

How Capitalism 'Overcomes' Crises

by Jay Lovestone

We publish below the first of a series of articles by Jay Lovestone on the "Social and Economic Consequences of the World Crisis."

The greatest event since the War cannot be looked upon as a single historical incident or problem. The crisis is an epoch-making event of the entire world—for the Soviet Union as well as all the capitalist countries. Its social and economic consequences, I believe, will be at least as great, and in many respects even more profound than those of the World War itself. Often spoken of as an economic crisis, it is far more inclusive, pervading every walk of life—in thought, in action, in all ranks within classes and in all relationships between classes.

Let me attempt to outline the social and economic consequences of the crisis not merely for the United States but internationally, those of world-wide character. In fact, it is still too early for anyone to try to present a complete picture of these consequences. I will merely endeavor to trace, as it were, the contour, the broad outlines, the common significant features more and more characterizing the world situation as a result of the crisis.

It is appropriate, therefore, to approach the question at the outset with an examination of the general reactions of the bourgeoisie, the class ruling five-sixths of the earth. Leading financial experts in Amsterdam estimate the crisis in this fashion:

"Looking back over 1931, the striking fact is that the crisis has caused more uneasiness and mental disturbance than any other crisis of the past generation. One reason assigned it in this market is that financial communities throughout the world had for years persuaded themselves that really destructive crises belonged to the past. As a natural consequence of this belief, the severity of this year's economic trouble had psychological results as serious as the economic damage."

"One result has been that great masses of people are virtually refusing to accept the devastating effects of the economic reaction. This may conceivably lead to great political changes. . . ." (New York Times Annual Financial Section, January 1, 1932).

This represents the opinion of the biggest Dutch bourgeoisie. And Holland, relatively speaking, is today a prosperous country according to general standards. One need not take too seriously the Amsterdam bankers' assertion that the great mass of people don't realize the devastating results of the crisis. Rather, we must take much more seriously the uneasiness shown by these spokesmen of the ruling class. But to understand the psychological reactions of the ruling class, or of the proletariat, we must not rely merely and mechanically on the method of cause and effect. Historically, dialectically, economic and social forces cannot be regarded in a simple A.B.C. relationship. It would be folly for us to assume that we can arbitrarily pick any particular incident in the crisis, or in the period before the crisis, and say that it was or is the cause of another particular effect or event. Only by viewing questions in their relation to many forces, distinct forces, here supplementing each other, there conflicting with each other, can we have a close-up and a bird's eye view of the situation.

With this dynamic approach we will divide the problem before us into two main categories: First: What are the economic consequences of the world crisis? Secondly: What are the social and political consequences? Of course, not for a moment are we trying to draw a hard and fast and permanent line between economic and social consequences. They are interwoven in life.

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1.—ECONOMIC CONSEQUENCES

One of the basic features of the present crisis is its being deepest and severest precisely in those countries which have the highest technical development. For this reason and out of this situation there will come a series of organic derangements in the present economic order which will cause fatal and incalculable damage to the capitalist system of production and exchange. Because of the very nature of capitalism the unemployment crisis which is international world-wide in character, has reached its worst levels just in those countries which yesterday were most prosperous. Look at the United States and Germany, where unemployment is severest.

In so-called normal times the financial structure of world capitalism, the banking system, appears to be strongest in countries like the United States. However, as a result of this crisis, the banking system of the United States, but yesterday the world's stronghold of finance-capital, has become one of the weakest links in the chain of the bourgeois order, on the American sector of the world capitalist system. Germany's banking system has been hit perhaps second hardest. That America's banking system has been hit the hardest and is today relatively in the most precarious position remains true, though absolutely, the German, the British and even the French banking systems may be weaker for the moment. The decisive factor to be considered here is that the proportion to which the American banking system has been undermined and the mountain-high casualties in the American banking world far exceed the weakening and the casualties suffered by the banking system of every other capitalist country.

Because the crisis reaches its greatest depths in the highest developed countries it brings in its train a sharpening of the decisive, the basic contradictions of world capitalism. Thus, the primary among the economic consequences of the crisis will be a further widening of the gap between the production capacities and the consumption possibilities, to an extent and degree hitherto unknown in the history of the capitalist system. Sweeping as this contention may appear it is rooted in the painful facts of reality. The falling standards of living, and the rising capacities of production are the opposite poles. Between these two poles mass misery will flourish in the coming years.

Destruction Of Capital

The present crisis will entail a huge destruction of capital throughout the entire bourgeois world—a destruction of capital unheard of, unequaled in the history of the capitalist order. The intensification of competition today means not so much a wiping out of small shopkeepers, petty merchants and little industrialists as a liquidation of huge corporations. The tempo of the obsolescence of capital is being increased by the very acuteness of the competitive struggle in a world dominated more and more by monopoly, by finance-capital. Pauperization of great masses of workers will be an inevitable result of the still more rapid discarding of labor power of millions of workers thrown out of industrial organizations and thrown on the scrap heap of the economic system. Even in its best days, with its much-vaunted efficiency, the capitalist system is very wasteful. Take the speed-up and scientific management as symbols of capitalist efficiency: You will find upon close examination that these institutions are paid for, unnecessarily, only for the sake of profits, with the lives of hundreds of thousands of workers in every capitalist country of a high technique.

This picture doesn't reveal merely technical relations in their narrow sense; it reveals the distortion of the most fundamental human relations. Here in New York City, we have the model capitalist urban center. In so-called prosperity days thousands of buildings are torn down: buildings still useful for commercial purposes. The laws of profit and interest in the property, in the realty market demand the destruction of such usable buildings. At the same time, these laws of profit and interest in the realty market, even in the brightest of prosperity days, demand the perpetuation of slums—whole sections of the city with buildings that are unsuited, unfit for occupancy but that are especially fit for securing heavy interest payments on mortgages.

However we are not stressing here the normal unnecessary destruction of capital which is inherent in the competitive, the capitalist system, itself. We are now speaking of the terrific destruction of capital growing out of the difficulties arising from the present economic crisis. It will be necessary for the bourgeoisie in every country to charge off as a loss huge proportions of the very capital which they only recently used for the development, for the creation of the ex-

cess capacities of the surplus production forces now plaguing them. This is blood-letting, economically speaking, and, certainly, socially speaking.

The ruling class must rid itself of the burden of carrying this giant capital investment. The very great burden of carrying this great capital investment must be eliminated from the cost of the production of commodities. Herein lies the basic economic reason for the multiplying and aggravated attacks on the wages, the working conditions and the living standards of the proletariat and large sections of the middle class.

In fact, the destruction of excess capital, excess machinery, excess commodities like coffee, sugar, wheat and coal, is even hailed as a remedy, as a way out of the crisis not only by the cynics but the realists of bourgeois intellectualism. Every attempt is being made and will continue to be made by the ruling class to have the workers pay for this costly and momentary way out of the crisis. The German economist, Professor B. J. Bonn, shows remarkable understanding of this process of capitalist development and decay when he says:

"In the modern capitalist economy every crisis must, before it is quite overcome, entail a cancellation of excessive capital. This very painful devaluation is the remedy by which capitalism restores order to economic chaos, punishing those—but, unfortunately, not those alone—who are responsible for it. In this it employs the method of expropriation by means of destruction of value, of depreciation—the capitalist form of socialization, which is far more radical, more ruthless and more sensible than the ordinary attempts at socialization. This was the course taken by the American crisis after fruitless attempts at intervention." (M. J. Bonn: Prosperity: Myth and Reality in American Economic Life, page 113).

Professor Bonn is evidently somewhat morally indignant when he speaks of individuals "who are responsible" for the crisis because of their evil intentions or their malpractices. Hoover, Mellon, Schwab, Morgan, Rockefeller—none of these as individuals intended to or planned to bring on the present crisis. The crisis came as a logical stage in the process of capitalist development. Good intentions and bad policies mix to bring on chaos in all walks of life in the present system. We may be indebted, however, to Professor Bonn for stating so plainly that destruction of capital is the highest and most decisive form of socialization the capitalist order knows. As to the wisdom of this method of socialization, the international working class will yet speak. In the Soviet Union it has already spoken. This "radical, ruthless and sensible" method of stabilization, of socialization, capitalism can resort to only as long as the working class permits it. This is simply another way of saying that the capitalist system will continue in crisis after crisis, each subsequent one worse than each preceding one, until the international revolutionary proletariat takes matters in its own hands and destroys the system as a whole. But it is indeed a sad commentary on a social system, a condemnation which defies imagination, when it can find no more sensible way of even temporarily getting out of serious difficulties than by wholesale, wanton destruction of the fruits of many years of labor of millions of workers.

LOSOVSKY'S UNTRUE 'TRUISMS'

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political life and protested. Ever Losovsky knows better and admits: "In Great Britain the reformist apparatus is strong, the Minority Movement is weak, yet there have been big strikes." This confutes Losovsky's theory. But Losovsky is not to be downed so easily. He answers: "But we might ask what would have been the sweep of these strikes if the reformist apparatus had been weaker and ours stronger?" The artlessness of this rejoinder is breath-taking. He proves his contention by maintaining that if the reformist trade unions were only weaker, then the strike movement in Great Britain would have been stronger. But this is asserting just what you have to prove!

In the U. S. where Communists following the Leninist trade union policies of the Opposition have worked within reformist unions, as in Paterson and in the needle trades, we have seen militantly fought strikes. The role of the official Red unions, was to split the ranks of the workers in the strike and, in both instances, the strikes of the T.U.U.L. union were weak and ineffectual. The range of the strike movement can therefore be greatly widened and reformist unions drawn into struggle, but not by the policy of Losovsky, of exploding the reformist unions, but thru a policy of working within the reformist unions to build the left wing, to arouse the masses in the union for militant action despite the sabotage and betrayals of the reactionary officialdom.

Considering the theories of Losovsky at the VIII Council Session, it is not to be wondered at that a few voices were raised in opposition—timid, hesitant, fearful voices. Not only Heckert, but also Pollitt dared to question the infallible wisdom of Losovsky. Pollitt called for a "return to the Third R.I.L.U. Congress," thus rejecting or gliding over the "independent leadership" and the dual unionist course laid down by the Fourth and Fifth Congresses of the

R.I.L.U. It is interesting to note here that the American comrades, led by that heroic mass figure, Jack Stachel, were the best yes-men that Losovsky had at his disposal. Not a squeak of independent thought was forthcoming from these disciples of "independent leadership" thruout all the sessions.

Pollitt dared, cautiously of course, to blame the R.I.L.U. Executive for the desertion of work in the reactionary unions. He declared:

"An impression has been created that, whatever may be stated in the resolutions, the work within the trade unions is of no importance, and the Executive Bureau of the R.I.L.U. has never taken any steps to carry out this work."

And further, that the R.I.L.U. even hindered in carrying on work in the reformist unions. Losovsky is indignant. He sanctimoniously crosses himself, and cries: "Oh, Lord! I have not sinned! Look in France, in England, in Germany. I am an innocent lamb!" He actually says: "When and where did the R.I.L.U. tell you that it is unnecessary to work within the trade unions?" True, on paper, the R.I.L.U. has always been "in favor" of work in the reactionary unions. But it is no accident, nor is it the fault of the British comrades alone, that in all countries, the work of the Communists in the trade unions has collapsed. Losovsky should know that the dual-unionist course is incompatible with healthy Communist work within the trade unions.

The new campaign to revive work in the trade unions for the purpose of exploding these organizations, will succeed only in exploding the Communists out of the trade unions. This turn will be as barren of everything except defeats, as were all other innumerable turns of the Party and the R.I.L.U. It is not surprising, therefore that even the recent thesis of the American Central Committee is forced to admit that despite all the turns, we have not made the "real turn". This is a confession of the