

Strike back at the Budget Cuts — Defend our Standard of Living !

The inflationary crisis confronting the countries of the capitalist world, indicates the further deterioration of the world capitalist economy to the last stage of terminal cancer, has severely threatened the whole of the capitalist system economically and politically. Here in the U.S., as in Europe and Japan, the inflationary crisis has not only intensified the state of anarchy in the economic process, but is also part of the objective conditions

the upsurge of the powerful movement of the working class for emancipation. It is in these conditions that President Ford pointed to inflation as the number one enemy. He proposed the "tough" anti-inflation policy of a balanced budget and tight money. This policy is certainly nothing new to the American people. Didn't Richard Nixon put forth the same "balance the budget" policy as a campaign slogan in 1968? After just one year of this policy, the U.S. was on the verge of depression in 1970-1971. It was quickly discarded in favor of pumping more money into the economy to "save" the nation from depression. Ford's anti-inflation program will soon prove to be just as useless as the attempt by Nixon. However, as the crisis has reached unprecedented levels of "stagflation," and the resistance of the revolutionary peoples of the world to imperialism has also grown tremendously, the bourgeoisie will no longer be able to shift economic policies (from anti-inflationary to inflationary). They are faced with both the threat of the total collapse of the world capitalist economy and the forward surge of the revolutionary movement.

The current budget cuts at all levels of the government - federal, state, and local - clearly represent the policy of the government in the interests of the monopoly capitalists, to shift the burdens of the intensifying crisis of the capitalist system onto the working class, and in particular, onto the national minorities. Furthermore, these cuts toll the death knoll of Keynesian economic theory which is relied on by the bourgeoisie to propagate justifications for its reactionary rule. With such ideas as how deficit financing and inflationary policies can pump up employment, production, consumption and profits, Keynesian economics supposedly permanently forestalls the intensification of the inherent, unresolvable contradictions of capitalism. The cuts also come with the fig leaves of the liberal reformist politicians who propagate the myth of the "welfare" state - that reforms and "progress" are not only possible but even desirable for the interests of the working class under the capitalist system. Armed with Marxism-Leninism-Mao Tse-tung Thought, we Communists should build a broad united front to fight against these attacks by the government. Even more importantly, in these struggles, we must educate the working class, especially advanced elements, as to the nature of this capitalist

system, the historical mission of the working class of overthrowing the barbarous dictatorship of the bourgeoisie, to discard all illusions and to resolutely struggle until victory

As the inherent contradictions in capitalist production intensify the state necessarily expands its operations in attempts to maintain the rule of the bourgeoisie and postpone economic crisis. Government spending is a reflection of this constantly sharpening crisis. The state's expansion of operations tries to counteract these crises. The federal government has increased its spending from less than \$7 billion in 1940 to a staggering forty-fold increase of over \$300 billion in 1974.

Capitalist production demands the minimizing of wages which in turn causes the diminishing of the purchasing power of the working class. Meanwhile, it demands the constant increase in expansion of capital, and therefore production. This irresolvable conflict inevitably causes overproduction more goods produced than can be purchased and increases in the industrial reserve army more and more unemployed people. The state, besides carrying out its role in safeguarding the economic, political and military interests of the U.S. Imperialists internationally, found it necessary to expand its operations at home. It had to provide defense related production and "make-work" jobs to "stimulate" the economy; to expand the supply of money to finance these projects - just printing more money; to expand the credit system to stimulate consumption etc. All of these are aimed at maintaining a high level of production, employment, consumption and therefore profits. These measures were necessary for the postponement of crisis and the maintenance of high profit rates.

REVENUE & EXPENDITURE OF THE FEDERAL GOVERNMENT

Fiscal year	Revenue	Expenditure	unit: million \$	
			Surplus	Deficit
1940	6.8	9.6	-2.7	
1945	50.1	95.2	-45.0	
1950	40.9	43.1	-2.2	
1955	65.4	68.5	-3.0	
1960	92.5	92.2	.3	
1965	116.8	118.4	-1.6	
1966	130.8	134.7	-3.8	
1967	149.6	158.2	-8.7	
1968	153.7	178.8	-25.2	
1969	187.8	184.5	3.2	
1970	193.7	196.6	-2.8	
1971	188.3	211.6	-23.2	
1972	208.6	231.6	-23.0	
1973	220.8	246.3	-25.5	

Source: For figures before 1970 it was based on the U.S. Budgetary Summary, for the figure of 1972, 1971, it was based on report on Federal Reserve, and the figure of 1973 was based on Nixon's report of the 1973-1974 budgetary figure.

In order to be able to finance this enormous spending, the government directly or indirectly robs the already meager wages of the working class. This is done primarily through increases in taxes, selling of government bonds and increases in the supply of money.

As government spending increases, the burden of taxation also correspondingly increases on the working class. In 1973, the average American paid 33% of his income in taxes. A four-member family may have a weekly gross income of \$149.3 in April 1974, but 40% of it is lost to taxes and inflation, leaving only \$90.6.

The selling of government bonds is not only a means of financing government spending but also provides a source of guaranteed income to the monopoly capitalists. In the years from 1945-72, there were only nine years where there was a surplus in government budget. Many times the deficits were huge, such as the \$25 billion in 1968. These deficits, which are financed partially by government bonds, have made U.S. the country with the largest internal debt in the world. The amount of government bonds outstanding-debt of the government, sold to finance these deficits-has increased from the \$257.8 billion in 1945 to \$427.9 billion in 1972 (each American has to shoulder more than \$2000 of internal debt). These bonds are primarily sold to the banks and corporations owned by the monopoly capitalists themselves. For them, this is a source of guaranteed income. In 1971, a total of \$19.7 billion was paid to the owners of government bonds as interest and repayments, making up an average of 10% of the government's total budget in recent years. Bonds are but an increased burden on the working class in order to further enrich the capitalists.

DEBT & DEBT SERVICES OF US GOVERNMENT

Fiscal Year	National debt	Average share per person	Interest paid per year	% interest as % of Govt. expend.
1940	43.0	325	1.0	11.5
1945	258.7	1849	3.6	3.7
1950	257.4	1697	5.8	14.5
1955	274.4	1660	6.4	9.9
1960	286.3	1585	9.2	11.9
1965	317.3	1631	11.4	11.7
1966	319.9	1625	12.0	11.2
1967	326.2	1637	13.4	10.6
1968	347.6	1728	14.6	7.9
1969	353.7	1741	16.6	8.7
1970	370.9	1813	18.8	9.3
1971	398.1	1923	19.7	9.3
1972	427.9	2100		

Source: figures before 1969 were based on US Statistics Summary, 1971; the figures of 1970 and 1971 were based on the report of the US Reserve 1970 Oct. issue and 1972 May issue; June issue.

Increases in the supply of money, from \$463 billion in 1965 to \$893 billion in 1973 have also contributed directly to inflation and the indirect robbing of the working class. Money supply increased rapidly during the post war period. This was necessary for the government's deficit spending plans - in order to pay for the purchases made by the government which could not be covered by tax collections. As the prices of goods increased as the capitalist drove for greater and greater profits, it was also a necessity to have more "money" around to maintain profitable levels of consumption and investments. An enormous

debt structure has been built through these inflationary policies. Now, with attempts to balance the budget and to tighten up the money market, there will be a resulting "liquidity crisis". The monopoly capitalists are now crying out in the government and on Wall street over this crisis which they themselves have created. Throughout this long period of expansion of money supply, the working class has consistently been further exploited and oppressed. More "money", decreases its value and creates more inflation. The wages of the working class can never keep up with the increases in inflation, leading to lower and lower real income-less and less and less can be bought with the same number of dollars.

GROWTH OF THE MONEY SUPPLY

	Billions of \$	Percentage Increase
1965	463	—
1966	485	4.8
1967	533	9.9
1968	577	8.3
1969	594	3.0
1970	641	7.9
1971	727	13.4
1972	822	13.1
1973	893	8.6

Now as the rosy pictures of continued "expansion", "prosperity" and "stability" have been crumbling to pieces in the face of the defeat of U.S. Imperialism in Indo-China, the rising militant struggles of raw material producing countries, the collapse of the Bretton Woods Monetary System and Nixon's New Economic Policy, the U.S. economy and the economy of the whole capitalist world has entered a new stage. The inflationary policies for the stimulation of the economy so dearly held by the monopoly capitalists and their representatives-the governments of these countries, ever since World War II the opening of a Pandora's Box. Inflation now has reached epidemic levels with no signs of retreat, directly threatening the whole of the capitalist economic order with "run-away inflation" and total collapse. Now, capitalist governments everywhere, in England, France, Japan, Germany and the U.S., are all pushing for anti-inflation policies including a balanced budget, wage and price controls, increased interest rates, etc. The working people who have been consistently robbed by wage slavery and through increasing taxes, consumer "credits" and inflation, are now being told that they have had it "too good" and they have to endure some hardships in order to save the "free-enterprise system".

NET NEW MORTGAGE DEBT AND ITS USES (BILLIONS OF \$)

	Net New Mortgage Debt (1)	Outlays for New Homes (2)	Other Uses of Mortgage Debt (3)
	(Column 3 = 1 minus 2)		
1961	21.0	17.4	3.6
1962	23.8	19.1	4.7
1963	27.1	18.7	8.4
1964	29.4	19.1	10.3
1965	29.8	19.0	9.9
1966	28.5	18.6	9.9
1967	27.5	15.8	11.7
1968	33.2	20.8	12.4
1969	35.6	21.2	14.4
1970	32.1	18.1	14.0
1971	44.8	26.6	18.2
1972	59.8	35.6	24.2
1973 (first half)	62.8	41.1	21.8

Data are for 1-4 family houses, as estimated by the Conference Board. The data in column (1) are estimates of the flow of new mortgage money made available to consumers each year. They therefore differ from the Federal Reserve Board series which measures only mortgage debt outstanding.

Source: The Conference Board Statistical Bulletin, November 1973.

Ford has "promised" the American working class an increase in unemployment which is officially supposed to increase from 5.5% to 6.5% by the end of 1974. However, according to official statistics (which are always much lower than the actual statistics) reported in the New York Times (8/24/74), big cities already have unemployment rates of over 6.5%. Detroit has a rate of 9.3% in July; Boston, 8.8%; Los Angeles, 7.6%; Philadelphia, 7.2%; and New York, 7.5%. For New York City alone, the total number of people out of work was 239,000 in July. For national minorities - Blacks, Puerto Ricans etc., the figure is as high as 25-50 %!

As can be clearly seen, any tightening of the economy through such measures as "budget balancing" would place the brunt of the burden on the working class and the national minorities. This stems from the vicious nature of the capitalist system which demand governmental policies in the interest of the monopoly capitalists.

Post World War II U.S. governmental economic policy had primarily two aspects. On the one hand, it has been pumping more and more money into "foreign aid", troops stationed abroad, support of puppet governments, direct intervention and aggression in the oppressed countries, and defense related production. On the other hand, concessions were won by the struggles of the American people, particularly the national minorities, in the form of "entitlement" or anti-poverty programs. As the present government confronts the decisions to balance the budget by cuts in programs, which aspect will become dominant? Ford has already ruled out any "unwarranted cuts in national defense", and Roy Ash, one of Ford's economic advisors, told the bankers that "the entitlement programs - which include Social Security, Medicare, Medicaid, Veterans Benefits, welfare and retirement benefits - have grown relentlessly in size" and promised to "change the momentum of the budget, there is no way out of this." (New York Times) As the crisis intensifies, the ruling class wastes no time in attempting to take back whatever concessions that have been won by the struggle of the masses. They say, defense spending must not be cut, social service programs for the poor, can go.

PERCENTAGE OF DEFENSE SPENDING AS PART OF FEDERAL GOVERNMENT SPENDING, AND OF GNP

Fiscal year	Direct defense spending (million)	% of Federal spending in defense	% of GNP attributed to defense	% of industrial production attributed to defense
1939	1.4	15.5	1.6	4.4
1941	6.3	44.7	5.7	15.2
1944	83.8	89.2	41.5	87.6
1945	84.6	88.9	39.0	87.1
1948	11.8	32.3	4.8	10.9
1950	13.0	30.2	4.9	11.3
1953	50.4	65.7	14.1	32.1
1955	40.1	59.4	10.7	25.9
1959	46.8	50.8	10.0	25.8
1961	48.1	49.2	9.5	23.5
1965	54.7	46.2	8.4	22.0
1969	85.5	46.3	9.5	25.7
1970	84.0	42.8	8.8	23.8
1971	78.9	37.7	7.9	22.6
1972	80.7	35.2		

Source: this table is calculated according to US Government Budgetary Report (annual)

This is because defense spending plays a very important role for the maintenance of the rule of the bourgeoisie. The most important function of all such "defense" of defense related spending is to maintain the ability of the U.S. imperialists to plunder and oppress the developing countries and to compete with the Social Imperialists for the hegemonic position of the number one exploiter and oppressor of the world. Secondly, defense spending and any of the "make-work" programs are for maintenance of a high level of production, employment and, of course, a long term guarantee of profits for the monopoly capitalists, and also to postpone outbreaks of economic crises. The military spending of the U.S. government has increased from the \$1.4 billion in 1939 to a staggering \$80 billion during the height of the armed invasion of Vietnam. It has not been reduced with the signing of the Paris Agreement. The proportion of federal government's spending on defense has always been over 30% of the total budget since World War II. These spend-

UNEMPLOYMENT AND DEFENSE-RELATED EMPLOYMENT (December 1970)

	Millions
(a) Unemployed	8.1
(b) Armed Forces	2.9
(c) Civilian employees of Defense Department	1.2
(d) Employed in producing goods for the Defense Department	3.0
(e) Multiplier effect	7.1
Total	22.3

Sources: For (a) see above; (b) and (c) Defense Indicators; U.S. Department of Commerce, February 1971; (d) latest official figure is 1968 (Statistical Abstract 1970, p. 233) which has been reduced to reflect decline in defense spending since then; (e) multiplier of 1 is the low range estimated by U.S. Arms Control and Disarmament Agency, Economic Aspects of Dismantment, 1962

ings have gone to aerospace and military hardware, defense related research, etc., guaranteeing high profits for defence contractors such as G.M., Lockheed, G.E., etc. (As explained in Workers Viewpoint #1, one of the major causes of inflation is exactly the devotion to and reliance on a large sector of the economy based on the production of lethal waste - the defense industry. Therefore, the "more guns, no butter" policy does not solve inflation and its resultant problems but serves only to intensify it in the final analysis.)

Confronted by the militant struggles of the national minorities, particularly by the Black people, the government was forced to make concessions in the form of new programs or to expand existing programs of reform aimed especially at "cooling down" the struggles against national oppression. "Anti-Poverty" programs, community "self-help" storefronts, special health, education and welfare programs, were instituted. Thus thousands of jobs were created in the urban ghettos especially for national minority residents. As the economic crisis intensifies and the ruling class finds itself in a position hemmed in by various contradictions, it has begun to change its strategies and priorities in its budget balancing by the attempt to curtail or even totally eliminate these programs. Primarily, this would mean cutbacks in civil service jobs at all levels of the government, particularly the government of the big cities. Secondly, cutbacks in social services mean the imposition of even greater hardship on the national minorities, the elderly and the unemployed.

BUDGET CUT IN NEW YORK CITY

New York City, like many other big cities, is a place where the class contradiction and social decay are sharper and more advanced. It has a high proportion of oppressed national minorities, the aged, and faces overall problems of high taxes, decaying housing conditions, substandard education, and congested hospitals. Urban revolts, workers' strikes, and school boycotts, etc. have been the militant struggles carried on by the working class and the oppressed minorities in New York city to fight against the oppression that has become more and more unbearable.

The Federal government have been pressured by the militant struggles to channel more money into the city to "cool" down the heated situation, now providing 15% of the City Budget. Over half of these funds represent reimbursement for Welfare and Medicaid costs. Cuts in these funds will mean first of all lay-offs of 2,000 employees in community corporations and delegate agencies, and 4,200 teachers and para-professionals. It will also mean the end to supplementary education programs for 88,000 pupils. Furthermore, there is an uncertain future housing, subsidies for medical expenses and certain day-care programs. (with the absurd income restriction of-proposed for a family of four, net income under \$8,400 per year).

Mayor Beame of New York City, has shifted the burden of the Federal government budget cuts onto the backs of the working class and minorities and poor whites. He is seeking an increase of REal Estate tax, and city sales tax. More importantly, he is proposing a lay-off of 12,000 city employees in order to cut down spending. While on the one hand further plundering the working people in N.Y.C. he is quick to threaten us with police repression if they resist. Beame is quick to proclaim top priority to the "Safe City" program which will increase the police budget by 16.5% (\$128.6 million) and the police force by 2,300.

A racist lay-off policy has been Beame's trick to pit the minority workers against white workers, to intensify the oppression of the minority workers and their communities, and to weaken the fight of the multi-national working class' struggle against the monopoly capitalist against the lay-off policies and the attacks on the standard of living. Of the provisional workers Beame proposed to cut, 80% are national minorities, and a great number of them women. They are also the sector of the population affected most severely by the cuts in social service programs. Communists have the responsibility to wage struggle against the attacks launched by the governments on our standard of living, attempts to incite national hatred to create the ground ushering in facism. We must promote unity between white and minority workers through the struggles against the lay-offs and cuts in social programs; build a united front that is broad; and most importantly, use the budget cut issue to propagandize and educate the workers about the dying capitalist system and the need for socialist revolution as the only solution.

Our enemy in fighting the budget cuts is clearly the bourgeois state apparatus-- the federal, state, and city governments representing the interests of monopoly capital. The main force in the struggle is the multinational working class along with the

oppressed nationalities affected most. The direct reserves are the petty-bourgeoisie and the indirect reserves include the contradiction between certain of the class-collaborationist labor leaders and the government, the contradiction between program administrators and the government, and the contradictions between the various levels of government.

The key thing in our fight to defend the standard of living is the building of the mass movement in a revolutionary way by mobilizing the masses to fight the cutbacks and layoffs. By doing this, we can strike heavy blows at the monopoly capitalists and raise the fighting spirit of the masses. If we don't, the masses will be increasingly demoralized and ground down by the attacks on them.

The main force: the working class and the national minorities. The working class has long suffered from the inflationary policy of the government. The Nixon government, through its wage/price controls and the Ford government's promise of higher unemployment and wage guidelines clearly is shifting the brunt of the crisis onto the backs of the working class. Real wages have been declining, and workers across the country have been carrying out militant strikes and wildcats against the wage-price controls and against the layoffs.

The Black, Puerto Rican and Asian communities are also part of the main force. Cuts in the anti-poverty programs, educational programs, in low-income housing, and health services hit the minority communities the hardest. Faced with bleak job prospects, the further deterioration of living standards caused by rampant inflation, the intensification of social decay in terms of crime and drugs in the community, and most importantly with increased police repression, the national minority communities will often be in the vanguard of the struggle against the budget cuts.

Included in the direct reserves are the petty-bourgeoisie who are affected to a great extent by inflation and the tight money policy of the government. They are steaming with discontent and demand that the government "do something" to preserve or improve their standard of living. Small capitalists among them have especially been hit by the tight money policy which prevents their expansion, and the recession which cuts their income, and having them suffer serious losses or even bankruptcy. We should prevent the monopoly capitalists from using their discontent to blame the workers for inflation and the economic crisis (as they always do in the mass media) or to blame the oppressed nationalities. We should point out that it is the government's policy that has benefitted the monopoly capitalists, and has severely hurt the working class and the petty-bourgeoisie.

Union leadership in this country have long been the labor lieutenants of the bourgeoisie and have collaborated with the inflationary policies of the monopoly capitalists. The inflationary crisis and recession has reduced the possibility for the monopoly capitalists to make more concessions to the unions as they have done so often in the post-war period. The wage-price freeze has sharpened the contradiction between the reactionary union leadership and the government and capital, due especially to rank-and-file movements and pressure. Forced by the increasingly militant struggles of the rank-and-file workers, the union leadership has had to denounce the wage-price controls and call for tax cuts for the "lower and middle" income

families, and for higher taxes for the "upper" incomes and the corporations. However, if the union leadership compromises with the administrations of the government, we should utilize the issue to further expose the nature of the labor aristocrat union leadership in order to win over the workers to the cause of socialism.

Local administrators --the heads of hospitals, agencies, schools, etc., are also facing significant difficulties in the budget cuts situation. Because they have to cut down expenses and run the programs with fewer funds, they have to lay off staff, cut various programs, and lower the amount of available services just at a time when the need for them become more pressing everyday. These problems confronting the administrators are the bases for contradictions and the city, state, and federal governments. We should try to exploit these contradictions, pressure the administrators to fight against the layoffs and cutbacks, and demand more money and positions for their programs.

Although the city government is one of the main targets of our attack, it also has contradictions with the state and Federal governments. New York City has long suffered from budgetary crises and the intensification of class struggle. The tax base of the City has shrunk as the corporations, industries, and the petty-bourgeoisie flee the city, and the budget has become increasingly dependent on Federal and state aid. In fiscal year 1974-1975, for example, 15 per cent of the budget was financed by Federal and 18 per cent from state funds. Cuts at the Federal and state levels, therefore, would immediately precipitate a budgetary crisis and would undermine the political "popularity" of the city government. We should demand that the city government fight the budget cuts at the Federal and state levels, and demand more jobs for the city. We must, of course, constantly educate the masses about the inability of the city or any other government to alleviate the crisis. Again, we should support the city government like a rope supports a hanging man-- supporting it in order to expose it

The struggle has already begun. Municipal workers in San Francisco and Baltimore have already waged successful strikes; in New York 2,000 parents demonstrated against cuts in day-care funding in July; the Human Resources Administration in New York held a demonstration against government cutbacks affecting social service agencies and programs. As communists we must lead and link up these struggles, consolidating the advanced elements from these struggles, and educate

" the masses in a Marxist-Leninist revolutionary spirit, ceaselessly raise their consciousness and undertake the historical task of the proletarian revolution...."

(A Proposal Concerning the General Line of the International Communist Movement, p.19)

* Galloping inflation is used to describe an inflation that would lead to the stagnation of, or even paralyze the social production of capitalist countries. This is because the real income of workers will further decline, workers will fight back against the attacks on them, and consequently strikes will increase both in number and in scope, etc. The masses and the consumers will also be hit hard by the inflation. People will tend to purchase goods, especially gold and jewels, art products etc. because of the rapid depreciation of money (of course this is mainly referred to the capitalists and the well offs, however workers and petty bourgeoisie will also hoard goods whenever they can afford to) When the price of industrial materials increases faster than the finished products, then the capitalists will stop producing and hence a total paralysis of the social production. (Economic Reporter, Jan. 16, 1974)

