasing export of capital creates a problem for American imperialism in the final repayment of commodities and puts in the forefront the problem of tariff, puts in the forefront the weakening of domestic markets and involves fundamental changes making for the sharpening of antagonisms and contradictions in capitalist economy in the United States. Obviously, the very contradictions make for an aggressive policy. Hence, Nicaragua. Hence, the Havana conference. That explains the speeches of Admiral Plunkett and other admirals about impending war with England. We say, no over-estimation of the strength of American capitalism. American capitalism is increasingly becoming an integral part of international capitalism, which is today in its basic crisis. This crisis is symbolized most effectively in the existence of the Soviet Union, which is a dagger at the heart of international capitalist economy, not only in Europe but even in all-powerful Wall Street.

(To Be Continued.)