The Economic Situation U.S.A.

A Marxist Analysis

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CONTENTS

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INTRODUCTION

> "....the economic structure of society always furnishes the real basis, starting from which we can alone work out the ultimate explanation of the whole superstructure of juridical and political institutions as well as of the religious, philosophical and other ideas of a given historical period." (Friedrich Engels, Socialism, Utopian and Scientific)

Historically, the key to the development of capitalist society in general is to found in the operation of the laws of capitalist accumulation, as laid bare by the founders of historical and dialectical materialism, Karl Marx and Friedrich Engels.

Within the context of these laws, the real key to world politics since 1917, is to be found in the social earthquake which smashed the capitalist economic structure of old Russia and established the Socialist economic structure of the U.S.S.R.

Within, and in accordance with, this context of world politics, the key to United States domestic politics of the past thirty years is to be found in the economic earthquake which produced the stormy class struggles of the Great Depression of the 1930's.

Of course, this key must be used, not mechanically, but according to the principles of dialectical and historical materialism. Nevertheless, the understanding of, the development of the economic structure, i.e., of production relations - this remains the key.

It necessarily follows, according to the logic of class struggle, that bourgeois political economy - from the "Madison Avenue" school to the "Left"-conciliationism of the old Communist Party leadership - today takes as its paramount and guiding concern to prove:

1) that present-day U.S. people's capitalism is fundamentally different and cured of the defects of the capitalism studied by Marx and Engels.

2) that the general crisis of world capitalism, which became full-blown with the October Socialist Revolution of 1917, is merely a figment of Marxist-Leninists' imagination.

3) that U.S. capitalism has, by Congressional enactment, established "built-in" guarantees against the recurrence of severe economic crises.

The nine articles collected here appeared February to October, 1959, as separate monthly installments, "On the Economic Situation" in the VANGUARD, organ of the Provisional Organizing Committee for a Marxist-Leninist Communist Party. Statistical sources, where not otherwise specified, are publications of the Federal Reserve Board and U.S. Department of Commerce. In some instances, the original statistics have been altered to provide the latest figures available at the time of this printing.

Our aim was to defend and apply the principles of Marxism-Leninism in general, and in the field of political economy, in particular, in the struggle against bourgeois ideology, in general, and Keynesian and revisionist economics in particular.

Working people, Negro and white, know for a fact that the recession is not over, that the "recovery" so far is about 90% propaganda. For them, we hope these articles will help explain the meaning of this fact, in order that they may be ideologically better armed in the sharpening class struggles now at hand. It is our hope also that many of them will become convinced Marxist-Leninists, themselves.

As for the capitalists, from the ruling monopoly circles on down, as well as their opportunist supporters, they are psychologically incapable of fully understanding the real situation, because of their particular class interests and ties. For our part, we could hardly care less. They are not the ones who will determine the future of U.S. society.

However, the underlying "economic structure" is once more being raised to the surface of day-to-day political concern. So perhaps, even among the bourgeois economists, the intrusion of the realities of capitalist economic contradictions will, where our poor arguments fail, teach them a little more modesty when they speak of "old" Karl Marx.

These articles are the collective product of a movement of workingmen and workingwomen, employed and unemployed. We are aware that the limitations on our time, sources and facilities account for many shortcomings of preparation and presentation of our materials.

But the condition of our weakness is also the condition of our strength - our proletarian instinct and our unwavering determination to vindicate the science of Marxism-Leninism for our country. And if we successfully implement that determination, we shall make no further apology for disabilities imposed upon us by our class position in capitalist society.

M.P.

September 28, 1959

I. RECESSION NOT OVER

After seven months of "recovery" claims, the monopoly capitalist rulers of our country have given the workers a 1959 New Year's present of mass unemployment greater than it was a year ago.

From the security of their government and editorial sanctuaries the high priests of finance capital assure us, however, that the present high level of joblessness is merely a "temporary inconvenience" which the American working class should bear with good grace. Here is a typical example of the official "explanation" in this connection:

"As expected, in a recovery several factors hold down the pick up in employment. For one thing, before employers rehire laid off workers, they restore to full time, workers who have been on part time. Moreover, the sharpening of production efficiency that occurs in recession inevitably means that some jobs of the laid-off workers have been eliminated." (Views of U.S. government economists cited in New York Times, November 16, 1958.)

All that, and a token will get you a ride down to the unemployment or relief office. But just for the record, let's briefly reflect upon this offering of mid-20th Century U.S. monopoly capital "political economy".

First of all, they speak of a "pick up" in employment, and in the very next breath estimate (even by the government's official figures) that between October, 1958 and January, 1959, unemployment will rise by 18 per cent (from 3.8 to 4.5 million). Some "pick-up"!

By December, 1958, it was reported past the 4.1 million mark.

Secondly, in connection with their reference to part time employment: In their eagerness to assure us that there is no real cause for alarm in the present level of unemployment, they are forced to reveal the lie they have been telling all along. They now confess what labor has charged for many years: That government figures are deliberately falsified to conceal the real extent of unemployment. A most recent example of this charge was a study made by the International Longshoremen's and Warehousemen's Union. It showed how government figures of unemployment totally ignore the factor of part-time employment. The West Coast union showed that this factor alone ("Full-Time Equivalent Among Those Involuntarily Working Part Time for Economic Reasons") would add about one-third to the official figure. This factor, together with one other ("Hidden Unemployment Among Those Which the U.S. Census Excluded From the Labor Force") raised the actual unemployment for the month of June, 1958, for example, from 5.4 million (given in government statements) to an actual level of 8.2 million!

Thirdly, the government economists "explain" to us, perhaps with a sigh, that some workers can never get back their old jobs; they have been "eliminated" by "the sharpening of production efficiency that occurs in a recession." Only in a recession? Even such anti-labor sources as the President's Economic Report for 1958 and the Federal Reserve Board (in an unpublished analysis by Murray Wernick, cited in the July, 1958 issue of Economic Notes) admit that in the ten-year period 1947-57, the productivity of manufacturing workers increased on an annual average of 3.24% (the President's estimate) or 3.70% (the FRB figure). Their figures show an increase in man-hour productivity for every year of the period, prosperity as well as crisis. Of course, it is true that the index of productivity does reflect the various phases of the economic cycle, with the sharpest gains in man-hour output being made under the "stimulus" of high unemployment. For instance, in 1949-

50, and in 1954-55, the average annual rate increase in the productivity of labor was 8.4% and 7.2% of the 1947 base. Using the same base year and extending the productivity index in manufacturing in keeping with the estimate of Business Week (September 20, 1958) the productivity figure for the fourth quarter of 1958 would be about 9.5 points above the corresponding period of 1957! (Note: A New York Times account, July 26, 1959, stated as follows, under the heading "More Production and Fewer Jobs": "In the last eight years American production of durable goods has risen 27 per cent but the number of workers making them has dropped 511,000. In the same period production of non-durable goods has gained 35 per cent but the number of workers producing them has fallen 988,000." M.P.)

That is why it was no exaggeration for the United States Commissioner of Labor Statistics, Ewan Clague, on November 6, 1958, to say that even if production were to return to the previous prosperity level, employment would not because it would still leave those thrown out of work by increased productivity and the normal increase of 700,000 or 800,000 per year. Karl Marx, 110 years ago in his famous "Wage - Labor and Capital", exposed and analyzed this tendency peculiar to capitalism where: "The fastest possible growth of productive capital is, therefore, the indispensible conditions for a tolerable life to the laborer." (Chapter VI)

Thus, when the bourgeoisie takes even slight note of this effect of capitalist "progress" on the life of the worker, they are confessing the failure of their endless "refutations" of Marx, who first revealed that:

"The law by which a constantly increasing quantity of means of production, thanks to the advance in the productiveness of social labor, may be set in movement by a progressively diminishing expenditure of human labor power, this law, in a capitalist society - where the laborer does not employ the means of production, but the means of production employ the laborer - undergoes a complete inversion and is expressed thus: the higher the productiveness of labor, the greater is the pressure of the laborers on the means of employment, the more precarious, therefore, becomes their condition of existence..." (Capital, Vol. I, Chapter XXV, Part 4)

"FIGURES CAN'T LIE, BUT LIARS CAN FIGURE"

The worst deception of all, however, that is being attempted in relation to the current economic situation is the fiction to the effect that the cyclical economic crisis - depression period is over and that "The economy is in full swing of business recovery," as Mr. Clague for instance puts it.

And, now, we hear it from the President's 1959 Economic Report to Congress: "A recovery began in May, 1958 and by the end of the year most of the ground lost had been regained...The events of the last eighteen months show again the considerable capacity of our economy to resist contractive influences and to hold a downturn within fairly narrow limits."

In order to support this "prosperity-is-just-around-the-corner-happy-days-are-here-again" argument, its supporters resort to typical methods of vulgar political economy: pragmatism and one-sidedness.

They emphasize secondary aspects of the economic picture simply because these seem to serve their "recovery" argument. On the other hand, they de-emphasize, ignore or distort other basic and decisive elements in the current economic situation, simply because these cannot be made to support their thesis.

They emphasize the rise in the gross national products from an annual rate of 425.8 billion dollars for the first quarter of 1958 to an estimated $439 billion in the third quarter.

Gross national product for the 4th quarter of 1958 is now reported to have increased to an annual rate of $457 billion. But for the year as a whole it still was only $442 billion compared to $443 in 1957. But they de-emphasize the fact that some 60% of this "recovery" simply reflected price increases, largely monopoly price boosting. "In the third quarter of 1958, the current dollar GNP had regained about two-thirds of its prior decline; in real volume terms, about two-fifths of the loss had been made good." (Article in U.S. Department of Commerce Survey of Current Business, December, 1958)

They point to the rising index of stock market prices, now at or near all-time highs. But they ignore the fall in bond prices (i.e., the rise in interest rates), a development which shows that the capitalist speculators are motivated not so much by a confidence in stocks, as by a lack of confidence in bonds; not by a stronger confidence in capital in its commodity forms, but by a weakening of confidence in capital in its money form.

They point to the rising volume of warmaking expenditures by the U.S. government as an economic stimulus. But they soft-pedal the financial crisis which is being created by their cold-war spending, by their placing of the government credit at the disposal of a handful of imperialist billionaires. This question of the developing financial crisis and its significance for the class struggle we shall reserve for further discussion later. (See Parts VII and VIII)

But when a country is operating in the international market with a weakening dollar now challenged by a freely-convertible British pound and by a devalued French franc now looking the dollar straight in the eye at the official exchange rate; and when U.S. gold reserves fall by more than ten per cent in less than nine months (February to November, 1958), it is obvious that "something will have to give." If England in 1957 and France in 1958 bankrupted the pound by monopoly dictated policies, then our turn will come, too, and for the same reason. But who, then, will there be to lend the U.S. Treasury a sum comparable to the $375 billion and other loans which the British got from the U.S. in the late forties? Or will the attempted solution take more the form now being advanced by fascism in France?

Certainly, the economic situation of the last year, or, indeed of the entire period since the beginning of World War II can be understood only by taking into account the expansion of the government credit as a factor of key importance. But if we are to avoid the one-sidedness of vulgar political economy, we must keep two things in mind regarding the expansion public debt: 1) it has its negative as well as its positive economic consequences; and 2) it does not mitigate, but rather it aggravates and expands the scope of the contradictions which give shape to the capitalist economic cycle. (See Parts VII and VIII)

They point to the rise in the Federal Reserve Board index of the physical volume of industrial production from 126, in April, to 142 in December, 1958, with an average for the year being about 134 (1947-49 - 100). But they ignore the significance of the expansion of productive capacity since 1953, the first year in which industrial output reached 134. From the end of 1953 to the beginning of 1958, $127.6 billion was spent on new plant and equipment. (Survey of Current Business, February, 1958)

An idea of the proportions of this expansion can be had from the following: From the end of 1953 to the beginning of 1958, in U.S. manufacturing (which accounts for ninety per cent of the industrial product on index) more than $53 billion was spent on new plant and equipment (U.S. Department of Commerce figures). This amount represented more than 85% per cent of the net value of all existing property, plant and equipment of all manufacturing industry in the United States. (National Industrial Conference Board Economic Almanac, 1958)

Further on in this article we shall cite bourgeois sources to show that the productive capacity of basic American industry is overexpanded from 25% to 50%. (See Part III) Those figures show that whereas output in 1958 was no more than about what it was in 1951, this level of production represented 95% of capacity before, now represents only about 71% of capacity (12 basic industrial materials). The significance of these contrasting ratios is obvious: a year of 95% of capacity operation is almost sure to explode in expansion of fixed capital investment; a year of 71% of capacity operation is almost sure to lead to a period of stagnation.

They point to the relative strength of construction activity which rose from a level of $3.9 billion in May to $4.3 billion in October. But they are constrained to leave out of account these facts: 1) The $1,850,000,000 made available under the so-called "anti-recession" Emergency Housing Law for government purchase and guarantee of housing mortgages has been used up; and 2) Industrial construction declined every month from September, 1957 to October, 1958, a total of 40%. (From a level of $290 million to $165 million). (In November, 1958, it has risen to $167 million, and in July, 1959 still stood at only $170 million - M.P.) This figure is important not for its relative size but as an index of expenditure of fixed capital.

They point to the relative strength of the index of disposable personal income, up by $5.3 billion from the third quarter of 1957 to the third quarter of 1958, a gain of 1.7%. But they disregard the meaning of these facts: 1) in the same period the consumers price index increased almost twice as fast, i.e., 3.1%! and 2) according to the Survey of Current Business, no less than 5.2 billion of the $5.3 billion increase was accounted for by the increase in government transfer payments (such as old-age and survivors' insurance, unemployment insurance, and others), the very type of expenditures which either the threat of inflation or direct reductions make most unstable. Surpluses can never be liquidated on the basis of a dollar of reduced purchasing power in the form of the pittances grudgingly issued to the unemployed and pensioned workers.

They point to a narrowing of the gap between total inventories to sales by some $4.6 billion in the first nine months of 1958. But they remain silent about the implications of the $1.8 billion decline in exports (second quarters of 1957 and 1958); the $2.0 excess of redemptions over sales of U.S. Savings Bonds during the first nine months of 1958; and, that as of last September 30th, the U.S. government had $7.5 billion invested in "surplus" farm products, $645 million more than a year earlier.

A NEW "SCHOOL" OF POLITICAL ECONOMY

In the history of political economy, we have had various schools: the Thomist feudal anti-usury school, the physiocratic school, the mercantilist school, the classical school (Smith, Ricardo, et al) etc.

"Classical political economy", said Marx, "nearly touches the true relation of things, without, however, consciously formulating it. This it cannot, so long as it sticks in its bourgeois skin." (Chapter XIX, Vol.I, Capital) Marxism freed political economy from its bourgeois skin, vindicated it as a science, and placed it in the hands of the workers as an instrument of struggle for higher wages better working conditions, shorter hours, for democracy and for socialism.

For that very reason, however, ever since Marx, bourgeois political economy has devoted itself to attempting to give this "empty skin" the appearance of life, of a connection with scientific content. Such a morbid preoccupation inevitably led to a degenerating line of development. Today, out of the particular setting of American imperialism, in the time of the second stage of the general crisis of capitalism and of triumphant socialism, is born the lowest of this descending order of bourgeois ideological development. We call it the Madison Avenue school of political economy, not because of its physical location, but because of its guiding ethics.

The Madison Avenue school of political economy devotes itself to turning out "commercials" for imperialism, particularly the American brand. Its attitude toward scientific political economy is the same as the advertising agencies' attitude toward medical science, for example. The possibility that cigarette-smoking causes lung cancer is simply made the basis for putting forward "scientific" claims of the effectiveness of "filter tips". In like manner, the fact that imperialism is forced to throw into the breech its ultimate reserves in its desperate and unequal competition with world socialism and its own internal contradictions - this is made the basis for "scientific" claims for the "stabilizing" effect of direct and indirect government subsidies to private monopoly capital.

The current official line that "the recession is over and we are in the full upswing of recovery" - this is nothing more nor less than the theory and practice of the Madison Avenue School of political economy. We should treat, therefore, with the same skepticism these emanations from the advertisers of capital as that with which we regard the huckster-cries from the "capital of advertisers."

What then, is the truth about the present economic situation? What do the basic factors indicate for 1959? What is the effect of government spending? Why and how Marxist-Leninists can and must take up the challenge of the "fiscal conservatives", the Keynesians and the revisionists in the field of political economy in relation to the present economic situation - and, what are the basic requirements of a working class economic program of "self-defense"? These and other questions will be discussed in the remaining sections of this series.

II. THE "OFFICIAL THEORY" AND "THE OPPOSITION"

The official line of the bourgeoisie, as advanced in the President's 1959 Economic Report (p.133) is that "....the recession may now be regarded as having ended in April (1958)." At the same time, the line of the "back-benchers" and of some of the "opposition" may be said to be, "Yes, but the recession was ended by increasing government expenditures."

The one line is worthy of the other: For, on the one hand, the recession is not over; and, on the other hand, government spending cannot (contrary to Keynes) suspend the law governing the cyclic motion of capitalist economy.

The government economists speak of a few "weak spots", such as "employment, investment, capacity utilization and a number of other factors." They cite the hoped for "high consumer spending," "the resumption of rising business expenditures for plant and equipment," and " a further slowing down in the rate of inventory liquidation and then a resumption of inventory build-up." On this basis they assure us that "the economy is now in the full swing of economic recovery." (Government economists' views cited in New York Times, November 16, 1958)

RAG-TAG "THEORY" FOR BOB-TAIL "FACTS"

As far as the theory of political economy is concerned, the view of the government economists, as set forth in the President's Economic Report (1959), may be summarized as follows:

"Inherent features of our economy" which (they contend) brought about a "good recovery" were

- a) "our free competitive institutions of saving, banking and finance";
- b) "the character of our people" as expressed in
  1) "their industry and resourcefulness"
  2) "their capacity to take a confident and balanced view of the nation's economic prospects";
- c) "long-term structural change in our economy such as
  1) "the increased proportion of American workers being employed in industries and occupations not readily affected by economic downturns"
  2) "the business practices of long-term planning for the enlargement of operations."

In addition to such "inherent features", the government cites the "recession-resisting" effects of such elements of "our economy" as

- d) unemployment compensation payments
- e) the system of graduated personal income taxes.

Having drummed up such a bob-tailed array of one-sided "facts" (which we discussed in the previous chapter) the government economists have with perfect consistency, generalized their "facts" with a rag-tag "theory".

Points "a", "b" and "c" were just as "inherent" in our economy in 1929 as they are in 1959. The only differences are that there have been

- a) a vast growth of monopoly domination of industry and finance;
- b) the emergence of American imperialism as "leader of the free world" and the corresponding development of state monopoly capitalism, which more and more directly subordinates the government to the interests of a handful of large corporations;
- c) a steady increase of economic parasitism, including non-productive economic activities.

If the inherent qualities of American imperialism could not prevent the depression of the 1930's, then the extended development of these same inherent qualities cannot be cited as a guarantee of the ability of "our" economy to "resist contractive pressures."

As for points "d" and "e" it is of undeniable historical interest that a President, who so faithfully incarnates the spirit of Herbert Hoover, finds it proper today to boast of unemployment insurance and the graduated personal income tax as "recession-resisting factors of our competitive economy." It is well known that it was radical workers, Socialist and Communist, and liberal bourgeois "egg-heads" (as they are contemptuously called by the reactionaries) - it was these whose agitation and struggles were responsible for the passage of these measures. On the other hand, it was the spiritual forefathers of our current government economists who decades ago swore before God that the graduated income tax and unemployment insurance would destroy "free enterprise".

As comforting as such observations may be, however, it would be a mistake to think that these measures - aimed at taking from the rich and giving to the poor - could promote the cyclical recovery of capitalist profit-making. If proof of this is wanted, it is sufficient to note that the bourgeoisie (liberal and reactionary) are pursuing today the policy of reducing unemployment compensation (through liquidating the emergency federal payments for extending state benefits 13 weeks) and of shifting the tax burden even further than it has been already from the rich to the backs of the working people.

But the most significant aspect of the theory of the Economic Report is its consistent adherence to the theme that government spending is a secondary and non-essential factor in the current economic picture.

The significance of this theme in the President's Report lies in the following:

1) It tends to conceal the extreme development of state monopoly capitalism and economic parasitism which characterize American imperialism today.

2) It serves to enhance (by contrast) the "opposition" pose of Keynesians of all kinds, the reformists and revisionists whose common denominator is the belief in the ability of the government to control the economic cycle.

SERIOUS THEORETICAL CHALLENGE

Within the ranks of monopoly capital, however, there are those who sharply emphasize the question of government spending because they are worried over the inflationary effect that increased deficits may have upon money-capital. These the "fiscal conservatives", stress the very factor which the Economic Report underplays, the effect of government spending on the economic situation in 1958. We cite two examples:

Speaking of the first-to-third quarter rise in gross national product, the business investment advisory organ Moody's Stock Survey, October 20,1958, stated: "The entire rise....could be accounted for by government spending." It showed that while during that period the annual rate of gross national product rose by only $14 billion, the Treasury rate of spending increased by $16.7 billion. (Cited on Labor Research Association Economic Notes, November, 1958)

The August issue of the New York Federal Reserve Bank Review opined that "much of the explanation" of "the favorable turn of events....is to be found in the massive support provided by the Government sector...." Within nine months, the Review declared, "....the Government sector turned from a net saver with a $3 billion annual surplus to a net spender with a deficit of $12.5 billion."

The same theme is stressed from another quarter. The "socialist-minded" National Guardian, (Jan.12, 1959) carried an article by the well-known and respected economist, Victor Perlo, calling "military spending key to economic upturn."

In insisting upon the decisive importance of increased government spending in 1958 economic developments, these writers are absolutely correct.

But when the fiscal conservatives or even the "socialist-minded" conclude that this increased government spending has produced a cyclical recovery - then we part company with them.

We believe that the well-known Marxist-Leninist economist Eugene Varga was correct in his comment on this question:

"What can anti-crisis measures of the United States government contribute toward overcoming the crisis? It would be incorrect to say that government measures cannot exercise any influence on the crisis. But it would be even less correct to say that such measures can stop the deepening of the crisis." (Problem of the Post-War Industrial Cycle and the New Crisis of Overproduction," by Eugene Varga, June, 1958, p.21)

The "recovery-by-government-spending" argument represents an inescapable challenge to Marxism on the ideological front. This is a more serious problem than that posed by the falsified official press release. It has been made more serious yet by the cumulative effect of revisionism and concilationism in the field of political economy as practiced by the leadership of the old CPUSA. Yet, it must be tackled by Marxists or else the defense of not only the Marxist theory of economic crisis, but of political economy in general becomes impossible. Marxists-Leninists must take up this challenge for the alternative is surrender to Keynesism, the theory of "balanced economic growth" through monopoly capitalist state intervention in the economy.

LEGISLATION BILLS VS. ECONOMIC LAWS

For that reason we are forced to take issue with the theoretical line advanced explicitly and implicitly in the Perlo article in regard to the current economic situation. Perlo begins his article by saying:

"Last March I wrote that the decline then under way was a real crisis of overproduction. That was correct....I wrote that hard times would last for two or three years. That holds up (remains true - M.P.) for workers.

"But," he continues, "I expected the downturn to last longer and wrote that it would be followed by a depression, with output staying at or near the low point. That was inaccurate."

Instead, he states, the economy emerged from the crisis of overproduction and entered the recovery phase, without a period of stagnation (depression). This is not, he emphasizes, a mere fluctuation in the context of a general decline, declaring that "The recovery went beyond the bounds of a 'pause on the way down.'" The recovery he explains thus: "Military spending and action was the key to the recovery."

One is compelled to conclude that Perlo is advancing the following theoretical propositions:

1) that laws made by legislative enactment can supercede economic laws of development;
2) that a capitalist cyclical crisis can be cut short and turned into a

recovery simply by the will of the bourgeoisie;
3) that the U.S. bourgeoisie has found a way of eliminating the stagnation phase of the economic cycle.

Before going into the theoretical polemics, however, let us raise another question, though briefly. Let us assume that Perlo is right, for the moment. Then what is to be the situation for the next year or two? Profits for the companies will go up. Government spending for armaments will be high since this is "the key to the recovery". But there will be "two or three years hard times for the workers" (this part of his prediction Perlo says remains valid).

The obvious question in contemplating such a prospect is: What makes Perlo think the workers will submit to such a situation? Yet, on the other hand, if they do not submit, the entire perspective suggested by Perlo vanishes in air. In short, if one seeks to substitute the program of the capitalist class for objective economic laws - then he must be prepared to allow equal status to the program of the working class. This seems scarcely to enter into Perlo's picture of things, except in a few concluding vague rhetorical questions in his article.

But, for Marxist-Leninists, the guiding theoretical principle is this: <u>Economic laws operate independently of the will of either capitalists or workers. It is impossible to supercede these laws with "programs" - government arms spending programs being no exception</u>.

Perlo's theme from beginning to end is precisely the contrary: That the program of military spending is all-decisive, not only for the past year but also for the future. He cites three possible prospects for future economic developments, each one of which depends upon the decision of the bourgeoisie:
1) "Should the free-spenders win out, a more feverish semi-prosperity is in prospect...."
2) "Should the fiscal conservatives get the upper hand, declining tendencies will soon reassert themselves...."
3) "With a <u>compromise in policy</u> (our emphasis - M.P.) the life expectancy of the recovery will not be very long, and its chances of reaching a new peak not very good."

As between prosperity - even a "feverish semi-prosperity" - and an economic crisis, who would hesitate? Perlo does warn that such a prosperity "would not prevent another crisis of overproduction within a few years." But is that not what Perlo said we had last March? If "military spending" pulled the economy out of a crisis of overproduction in 1958 (which is Perlo's theme), then why can it not do it the next time, with the cost being paid, if necessary, out of the accumulations of the intervening "semi-prosperity"?

If the question of a depression <u>now</u> or a depression <u>later</u> were merely a matter of a choice of policy of the bourgeoisie, then no capitalist - whose competitive life depends upon the most rapid turnover of his capital - would lose a second from the mad drive for <u>present</u> profits in worrying about tomorrow's <u>possible</u> crisis.

Yet, such is the very implication of Perlo's counterposing of the line of the "free-spenders" to that of the "fiscal conservatives." To say that the differences between these two groups is rooted in their opposing views regarding the dangers of inflation - so much is correct. But to attempt to project this further as a controversy among capitalists over whether to have an economic crisis 'soon' or 'within a few years' - such a theory is alien to the Marxist science of political economy - and to any other brand of sound logic.

FISCAL CONSERVATIVES

Furthermore, it is a most serious and potentially harmful error to imply, as Perlo does, (or at least to give grounds for the inference), that "the war danger will increase" only if the "free-spenders" win out in the policy argument among the monopolists. Their "family quarrel" with the fiscal conservatives are merely differences over the policy of deficit financing vs. pay-as-you-go; or, inflation vs. "sound-money". The following quotation from the Wall Street Journal, one of the most eminent spokesmen of the fiscal conservatives, illustrates this point perfectly:

"Many people think the increase (in government spending -M.P.) comes from increased spending for defense....But certainly it is not correct - or honest - to blame increased defense spending for bigger and bigger budgets." (Editorial, Nov. 11, 1958)

The editorial identifies the fiscal culprits as federal expenditures for "labor and welfare", education, veterans, farmers, etc. Is that not almost the line of the newly proposed Eisenhower budget?

It is wrong to advance a thesis whose logic would lead the peace movement to expect to find allies among the "fiscal conservatives."

Again, the question which divides the "free-spenders" from the "fiscal conservatives" in the ranks of monopoly capital is not whether to spend for prosperity or to save. Rather it is merely how best to put the burden of the present and continuing recession on the shoulders of the masses, Negro and white, whether that be accomplished by the "indirect" method of inflation and more or less "hidden" tax increases; or by the "direct" method of wage-cuts and increased withholding taxes and sales taxes; or a combination of the two methods.

The "free spenders" cannot give the country prosperity, "semi" or otherwise. And the "fiscal conservatives" will not serve the cause of disarmament and peace, any more than the "free spenders" will. (See Chap.VII for further reference to Perlo's view)

THREE KEY THEORETICAL PROBLEMS

We have thus far relied upon certain assertions about "economic laws of capitalist development", "phases of the economic cycle", and "the Marxist science of political economy". We have felt free to do so since the Guardian article also assumed a degree of familiarity with such concepts on the part of its readers. We hope by sounding such fundamental chords to arouse our readers to an awareness that what might appear to be subtle or insubstantial points of theoretical difference, in this instance, lead to irreconcilable differences over precisely those fundamental concepts. Now, however, we must prove that such is the present case and that our theory is sound while that of the Guardian article is wrong.

For that purpose we shall focus our attention on three key theoretical problems: 1) The current economic situation in relation to the Marxist theory of the capitalist economic cycle, 2) The effect of government spending on the economic cycle; and 3) The effect of the general crisis of world capitalism on the economic cycle today.

II (2) THE MARXIST THEORY OF THE ECONOMIC CYCLE

The economic laws of the capitalist process of production (or, more correctly, re-production, since it is constantly repeating itself) arise out of its basic identifying contradiction: Private appropriation (the exercise of the right of private property over the newly-produced values) vs. socialized production (the development of a world-wide division of labor based on mass methods of cooperative effort and an almost all-embracing system of exchange of activities among increasingly interdependent producers.) The reader can already see that capitalist appropriation necessarily contradicts the free development of the exchange of the activities of the producers.

The basic contradiction inevitably is manifested in the struggle between the two main classes which stand opposed to each other in the capitalist relation of production - the workers vs. the capitalists.

The basic contradiction is also manifested in the "anarchy" of production - the impossibility of planning social production.

- PROFIT-MAKING ONLY CAPITALIST MOTIVE -

The "private appropriation" - profit-making - is the controlling, the all-dominant motive for the capitalists. That is the cause for their ceaseless hour-by-hour pressure on the life and labor of the working people of town and country. The workers unite to resist this regime of speed-up and chiseling. But the capitalist class uses not only the police, press, and pulpit against the workers, but also turns the instruments of labor themselves, against us. Automation is just the most recent development of this typical method of cutting the capitalist's wage bill,increasing profits at the expense of wages. The capitalists fight against high wages by raising the productivity of labor.

The same profit motive drives the capitalists, individually and in rival groups, to an unrelenting internecine war of competition. The basic instrument of struggle here, again, is raising the productive power of labor through new instruments and techniques of production.

Under these conditions, production of goods grows much faster than the means for disposing of these goods (that is to say, for disposing of them at a profit to the capitalists). Under socialism, of course, production may grow faster than consumption, but since products are socially appropriated the excess products and capacity can easily be turned into the form of shorter hours, higher material standards of living, and improved cultural facilities. Any critical imbalance between production and consumption under socialism is made impossible by pre-planning on a nation-wide scale.

But under capitalism the bourgeoisie will have its right of profit though babes may starve for it. So, when periodically, capitalist production and productive capacity have grown too far beyond the market requirements for goods, then there is a crisis of production, of overproduction. Orders are cut, workers are laid off, plants are shut down.

MARXISM REJECTS "UNDER-CONSUMPTION"

It is absolutely essential to remember what is fundamental - the contradiction between private appropriation and socialized production. The cause of the crisis is not primarily that the workers produce too much nor that they cannot "buy back" enough - these facts are secondary expressions of the fundamental contradiction.

Here we remind our readers of the well-known comment of Marx in this connection:

"It is a pure tautology," wrote Marx, "to say that crises are caused by the scarcity of solvent consumers, or of a paying consumption. The capitalist system does not know any other mode of consumption but a paying one, except that of the pauper or of the 'thief'. If any commodities are unsaleable it means that no solvent purchasers have been found for them, in other words, consumers....But if one were to attempt to clothe this tautology with a semblance of a profounder justification by saying that the working class receive too small a portion of their own product, and the evil would be remedied by giving them a larger share of it, or raising their wages, we should reply that crises are precisely always preceded by a period in which wages rise generally and the working class actually gets a larger share of the annual product intended for consumption." (Capital, Volume II, pp.475-76)

If we keep in mind this key point of Marxist theory, we shall be able to contend successfully with the reformist crisis theories of "underconsumption" and "disproportionality".

The economic crisis performs the function of checking the previous trend - the crisis cuts consumption, true, but it cuts production, productive capacity and stocks of products physically and in terms of prices even faster than it cuts consumption. All this helps to close the gap between production and consumption but it still leaves the absolute level of the market at the same low point.

DEPRESSION - THE STAGNATION PHASE

Under such conditions a period of low-level production and consumption sets in - a period of stagnation or "depression". Consumption approximates production but the scale is low.

Since in a depression mass consumption reaches its lowest level, how is the market rejuvenated? How is the demand made to pick up and to run ahead of supply? Obviously, it must be done by some means which puts a very large amount of values in the form of money into circulation without an equal, or greater amount of commodities appearing at the same time. But how?

First, since only the capitalists have "very large amounts of money" it must be they who put it into circulation. Second, since only "long-term" investments in fixed capital (plant, machinery,equipment) have the effect of putting large amounts of money into circulation without bringing almost immediately corresponding amounts of commodities into the market, the necessity for the renewal of fixed capital becomes the turning point from depression (stagnation) to economic recovery.

Of course, the need to buy new plant, machinery, etc. occurs all the time, at all phases of the economic cycle. But the crisis and depression cause a postponement of these expenditures (as much as possible). Finally, the old equipment, by being worn out or superceded by new inventions, becomes economically more costly to profit than replacement would be.

Then, a certain "pent-up" demand for heavy capital goods is released at once, the period of crisis and stagnation is over, and the period of recovery and, possibly, new boom prosperity, is begun.

"....this cycle," wrote Marx, speaking of the life-cycle of fixed capital, "comprising a number of years, through which capital is compelled to pass by its fixed part, furnishes a material basis for the periodical commercial crises in which business goes through successive periods of lassitude, average activity, overspending and crisis....a crisis is always the starting point of a large amount of new investment. Therefore, it also constitutes, from the point of view of society, more or less of a new material basis for the next cycle of turnover.". (Capital, Vol. II, Chapter 9, p.211)

It was Marx, as we know, who made the definitive study of the laws of capitalist production, including the true nature and the significance of the category called fixed capital. But the key significance of the renewal of fixed capital in the determination of the periodicity of the economic cycle - this is generally recognized if not fully comprehended by bourgeois political economy.

On the basis of this capsule review of the Marxist theory of economic crisis, we return to our argument, and pose the following question: Can the development of the United States economy during the last eight months of 1958 be characterized as a cyclical recovery?

The bourgeoisie, in all its parts, answer "yes". The National Guardian answers "Yes". The leadership of the old CPUSA in its typical way speaks out of both sides of the mouth, calling it "a partial recovery" which "promises to be a more or less extended period of depression." (Hyman Lumer, Political Affairs, January, 1959) (See Parts VII and VIII for further comment on Lumer's views.)

We answer "No". It is even possible that the crisis has not hit bottom; production could go even lower in 1959. Of course, a cyclical recovery will eventually and inevitably occur; but that time is not yet. The stagnation phase of the cycle has yet to play its role.

III. FACTS OF CURRENT DEVELOPMENT OF BASIC MATERIAL CYCLIC FORCES

We now focus our attention on three theoretical problems: 1) The current economic situation in relation to the Marxist theory of the economic cycle; 2) The effect of government spending on the economic cycle; 3) The effect of the general crisis of world capitalism on the economic cycle today.

Previously we sketched briefly the analysis of the general characteristics of the capitalist economic cycle as set forth by Karl Marx in Capital. Marx saw the cycle as consisting of four phases: a) "lassitude" (stagnation, depression); b) "normal activity" (recovery); c) "overspeeding" (boom); and d) "crisis."

We declared that, in our opinion, the development of the United States economy during the last eight months of 1958 cannot - in any way consistent with Marxist theory - be regarded as a cyclical recovery. Now we shall present briefly what we consider as decisive facts from the current economic situation which confirm this view.

First off, we must draw a clear line of distinction between actual and "anticipated" fixed capital expenditures as set forth in Table I (see next page). As of mid-March, the latest figures on actual plant and equipment expenditures are those for the July-September, 1958 period, and these show the lowest point on a declining index. Furthermore, while the "anticipations" may turn out eventually to be lower than the actual performance for the six-month period now ending, we are justified in holding certain reservations in this regard because in the four previous quarters, the actual annual rate of these expenditures was revealed to be on an average almost $1.8 billion below the original "anticipations" If the last quarter actual performance when known reveals only half that proportion of error, it will still mark a new low point since the decline began in the middle of 1957.

Even if the "anticipations" are realized, the figures in Table I show that the large-scale renewal of fixed capital essential for cyclical recovery has not begun. (Latest figures (August 1959, S.C.B.) indicate that the actual expenditures were almost exactly equal to the "anticipations" for the six-month period ending with March, 1959. Furthermore, the "anticipations" for the second and third quarters of 1959 forecast a further rise to around $33 billion annual rate. But our statement remains valid. - M.P.)

COMPARISON WITH OTHER CYCLES

Perhaps we should underscore the point we have just stated by making a comparison of the figures from the present situation with those from the recession-recovery periods of four other cycles: 1954-55; 1949-50; 1938-42; and 1933-37 For this purpose, we take the index of expenditures for producers' durable equipment (in constant dollars).

How long was the time-interval between the low-point of this index in each of these periods and the re-achievement of the level of the previous high point? We find that in 1954-55 and the 1949-50 recoveries this time was nine months. Following the low-point of 1938, four years elapsed before the previous peak was reached again. And after 1932, the old high-point of this fixed capital expenditures was never reached before another crisis had occurred. (These conclusions are based upon tabulated material presented in the Survey of Current Business, July, 1958.)

TABLE I

EXPENDITURES FOR NEW PLANT AND EQUIPMENT IN U. S. INDUSTRY

(Annual rates, seasonally adjusted quarterly figures in billions of dollars)

(Source: U. S. Dept. of Commerce, Survey of Current Business)

	1957				1958 (Actual)			1958 ("Anticipated")	1959 ("Anticipated")
	Jan. March	Apr. June	July Sept.	Oct. Dec.	Jan. March	April June	July Sept.	Oct. Dec.	Jan. March
All Industries	36.89	37.03	37.75	36.23	32.41	30.32	29.61	29.93	30.51
Manufacturing	16.12	16.25	16.37	15.27	13.20	11.53	10.86	10.79	11.06
Durable Mfrs.	8.09	8.31	8.23	7.57	6.58	5.57	5.16	5.11	5.35
Non-Durable Mfrs.	8.03	7.94	8.14	7.70	6.62	5.96	5.70	5.68	5.71
Communications, Commercial, etc.	10.76	10.40	10.15	10.21	9.63	9.73	9.85	9.68	9.94
Mining	1.35	1.28	1.24	1.15	1.00	.92	.88	.91	.84
Railroads	1.42	1.35	1.54	1.26	1.02	.77	.63	.59	.54
Transport, except Railroads	1.52	1.82	1.81	1.91	1.69	1.40	1.29	1.64	1.72
Public Utilities	5.72	5.93	6.65	6.43	5.87	5.97	6.10	6.32	6.41

The 1949-50 and 1954-55 recoveries followed interim crises (as the Soviet economists describe them), i.e., crises not followed by a period of stagnation. Recovery was fast. Obviously we are faced with a materially different situation in this regard today. In fact the situation today more closely parallels the crisis experience of 1929 and 1937, each of which saw this fixed capital expenditures index decline by 30 percent within a year.

Today, almost a year after the point (April, 1958) which has been officially designated as the "end of the recession", the index of expenditures for producers' durable equipment remains at,or near, the low-point, i.e., only about 75 percent of the level of the previous high. (First quarter of 1956, $29.1 billion; fourth quarter of 1958, $21.9 billion, in terms of 1954 dollars.)

PRODUCTIVE AND NON-PRODUCTIVE SPHERES

One more comment on Table I.

From the third quarter of 1957 to the third quarter of 1958 the index for "Manufacturing" fell by more than one-third. On the other hand the "commercial" category dropped only 6 percent from the highest point (the fourth quarter of 1957) and then rose in both the second and third quarters.

There is a significance in this contrast: While the differentiation is not strict, generally speaking "manufacturing" activities are economically productive, while those of "commercial", lying in the sphere of circulation, are "overhead", economically non-productive. Only the former (of these two) contributes to the total surplus value. The average rate of profit, as Marxists know, is based upon the relation between the total capital invested and the surplus value remaining in the hands of the capitalists after the expenses of circulation are paid.

A thousand dollars, for example, spent for store fixtures leads to the production of surplus value if wage workers are employed in fabricating and constructing these fixtures. But the use of these fixtures cannot result in any increase in the surplus value at the disposal of the capitalist class. On the other hand, a thousand dollars spent for machine shop equipment not only leads to the production of surplus value by tool workers, for instance, but the use of this new equipment results in the production of surplus value.

"MANUFACTURING" INVESTMENTS MOST DECISIVE

Since profit-making is the be-all and end-all of capitalist operations, the prospects for the rate of profit are decisive. The rates of both productive and commercial equipment investments affect the course of the cycle. But the more powerful and sustained impact - positive or negative - stems from the course of expenditures for fixed capital <u>proper</u>, i.e., instruments of <u>production.</u> In Table I, therefore, the student of the economic cycle should give particular weight to the index for "manufacturing", as against that for "commercial".

We may note in passing that the significance of this distinction is recognized to a degree by some bourgeois economists. See the article by Federal Reserve Bank economist, Robert Lindsay, in the June, 1958 issue of <u>Review of Economics and Statistics</u> and a discussion of that article by Edward H. Collins in the <u>New York Times</u>, June 16, 1958.

Marxist-Leninists will, of course, understand that this relative increase in the "commercial" capital expenditures is but one manifestation of the growth of non-productive, as against productive, labor, characteristic of imperialist, parasitic, dying capitalism, as analyzed by Lenin in Imperialism.

EXCESS PRODUCTIVE CAPACITY

As we have previously noted (see Part II), the functions of the crisis and the stagnation phases of the economic cycle are to check the rate of expansion of productive capacity and to bring it into line with the actual level of consumption. Of course, behind these generalizations of the mode of life of capital, are to be seen the scattered and ruined hopes of millions of working people. But then, this is only normal for capital, whose cyclic form of movement "depends", as Marx wrote, "upon the constant transformation of a part of the laboring population into unemployed or half-employed hands." (Capital, Vol. I, Chapter XXV, Part 3.)

It is obvious that the prospects for cyclical economic recovery are vitally affected by the relationship of the level of actual production to the capacity for production. It is common knowledge that the situation in our country in 1958 was that of very marked under-utilization of productive capacity. As recently as March 11, 1959, George Meany, President of the AFL-CIO, commented on the economic situation as follows: "Today's basic problem is 20 percent unused productive capacity and unemployment of 6.1 percent." (New York Times, March 13, 1959.)

This problem of excess productive capacity ("excess", of course, only in the sense of its use as capital, not in relation to the real needs of the people) - this problem was discussed in some detail in Business Week magazine (July 13, 1957) and in the Wall Street Journal, (October 27, 1958). The former article estimated that even at that time just before the recession began U.S. industry was operating at only 81 percent of capacity. The Wall Street Journal article, more than a year later, declared that "Output at present is only about three quarters of capacity". It went on to contrast this situation with that of 1951 when "production was bumping close to the ceiling of capacity".

We have drawn up Table II largely based upon the information presented in those two articles, with some extension and interpolation derived from figures in the Survey of Current Business, the New York Times' Annual Economic Review and Outlook (January 12, 1959), and the Statistical Abstract of the United States for various years. (See next page for Table II.)

Obviously, U.S. production is not so near to the ceiling of capacity as to force through recovery-producing expenditures for expansion of investment in productive plant and equipment.

SPECIAL STEEL SITUATION

The situation with regard to steel calls for special comment.

Today steel production is running almost double the tonnage of last spring (2.6 million tons in the week ending March 21, as compared with only 1.4 million tons in the corresponding week of 1958). Furthermore, although the capacity for steel production was increased from 140 million tons to 147 million tons

TABLE II

GROWTH AND UNDER-UTILIZATION OF PRODUCTIVE CAPACITY

Selected U.S. Industries

Industry	Unit of measurement	Annual capacity 1950	Annual capacity 1958	Percentage of capacity utilized in 1958 production
Auto (Pass. cars)	million cars	6.66	10.00*	36.0%
Steel	million tons	99.00	140.00	60.4%
Copper Refining	million tons	0.96	1.23	63.0%
Anthracite Coal	million tons	53.00#	34.70**#	63.8%
Bituminous Coal	million tons	734.00#	611.00**#	65.5%
Cotton (spindle activity)	Thous. spindle-hours per week		3,000.00	72.0%
Aluminum	million tons	0.75	2.10	73.0%
Cement	million bbls.	259.00	393.00	84.0%
Petroleum Refining	million bbls.	2.35	3.33	83.6%
Paper and paperboard	million tons	26.00	36.70	84.0%
Plywood	million sq. ft.	2,500.00	7,000.00	84.0%

* 1957
**1956
\# on basis of 261 days per year operation of mines

during 1958, the industry is still reported as operating at 92 percent of today's expanded capacity as compared with only 52 percent of the smaller capacity a year ago.

It is generally conceded that the present stepped up pressure on steel production facilities is connected with the maneuvers of the capitalist class against the workingclass in preparation for the expiration of the steel workers wage contract on June 30. Stockpiling of steel is the order of the day as a measure to weaken the strike-power of the steel workers' union. This is the primary reason for the present feverish pace of steel production.

STEEL TRUST'S SHELL GAME

In addition there is a little comedy being enacted: The buyers of steel have been conditioned to being hit by big price increases by the steel companies after new wage contracts are signed in steel. The steel trusts have developed a seemingly fool-proof system: forced to give some wage raise by the militancy and unity of the steel workers, the steel companies have adapted their customary monopoly price gouging to this situation. They time price increases so as to give them the appearance of being "caused" by the wage increases. Just to cover possible errors in book-keeping, of course, the steel trusts boost prices about three times the cost of the wage increase. (See Labor Fact Book, No. 11, Labor Research Association, for how this shell-game operated in 1952, for instance.)

Naturally, this wasn't the best sort of news to the buyers of steel, but in a period of rising economic activity, they found, they could take up the "Stop, thief" cry in their turn, raise their prices and blame the victim -

the wage worker - as the culprit of the "wage-price spiral".

Now, however, when competition has sharpened somewhat, price raises are not so easy to pass on. So, we get a second pressure on steel facilities: the efforts of steel-using capitalists to beat the steel trusts to the punch by buying up steel at $95 per ton, say, which by September the steel monopolists may have raised to $100.

OVEREXPANSION NOT ENDED IN STEEL

As far as our discussion of Table II is concerned, the point to be made in relation to the recent rapid rise in steel production is not to be taken as a sign of cyclical recovery of the economy. Only after the special and temporary political factors which we have been discussing have been removed, will we be able to know whether the 1959 production-vs.-capacity picture is to be any better than it was in 1958. At any rate, the present relatively high rate of steel operation does not negate our premise and conclusions about the overexpansion of productive capacity.

(The bourgeois press smugly predicts that the steel strike, which began July 15 will be ended by Federal injunction about October 1. If this does happen, the rate of production for the first nine months of 1959 will have been only 66% of capacity. Then, even if the steel mills were to operate at 100 percent of capacity for the remainder of the year, the annual rate of output in 1959 would be only 75 percent of capacity. Actually it will be less than that.)

This helps to explain the arrogance with which the bourgeoisie provoked the steel strike. For, as the New York Times put it: "The fact is that our productive capacity has become sufficiently great to satisfy all the country's needs in nine months, rather than twelve." (Article by A.H. Raskin, August 16, 1959)

COAL CAPACITY DECLINE SINCE 1950

It is interesting to note, also in Table II, that the annual capacity for two of the industries declined from 1950 to the most recent date for which we have the figures (1956). Even so, these two, anthracite and bituminous coal mines, were operating at less than two-thirds of capacity. The devastating impact of this situation upon the lives of the people of West Virginia, Kentucky, and Pennsylvania has recently been getting some publicity. (See February Vanguard story on Harlan miners.) But today it is not only the old "sick" industries, like coal, but now also steel and auto towns that begin to face the prospect of mass unemployment. The secretary of the United Steel Workers of America predicted recently (New York Times, March 19, 1959) that "100,000 idle members (of the steel workers union) would never go back to work despite the steel industry's recovery." It is such facts as these which lie behind such "dry" statistics as we have presented in Table II.

IV. MACHINE TOOL ORDERS

The level of new orders and shipments of machine tools has long been recognized as especially meaningful in attempting to anticipate the development of the various phases of the economic cycle. Briefly stated, the reasoning behind this is as follows:

The driving force of the recovery phase, as we have noted, is large-scale investment and equipment, a major element of which is the replacement of old, worn-out, or outmoded machines with new improved ones. But before the general replacement of old machines with new machines can take place, the "machines that make the machines" - the so-called "machine-tools" must be built up. (Common types of machine-tools include: machines for boring, broaching, drilling, gear-cutting and finishing, planing and shaping.)

Large machine-tools take from nine months to eighteen months to construct. Therefore, as experience has shown, the ups and downs of the machine tool industry cast the shadow of coming events before them.

From an all-time high of $137.5 million for the month of December, 1955, the value of net new domestic orders (it is best to omit export orders here) for metal-cutting machine-tools dropped steadily for two-and-a-half years to a low point of about one-tenth of that amount in April, and again in July, 1958 (U.S. Dept. of Commerce figures). Although there has since been a very noticeable pick-up in this index, the following facts remain:

1) The machine-tool industry is still operating at only about thirty percent of capacity.

2) Machine-tool shipments in 1959 will be below the 1958 level, according to the consensus of the tool manufacturers, themselves.

3) Even the modest rise in machine-tool orders which has occurred does not represent, in the main, plans for expansion of capacity. "Most new machine-tool orders (today - M.P.) represent normal replacement or modernization (largely automation - M.P.)" (Wall Street Journal, April 14, 1959. The same survey is also the authority for the facts cited under points 1 and 2 above.)

Looking at this key index, then, one can agree with the sense of the exasperated statement of the president of one of the best-known machine-tool companies (Brown and Sharpe Mfg. Co.) when he says: "Fundamentally, I see no evidence that industry is going into any expansion craze very soon."

To which we simply add that the recovery of jobs, even to the 1957 level, which is the main concern of the workingclass, such a recovery depends precisely upon such an "expansion craze."

We repeat: The rise in industrial production during the last eight months of 1958 was based upon artificial factors, particularly increased government expenditures. It was not based upon the cyclical development of productive forces. Although in 1959 some basis may be developing for a real cyclical recovery, it cannot yet be said that it is definitely begun.

"THEY MAKE AN 'AUSTERITY' AND THEY CALL IT 'PROSPERITY'"

From this fact flows the most important two-fold political conclusion:

1) Wall Street and Washington, with the direct and indirect assistance of the opportunists of all stripes, are straining with "all deliberate speed" to force upon the people a program of "creeping austerity", all the while camouflaging their intent with false "recovery" claims. They make an austerity and they call it "prosperity".

2) The working class and the masses of the people generally are beginning to awaken to this plot against their jobs and living standards. The full import of this maneuver is borne in upon them with every rise in taxes, every price increase, every increase in the work-load, every discontinuance of unemployment compensation benefits, every chiseling away at the quality of services and consumers' goods. The recent militant struggles of the textile, coal and timber workers in North Carolina, in Kentucky and in the Newfoundland woods foreshadow a general extension of sharp class struggle by the workers against the "austerity" suit which the monopolists have tailored for them.

It is the duty of Marxist-Leninists to do everything in their power to strengthen and raise the level of this struggle. An absolutely indispensable part of this task is the struggle for the victory of Marxist theory over Keynesism and all other forms of bourgeois political economy, as well as the revisionist accommodations of it.

In the next part we shall begin to examine the reasons that the Keynesian plan of increased government expenditures will not ease the economic situation but rather will lead to a further intensification and politicalization of the class struggle.

[illegible] with the deepest and [illegible] of the opponents [illegible] threatening with [illegible] to [illegible] the people a promise of "prosperity austerity". But the whole [illegible] with [illegible] "recovery" claims. They mean austerity and they call it "prosperity".

The working class and the masses of the people generally are beginning to awaken to this plot against their jobs and living standards. The full import of this whenever is borne in upon them with every rise in taxes, every price increase, every increase in the work-load, every discontinuance of unemployment compensation benefits, every whittling away of the quality of services and consumer goods. The recent militant struggles of the textile, coal and timber workers in North Carolina, in Kentucky and in the Newfoundland woods foreshadow a general extension of these class struggles by the workers against the "austerity" with which the monopolists have tailored for them.

It is the duty of Marxist-Leninists to do everything in their power to strengthen and guide the [illegible] of these struggles. An absolutely indispensable part of this task is the struggle for the victory of Marxist theory over Keynesism and all other forms of bourgeois political economy, as well as the revisionist accommodations of it.

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disregard of the way in which the national oppression of the Negro people is manifested in the unemployment problem. The severity of this situation is indicated in the figures presented in Table III.

TABLE III.

RELATIVE BURDEN OF UNEMPLOYMENT AMONG NEGRO AND WHITE POPULATION

	April 1957	April 1958	April 1959
Civilian Labor Force (In Thousands)	66,952	68,028	68,639
White	59,772	60,664	61,202
Negro	7,180	7,364	7,437
UNEMPLOYMENT (In Thousands)	2,691	5,120	3,627
White	2,170	4,096	2,902
Negro	521	1,024	725
PERCENTAGE DISTRIBUTION			
Civilian Labor Force	100.0	100.0	100.0
White	90.0	89.2	90.0
Negro	10.0	10.8	10.0
UNEMPLOYED			
White	80.7	80.0	80.0
Negro	19.3	20.0	20.0
UNEMPLOYED			
Percent of Whites	3.6	6.8	4.8
Percent of Negroes	7.3	13.9	9.3

Sources: Notes on Economic Situation of Negroes in U.S. Revised May 1958 - U.S. Bureau of Labor Statistics. Figures for April 1959 from Survey of Current Business and projected by VANGUARD on the basis of B.L.S. 1957 and 1958 figures.

(Note: More recent reports show an actually higher rate of joblessness among Negro workers than we projected in the above Table: On August 11, 1959, the U.S. Labor Dept. reported unemployment for July as equal to 11% of the Negroes and 4.5% of the whites in the civilian labor force.-M.P.)

REAL PROPORTION OF UNEMPLOYMENT HIDDEN

We have previously discussed how the real extent of unemployment is hidden by the government's statistical methods. We noted that if part-time unemployment were taken into account, and if the "statistical suppression" of a portion of the labor force were corrected, the extent of unemployment would be shown to be 50 to 60 percent higher than admitted by the government.

However, in connection with the class struggle, the proportion of unemployment is more significant that the absolute numbers. And it is here that the government figures attempt one of the worst concealments of the actual unemployment.

The reader will have noticed that official statistics pretend to measure unemployment as a percentage of the "civilian labor force". But, the fact of the matter is that the civilian labor force includes some fifteen million persons who cannot become unemployed, persons who are not wage workers, persons such as proprietors, self-employed professionals, etc.

A more accurate idea of the actual proportion of unemployment among the American working class would compare the number of unemployed (which by definition includes only wage workers and would-be wage workers), with the number of "wage and salary workers in non-agricultural establishments" which, together with a figure of about two million agricultural workers, would make a total of about fifty-three million workers competing in the labor market. (This point seems as noteworthy as it is obvious. Yet, as far as we know, VANGUARD is the first to call attention to it.)

When measured thusly, the four million officially reported as unemployed are recognized as a full $7\frac{1}{2}$ percent of all the wage workers in the country. Then, if this is corrected for the "hidden unemployment" which we discussed earlier, we see that the actual proportion of unemployment with which the American working class is saddled is more than 11 percent! This provides some idea of the real proportions of the industrial reserve army by which the capitalist class of the United States regulates the wages of labor!

GROWING CHRONIC UNEMPLOYMENT

Finally, in this historical period of the general crisis of capitalism, the industrial reserve army is expanded even beyond the requirements of capitalist profit. Side by side with the chronic under-utilization of productive capacity, there appears chronic mass unemployment. At the very moment that the "better-than-seasonal" improvement in the unemployment picture was being trumpeted from Washington, the following fact emerged: Even by official U.S. Labor Dept. figures, 1.4 million workers, i.e., $38\frac{1}{2}$ percent of all the unemployed, had been looking for work in vain for more than 15 weeks. This, furthermore, was twice as many as in 1957 even though industrial production was higher in April this year that it was two years ago.

A LONGER LOOK BACKWARD

In Table IV we present figures which help to place the current unemployment situation in historical perspectives. Here we see that not only has the number of unemployed increased in thirty years, but, more important, the proportion of unemployment among the working class has almost doubled.

TABLE IV

THIRTY-YEAR (1929-1959) RISE IN PROPORTION OF UNEMPLOYMENT

	GROSS NATIONAL PRODUCT (IN TERMS OF 1958 PRICES)	UNEMPLOYED AS PERCENT OF CIVILIAN LABOR FORCE	ARMED FORCES AS PERCENTAGE EQUIVALENT OF CIVILIAN LABOR FORCE
1929	$201 Billion	3.2 percent	0.5 percent
1959	$470 Billion	5.5 percent	3.74 percent

(President's Economic Report, 1959; GNP figure for 1959 general government estimate. 1959 unemployment based on estimate of approximately 4 million for the annual average.)

This is a quite different version of the "bigger-piece-of-a-bigger-pie" story, from that so fondly quoted by the bourgeois propagandists. The "pie" (the number of workers) has increased from 49 million to 70 million, but the "piece of the pie" (the proportion of unemployment among the workers) has increased almost twice as fast.

And, if the American tradition of voluntary enlistment were restored, and the unjustified scourge of the youth - the military draft - were ended, this trend in the proportion of unemployment would tend to become even more apparent.

A FRIGHTFUL ASPECT OF COLONIAL OPPRESSION

Of course, these figures have not taken the least account of the ravages of unemployment among the workers of Latin American countries whose job hopes are today mainly dependent upon the requirements of United States capital. Without undertaking the necessary full treatment of this aspect of the question at this time, we present a few illustrative facts. Cuba, with a population of only six million, has 700,000 unemployed workers (N.Y. Times, April 5, 1959, citing Fidel Castro as authority). Puerto Rico, with a population of 2.2 million, had an unemployment of "just below 100,000" last year, (Wall Street Journal, June 13, 1958). From Mexico a half-million agricultural workers alone come annually to work on U.S. farms, driven, of course, by the desperate unemployment situation affecting the entire Mexican working class. (See Wall Street Journal, June 28, 1958.)

MARXIST THEORY BEING VINDICATED

Marxist-Leninists will not be surprised by the trend of impoverishment implied by the figures cited above. Such students of political economy see thus confirmed the analysis of capitalist production formulated by Marx: "Relative surplus-population is....the pivot upon which the law of demand and supply of labor works....The mechanism of capitalistic production so manages matters that the absolute increase of capital is accompanied by no corresponding rise in the general demand for labor....The greater the social wealth, the functioning capital, the extent and energy of its growth and, therefore, also the absolute mass of the proletariat and the productiveness of its labor, the greater is the industrial reserve army....It follows, therefore, that in proportion as capital accumulates, the lot of the laborer, be his payment high or low, must grow worse." (Capital, Volume I, Ch.XXV, Sections 3 and 4)

A PROBLEM FOR 'AMERICAN EXCEPTIONALISTS'

On the other hand, the incurable "American Exceptionalists" regard "... the operation of Marx's law (note, they think it's a law of Marx rather than a law of capitalism.-M.P.) of the impoverishment of the working class" as one of a number of "long-unresolved theoretical questions." The reader may recognize this quotation; it is to be found in the Main Political Resolution of the revisionist-conciliationst 16th Convention of the old CPUSA.

Certainly we accept the challenge of vindicating Marxist theories on the basis of the experiences of the United States no less than those of other countries. We regard the tasks in this field of theory as obligations of the class struggle. But, we take Marx as our rallying point - for the struggle, itself, in all its aspects, is the final test of Marxism, as well as all other theories.

Let the latter day devotees of "freedom of criticism" of the old Party leadership in the meantime, explain how they think the proportion of unemployment among American workers can show a historic tendency to rise without a resulting impoverishment of the working class!

V. (2) MARXISM VERSUS KEYNESISM

As serious as is the picture of current unemployment as we have been discussing it, it is presented on the basis of the most optimistic figures advanced by the U.S. bourgeoisie. In previous chapters we have shown in terms of facts and of Marxist-Leninist theory why we do not consider the current "recovery" claims and predictions to be based upon genuine cyclical factors. It still remains to examine the theory of these "recovery" claims, the theory of "balanced economic growth" of U.S. capitalism. In undertaking this task now we hope to show further why, certain surface appearances to the contrary, notwithstanding, the recession is not over!

The fundamental theoretical assumptions upon which depend the current optimistic forecasts of the bourgeois spokesmen (such as that made by Secretary of Labor James Mitchell, in his speech to the trade union unemployment conference in Washington on April 8, 1959) are necessarily those generally associated with the ideas of Lord John Maynard Keynes (1883-1946). The chief work of this English nobleman was his The General Theory of Employment, Interest and Money(1936)

MAIN DIFFERENCE OF APPROACH

Points of decisive difference of the Keynesian, as contrasted with the Marxist, approach to political economy are these:

1) Keynesism is not concerned with the forces or relations of production. Marxism considers these as the essential identifying characteristics of every historical social system.

2) Keynesism is not concerned with the analysis of the laws whereby the relations of production determine the distribution of wealth among the various classes. Marxism regards the development of these relations of production, a relationship of class struggle, as the basis of the historical development of society.

3) Keynesism is primarily concerned with economic crisis, but because of the limitations of its bourgeois class outlook, is restricted to what are essentially surface phenomena such as prices, money supply, interest rates, etc., its point of departure being the total income or product. Marxism starts with the surface appearance - the common, simple, everyday commodity - and then by the dialectical method of investigation, unravels the hidden inner connections which lead to the discovery of the essential laws of capitalist reproduction, its cycle (in all its phases, not only crisis) and its evolution, its historical tendencies

4) Keynesism is idealist in its philosophic outlook, giving primary importance to capitalist "expectations", "preferences" and "decisions" and to "the propensity to consume" supposedly derived from laws of human psychology. Marxism is materialist, regarding laws of economic development as operating independently of the will of men, on the basis of relations of production existing objectively, as the basic shaping factor in the development of customs, tastes, and other aspects of man's ideal existence.

5) Keynesism aims at eliminating, or controlling and limiting capitalist economic crisis and achieving "balanced economic growth" through governmental measures affecting the levels of consumption, investment and savings. Marxism aims at facilitating the historical task of the proletariat as the grave-digger of capitalism and the builder of socialist society. Marxism rejects, as politically and theoretically wrong, theories of the "prevention" or "postponement" of capitalist cyclical crises through government or other bourgeois programs.

KEYNES SERVES U. S. IMPERIALISM

Keynesism has been adapted to the needs of American finance capital, and has become by all odds the dominant theory of U.S. bourgeois political economy. This development is based upon the following facts:

1) Keynesism serves to obscure the existence and meaning of class antagonism, thereby to camouflage capitalist exploitation and the inherent reactionary character of monopoly capitalism, imperialist parasitic dying capitalism.

2) Keynesism is primarily a "crisis" theory, and thus centers upon the main preoccupation of world capitalism in the period of its general crisis, which began with World War I and the Russian Revolution and which its second stage began with World War II and the growth of the socialist sector of the world.

3) Keynesism, since its central practical programmatic outcome is government intervention in the economy, serves to promote the development of state monopoly capitalism - the open, direct and complete subordination of the state to the control of the finance capitalist oligarchy.

4) Keynesism, with its rejection of "laissez faire" (unrestricted competitive capitalism) and with its slogans of "planned and balanced and regulated economic growth (under capitalism)", is perfectly suited to the needs of opportunism with its theoretical stock-in-trade of "prevention of crises through governmental and other measures for raising mass purchasing power." Keynesism is of primary importance in the theoretical struggle conducted by the opportunists to stifle, blunt and abort the class-consciousness of the working class, and to prevent workers from studying and following Marxism-Leninism.

VI. (1) KEYNES AND "ANTI-KEYNES"

NEITHER CLASSICAL NOR NEW

Although there are among the bourgeois economists in our country some who set themselves up as "anti-Keynesians", even these do not in these days attempt to confront Keynesian ideas with those of classical bourgeois economy, let alone those of Marxist political economy. In other ideological areas the teachings of the bourgeois democratic revolutionaries of the eighteenth century (with all their class limitations) are medicine too strong for imperialist capitalism in the extreme decrepitude of the second stage of its general crisis. Likewise, the ideas of the classical bourgeois political economists such as Adam Smith and David Ricardo (and our own Benjamin Franklin) probe too honestly with their labor theory of value for the comfort of imperialism for whom rationality has become an intolerable torture.

The bourgeois self-styled "anti-Keynesians" show their basic agreement with the Keynesian assumptions furthermore, by their loyalty to the cult of "the gross national product" (which is another term for the "Y", or aggregate income, or "value of output", of Keynes' basic formula: Y= C (consumption) plus I (investment). Even the latest "anti-Keynesian" book, The Failure of the "New Economics" by Henry Hazlitt, mounts as a major attack on this Keynesian "aggregate income" concept, the superficial circumstance that as a statistic it may be exaggerated or otherwise inaccurate. And the Wall Street Journal serves up this pap for the Babbitts as a book which "dismantles the theories of John Maynard Keynes". (WSJ 5/26/59). In fact Hazlitt's "polemic" is simply the line of the "pay-as-you-go" fiscal conservatives in their family quarrel with the "free-spenders" over the question of inflation.

They all have enlisted behind the "aggregate income" concept of Keynes as the basic determinant of the level of employment, investment, consumption and other major aspects of the capitalist economy. This concept was stated by Keynes as follows: "Furthermore, the effective demand is simply the aggregate income (or proceeds) which the entrepreneurs (capitalists - M.P.) expect to receive, inclusive of the income which they will hand on to the other factors of production, from the amount of current employment which they decide to give." (J.M.Keynes, General Theory of Employment, Interest and Money, p.55)

By this most fundamental standard, modern U.S. bourgeois economists are all Keynesians (Keynesians and "anti-Keynesians" alike).

The shallowness of Keynes in comparison with the highest developers of classical political economy such as Adam Smith is obvious from the fact that Keynes, in an attempt to overthrow classical theory, takes as his most fundamental assumption the existence of the total income (similar to Smith's "wealth") without regard to its basis or origin; whereas Adam Smith developed a labor theory of value from his historic "Inquiry Into the Nature and Causes of the Wealth of Nations. In other words Keynes "refuted" classical economy by limiting himself to effects while Smith probed for the causes of income, "wealth", etc.

Although Keynes' ideas are not classical that does not mean that they are new. The fundamental idea that the level of employment depends upon the level of income of the capitalists ("entrepreneurs") in fact was the subject of lectures by Karl Marx before the German Workingmen's Club of Brussels, Belgium, in 1847. These lectures became, edited by Friedrich Engels, the famous "Wage-Labor and Capital". Marx exposes the shallowness of the bourgeois argument in these words:

"To say that the most favorable condition for wage-labor is the fastest possible growth of productive capital is the same as to say: the quicker the working class multiplies and augments the power inimical to it - the wealth of another which lords it over that class - the more favorable will be the conditions under which it will be permitted to toil anew at the multiplication of bourgeois wealth, at the enlargement of the power of capital, content thus to forge for itself the golden chains by which the bourgeoisie drags it in its train." (Chapter VIII)

Pursuing the argument, Marx showed that the level of employment at best rises more slowly than the growth of capitalist income because of the constant rise in the productivity and intensification of labor, through mechanization, automation, speed-up, close"supervision", etc. Further, he showed that the general tendency was toward a decline in the proportion of employment among the total working class, and a corresponding rise in the proportion of the total wealth (as well as the absolute mass of it) monopolized by the capitalist class. (See Part V of this series for figures on United States experience which confirms this analysis.)

VI. (2) HOW THE THEORY IS APPLIED

Knowing the Keynesian theoretical approach taken by Mitchell and the government's statisticians, we can fairly easily analyze the way in which they arrive at their prediction of the October level of unemployment and employment.

In the eleven-year period 1947-1958, the number of employed rose by 10.9%, while the gross national product rose by 40.7%, or, in other words, 3.8 times as fast as employment. In the same period, the so-called "non-institutional population over 14 years of age" rose at a rate which increased at an average of 58,000 per year. On this basis, we may estimate the 1959 figure at 123.5 million, in the non-institutional population.

In the same 1947-1958 period, an average of 58½% of the non-institutional population was in the labor force. Thus we can estimate the size of the civilian labor force for 1959 as follows:

TABLE V

Total Non-Institutional Population	123.5 Million	
Portion in Total Labor Force	58.5 Percent	
TOTAL LABOR FORCE		72.250 Million
Minus - Armed Forces		2.600 Million
Total CIVILIAN LABOR FORCE (1959)		69.650 Million

This gives us a figure which approximately equals the total of Mitchell's predicted 67 million employed and 3 million unemployed. Since each point of rise in employment in the post-war period has implied a 3.8-point rise in the GNP, we can construct the following table:

TABLE VI

GROSS NATIONAL PRODUCT REQUIRED FOR FULL EMPLOYMENT - 1959

	No. of Employed	Index	G.N.P. Index	1958 Dollar Equivalents (Billions)
Actual, 1947	57.8 Million	100	100	$311.8
Req. for Full Employment in 1959	69.7 Million	121	178	$555.0

Then, if we assume that there will be a one per cent price inflation for 1959, we get the following: The GNP required for full employment in 1959 is about $560 billion.

The official and other prominent bourgeois optimists estimate GNP for 1959 at about $475 billion (The Department of Commerce puts the actual rate for the first six months at $478 billion, which equals about $475 in 1958 dollars. M.P.) which is, as we see, $85 billion less than the level indicated as required for full employment. Rather, the estimated level of GNP corresponds to an employment level (according to the scale we have constructed) of 65.8 million jobs.

Since, as we have seen, the civilian labor force will be 69.7 million, the indicated unemployment for the year would be 3.9 million. Finally, we complete unriddling Mitchell's prediction by noting that an October level of actual unemployment corresponding to an annual rate of 3.9 million would be 3 million.

But, since the size of the civilian labor force in October can be expected to be about 500,000 higher than the annual average, we get a total of needed jobs of 70.2 million for October - and, therefore, an unemployment of 3.5 million rather than Mitchell's 3 million.

So, - - - it looks as if Secretary Mitchell will have to eat his hat as he promised to do publicly if unemployment stands at more than three million in October. (Unless, of course, he gets some tall help from the statistical cloak-and-dagger boys who specialize in making sizeable sections of the 'labor force' drop out of sight). Since the Washington politicians are likely to be owners of very expensive chapeaux, perhaps it would be a neighborly gesture if some worker would send Secretary Mitchell an old discarded fedora of a cheaper sort.

(Note: In discussing the August, 1959 unemployment figures, Mr. Seymour Wolfbein, Deputy Assistant Secretary of Labor, "had little comfort to offer the Secretary, James P. Mitchell, who said last spring that he would eat his hat on the front steps of the Labor Department if unemployment were not less than 3,000,000 in October. Normal trends would put the figure right at 3,000,000 in mid-October, Mr. Wolfbein said. He estimated the total would be lower if the steel strike were settled by then, but probably higher if the strike continued". New York Times, Sept. 11, 1959)

VI. (3) IMPLICATIONS OF THE KEYNESIAN OUTLOOK

But even at 3.5 million unemployed, the rosy predictions about an all-time high GNP would have to be realized. What are the actual possibilities of this occurring and what are the implications involved in such prediction?

Let us look at the changes in the components of the GNP in 1947-1958 period, as presented in Tables VII and VIII.

TABLE VII

Indexes of Change of Gross National Products and Its Components 1947 - 1958

	1947	1958
Gross National Product, Total	100.0	140.6
Personal Consumption Expenditures	100.0	138.0
Gross Private Domestic Investment	100.0	109.6
Net Export of Goods and Services	100.0	14.0
Government Purchases of Goods and Services	100.0	211.8
"National Defense"	100.0	295.5
Other Federal	100.0	96.0
State and Local	100.0	52.0

TABLE VIII

INDICATED REQUIREMENTS FOR GNP OF $475 BILLION IN 1959

	Portion of Total 1947-58 Increase Contributed by	Indicated Increase In 1959 (Over 1958) Required For $475 Bil.GNP (Billions)	Total Indicated 1959 Requirement (Billions)
Gross National Product Total	100%	$37.3	$475
Personal Consumption Expenditures	64.2%	24.0	$314.5
Gross Private Domestic Investment	3.8%	1.4	$ 55.8
Net Export of Goods and Services	-6.3% (Decrease)	-$2.4 (Decrease	$ -1.0
Government Purchases of Goods and Services			
"National Defense	23.3%	$8.7	$ 53.1
Other Federal	-0.2% (Decrease)	-$0.1 (Dec.)	$ 7.2
State and Local	15.2%	$5.77	$ 45.4

The full importance of Government expenditures in the economy is only partially indicated in these GNP tables. In addition to purchases of goods and services in the amount of 51.7 billion dollars in 1958, the federal government made additional outlay of 35.4 billion dollars (Transfer payments, such as aid to state and local governments and interest payments). If we allow a 4% deduction for savings, we can estimate that 10% of the other GNP factors are the direct result of federal government expenditures. In summary, we can say that in 1958 more than 28% of the GNP was a direct result of government expenditures, federal, state and local.

On the basis of this record of postwar U.S. economy then, a rise of the gross of the GNP to $475 billion in 1959 from the level of 1958 indicates an increase of government expenditures to a total of 133.7 billion dollars. Of this, the indicated federal government share would amount to $107.8 billion!

THE "BALANCED BUDGET" PROBLEM

However, as is well known, the ruling class government has determined upon a course of "balanced budget policy." So, instead of an increase of $20 billion in 1959, we are told, there is to be a sizable reduction of $3.8 billion in budget expenditures and a correspondingly larger reduction in total federal expenditures.

This means that without an increase in federal expenditures the other factors in the GNP account would have to make up, in addition to the 37 billion dollars shown in Table IV, another 25 billion dollars or so. That means a total slack of 72.3 billion dollars must be taken up by:

1) Personal Consumption Expenditures? In the first quarter of 1959 they were 10.9 billion dollars above the level for the year 1958.

2) Gross Private Domestic Investment? In the first quarter of 1959 it was 14.9 billion dollars above the level for the year 1958.

This category includes expenditures for fixed capital. This is the real mainspring of capitalist economic recovery, as we have previously discussed at considerable length. Since we have estimated that this factor will not achieve boom-producing proportions in 1959, we take no further special note of it here, although Marxists never forget the key significance of the renewal of fixed capital in the economic cycle.

3) Net Exports of Goods and Services? In the first quarter of 1959 these had declined from a 1958 annual level of 1.2 billion dollars to a negative figure of .9 billion dollars, a decrease of 1.7 billion dollars.

4) State and Local Government Expenditures? In the first quarter of 1959 these were at 2.9 billion dollars above the level for the year 1958.

Not enough to assure the attainment of the $475 billion GNP in 1959, some may say, but still the GNP in the first quarter was at a $470 billion annual rate. Therefore, the performance seems to be encouraging to the bourgeois economists.

Let them get all the comfort they can from these figures. The joker is that in the first half of 1959 "budget balancing" is still all talk, while actual expenditures by the federal government are at the highest rate they have ever been except in 1944 - and by far the highest (in current dollars) of any peace time year.

Herein lies one of the most significant facts of the present economic situation: The law of diminishing returns has finally caught up with the policy of subletting the U.S.Treasury to the financial oligarchy and their hangers-on, as a means of propping up a moribund economic system! And, with a vengeance! For, now the government is straining the limits of its own credit. This helps to explain why the Eisenhower Administration has requested an increase in the national debt limit to $295 billion. (It is called "temporary", but it is an increase over the present "temporary" ceiling of $288 billion - which Eisenhower now proposes be made the new "permanent" ceiling.) It also helps to explain why the interest on government bonds is going to be raised above the present levels.

VI. (4) THE QUESTION OF INFLATION

There are a number of measures of a Keynesian character, but they all resolve into two types:

1) Measures designed to expand or contract credit.
2) Measures designed to increase or decrease government expenditures.

During the period since 1947, measures of both types have been applied with the net result being the increase in the government debt in a way which also expands the private debt. The main lines along which this is developed are:

1) War preparations expenditures;
2) Price supports for "strategic" commodities;
3) Guaranteed real estate and housing loans; and
4) Deficit financing (planned expansion of the goverment debt) in general.

THE REAL INFLATIONARY CYCLE

Such policies generate a cycle of contradictory phases according to the following pattern:

> Deficit financing which increases government borrowing - which (with respect to that majority of it supplied by commercial banks) expands bank credit (the money supply) at a six-fold rate - which stimulates inflationary price rises in commodities and on the stock market - which undermines fixed-return investments, i.e. bonds, etc.- which forces up interest rates on bonds in competition with stocks, and government interest rates in competition with private (corporate and other) borrowers - which raises the cost of refunding the government debt - which tends to increase the government debt - which necessitates increased borrowing - which expands bank credit - which, etc., etc., etc.

The result - inflation, i.e., the overexpansion of the supply of money and credit in relation to the amount of values (commodities) which must be circulated by the money and credit. The proportions of this development in the 1947-58 period are indicated by the indexes presented in Table IX.

TABLE IX.- INDEXES OF PHYSICAL PRODUCTION, MONEY SUPPLY CREDIT & PRICES, 1947 = 100

	1958	April, 1959
Values - Industrial Production	134	149
GNP (in Constant $)	141	150
Credit - Gross Federal Debt	110	111
Net Public and Private Debt	184	
Money Supply - Currency & Bank Deposits	140	145
Velocity of the Money	135	143
Volume of the Money (Currency and Deposits times Velocity)	189	207
Consumers Price Index	130	130
GNP (in Constant $) times Consumers Price Index	183	195

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Sources: Federal Reserve Bulletin and Survey of Current Business

THE BIG "WAGE-PRICE SPIRAL" LIE

Marxist-Leninists must master and teach the workers the essential principles of political economy involved in the question of inflation. This is not a matter of mere theoretical abstraction. The main ideological weapon being wielded by the bourgeoisie against the economic needs of the American working class today is embodied in their slogan: "Stop the inflationary wage-price spiral!" (Somehow they never say it the other way around, - "price-wage" spiral.)

It is doubly important to fight this "wage-price spiral" propaganda when it is advanced in the name - Yes! - in the name of Socialism! And that is exactly the line on inflation as propounded by the self-styled "Independent Socialist Magazine", Monthly Review, edited by Paul M. Sweezy and Leo Huberman.

Monthly Review (November, 1958) begins its analysis of the current inflation problem by pointing to the fact that American industry is running at only 75-80 per cent of capacity. There are no shortages of goods, says M.R., therefore there can be no present problem of too much "demand", i.e., too much money and credit supply. And so, they declare, "none of the classical conditions of inflation is present."

The logic of this argument would soon make counterfeiting no crime. For, they are saying that because the productive capacity of industry is not being fully used, there can be no inflation. Apparently they think that it would make no difference if the supply of paper money and credit were doubled - there would be no "classical" inflation so long as there were unused productive capacity and large masses of unemployed.

MONTHLY REVIEW'S WRONG DEFINITION OF INFLATION

Their confusion arises in part from their ambiguous treatment of the term "demand". This, in turn stems from M.R.'s erroneous view that "the essence of (inflation) is a general rise in prices." (Emphasis in original)

The inaccuracy of that definition can be illustrated as follows:

If the value of gold falls, due for instance, to a discovery of new and more easily accessible supplies of it, there is a resulting general rise in prices. But to call such a development "inflation" would be to rob the term of all significance.

Again, if, due to war's destruction, for instance, a country were forced to import many essential commodities which it before could produce with less socially necessary labor time than is represented in the newly imported items - that would lead to a general rise in prices. But to call such a situation "inflation" would mean to say that inflation is the same as exchange at equivalent values, without regard to the volume of the money in circulation.

In short: while every inflationary situation results in a general rise in prices; yet not every general rise in prices is the token ("the essence", as M.R. would have it) of inflation.

Inflation is the relative rise in the money and credit supply beyond the supply of goods to be circulated and debts to be paid by them. If the value of the money remains unchanged under such a condition, it merely means that money is being exchanged at below its value and that in a relatively short time balance will be restored by an increase in the supplies of goods. Under such conditions, it would indeed be inconceivable that large proportions of productive capacity would remain idle; the demand for goods would guarantee that. The editors of M.R.

clearly imply that this is the extent of their concept of "classical" inflation.

Here is where we discover the fatal ambiguity of their use of the term "demand". If the value of the money remains unchanged - it will be able to call unused capacity into action, if there arises a situation of a relative excess of money-supply. But, if the value of the money actually declines in relation to the supply of goods - then the money loses, to that degree, its power to "demand" - regardless of how many pieces of paper with large numbers on them may be called money.

And this is precisely what has happened to the American dollar. There is no excess of demand - but there is an excess of money. This, too, is inflation, just as "classical" as any. It is pure inflation, not merely a cyclical imbalance of supply and demand of money and commodities. And, contrary to the view of Monthly Review, the unused productive capacity, in such a situation, is not a contradiction, but the most irrefutable confirmation of the existence of this form of "classical" inflation!

At this point we digress to make two points to avoid possible misconstructions of the remarks we have just made:

First: Every worker, of course, knows that he doesn't have any "excess of money" - the inflated kind or any other. All that this proves however, is that the workers' position is not improved by inflation. The excess of the money is poured into the economy through the banks and other capitalist enterprises. By the time the goods and services reach the workers, the inflated prices are already there. The workers have to struggle for wage increases just to try to catch up.

Second: Just because, under the present circumstances, the excess productive capacity confirms the existence of inflation - this is not at all to suggest that it is caused by inflation. The cause of the under-utilization of productive capacity lies outside the sphere of circulation; it lies in the sphere of production, in the capitalist relation of production itself. "The real barrier of capitalist production is capital, itself." (Marx, Capital, Volume III, p.293)

VII (1) FURTHER REGARDING "MONTHLY REVIEW"

Having erroneously identified inflation as a general rise in prices, Monthly Review, (November, 1958) proceeds to "analyze" its cause along the following lines, (we have added certain comments in parenthesis):

"The prime mover of the inflationary process", says M.R., "is to be found in the concentrated basic industries...being monopolistic....they are in a position to set their own prices; their workers are relatively well organized; and they (the monopolies M.P.) are technologically progressive...." (while this is not the main point to be made here, we cannot let this pass without comment: the monopolies do use advanced technical means but, as everyone knows, they use these in connection - especially in colonial areas - with the most backward production methods; and, they suppress advanced technical development without hesitation when their profit interests call for such action). "This combination of factors," M.R. continues, "is the source of our current inflation....The big corporations can afford to pay their workers better" (apparently the "little" ones can't.) "Unfortunately, however, there is no way labor can 'get at' the huge profits that flow into the coffers of the corporate giants." (What are the steel companies so worried about then? Why don't they grant the thirty-hour week and be rid of all the aggravation?) "....the corporations make the minimum concessions...and then pass on the resulting higher costs to the rest of the economy in the form of higher prices. This enables the corporations to placate the union" (and you want to make a revolution!) "...without at the same time giving up any of their profits....these gains are won at the expense of the consumers" (where have we heard this before?) "...employers and employees in the concentrated industries collaborate to improve their own position relative to the rest of the economy" (apparently the masses should not look to the 'employees' of the trustified industries for leadership in the class struggle)"....this sets up strong inflationary pressure throughout the whole system...And the higher prices of the basic industries push up the costs and hence eventually the prices of all other sectors of the economy" (if "all other sectors of the economy" can secure higher prices simply because they have higher costs, then what happens to M.R.'s premise about this ability being the special privilege of the monopolies?) "....Faced with higher rising living costs, all workers have an additional reason of the strongest kind to fight for higher wages, and employers have less and less excuse for refusing." (Well, when the excuses run out, there are always the injunctions and the cops.) M.R. then winds up by charging that escalator clause wage agreements aggravate the inflationary trend because they have raised wages.

We have imposed upon the reader to quote at this great length because we were afraid that some might doubt that a magazine calling itself "socialist" would argue such an anti-union line. For, all workers will immediately recognize M.R.'s position as the same old "wage-price spiral" argument, in essence, that the ruling class has been deluging the country with for some time now. It is essentially the same argument as that made by Citizen Weston, against which Marx polemized in the historic "Value, Price and Profit." The basic answers to the "wage-price spiral" argument are there presented in Marx's devastation of the so-called "Iron Law of Wages."

FALLACIES OF M.R.'S ANALYSIS

Look again at Table IX. It is self-contained and consistent in the story it tells. The price index is essential to it because it reconciles values and money supply: The volume of physical production multiplied by the index of price approximately equals the index of the money and credit supply. The fact that the latter slightly exceeds the former indicates a continuing inflationary pressure.

But, contrary to the view of M.R., this picture would not be affected in the least by showing what proportion of the prices were resolved into profits of capital and wages of labor. Varying the proportions would likely affect the proportions of the total prices received by the suppliers of producers goods (bought only by capitalists) and the suppliers of consumers goods. But the total prices would not be affected! Otherwise, one would have to say that the workers' share on the total production could never change.

Likewise, with the question of the respective proportions of the total profits realized by the monopoly and the non-monopoly sections of the bourgeoisie. It is well known (as Lenin first generalized in Imperialism) that in the period of monopoly capitalism a mere handful of giant finance-capitalist enterprises rob, not only the working class, but the middle classes and small and medium-sized capitalist enterprises also, mainly through the monopolies' power to overcharge for what they sell and to over-discount what they buy. One effect of this is to secure for the monopolists a lion's share of the total profits.

But our knowledge about inflation, the topic now under discussion, is not enhanced by adding to our presentation the fact that the monopolies were able to realize greater profits from the prices than non-monopoly capital. The fact of the matter is that this advantage of the monopolies operates whether prices are high or low, in good times or bad, inflation or deflation. Furthermore, the advantage is most marked in times of deflation; non-monopoly prices lag behind on the upward swing - but the gap becomes even greater in the period of general price decline.

Does this mean that Marxist-Leninists are indifferent to the struggle against monopoly price-profiteering? Absolutely not! All potentially anti-monopoly elements must be rallied behind the working class against monopoly robbery.

As far as our present question of inflation goes, such an anti-monopoly struggle, if it were successful, would be an anti-inflationary factor. But not because it would reduce the total prices, rather because (having curbed somewhat the strangling restraints of monopoly) it would tend to cause an increase in the amount of goods (values) competing for the money. For under such circumstances, the monopolies would need to increase output to maintain their rate of profit. But, given the amount of values (commodities) to be circulated and the amount of money and credit available to circulate them - the total of the prices of all the goods of all the producers remains unchanged by the manner of division of profits among the capitalists.

THE ROOTS OF M. R.' S ERRORS

The errors of the inflation analysis put forward by Monthly Review can be put into significant perspective by recalling two facts about its history:

First: The Sweezy-Huberman group from the beginning (during and just after World War II) was primarily composed of specialists in political economy (in which field a number of them had written books). They developed a penchant for "correcting Marxism" (its labor theory of value, its theory of money and prices and of the formation of the average rate of profit, etc.). Most important of these works was Sweezy's "The Theory of Capitalist Development". The relation of this trend to Keynesism is indicated in these comments in the Sweezy book:

"The writings of Keynes and his followers mark the emergence of Anglo-American economics from roughly a century of relative sterility." (p.52); and, "Generally speaking, their logical consistency cannot be challenged, either on their own ground, or on the basis of the Marxian analysis of the reproductive process." (p.348)

Second: The Sweezy-Huberman group was a sort of "vanguard of revisionism" in the post-war period, which moved away from the vicinity of Marxism, under the banner of "independent socialism," beginning shortly after the 1948 elections.

In short, Monthly Review embodies the connection of revisionism and Keynesism in America - and the crisis now faced by Keynesian policies is also a crisis for the Monthly Review brand of political economy. How else explain their absurd attempt to combine an "appeal for socialism" with their adaptation of the viciously anti-working-class "wage-price spiral" slogan of the ruling class propagandists? How else explain why in their whole essay on inflation, the editors of Monthly Review do not so much as mention the real cause of the current inflation: The cold war and such other government spending as is aimed at subsidizing a moribund economic system and expanding the influence of American imperialism?

VII (2) THE CRISIS OF KEYNESIAN POLICY

Keynesian measures, as we said previously, all resolve into two types: 1) Measures designed to expand or contract credit; and 2) measures designed to increase or decrease government expenditures. During the period since 1947, measures of both types have been applied, with the net result being the increase in the government debt in a way which also expands the private debt.

We then showed how this Keynesian course lay at the root of the inflation problem. In Table IX we presented a picture of the proportions of this problem, with the indexes of the volume of debt and money supply having risen at a rate more than one-third greater than the indexes of physical production since 1947.

Such a course in the monetary affairs of the nation must ultimately end in one of two ways: a deflation of prices or a devaluation of the money; a general decline of the prices of commodities, or a rise in the price of gold; an increase in the purchasing power of the dollar or a reduction of its official content.

(Some may ask, why not a third alternative: Why not an increase in the physical volume of production to close the gap between the supply of commodities and the present volume of the money. The answer is that this is the period of the general crisis of capitalism, with its chronic overexpansion of productive capacity and labor power. Even in the most favorable times of U.S. postwar economic history, experience has shown that the condition for the full (or near-full) utilization of productive capacity is the government subsidization of the maintenance and expansion of monopoly profits. Since the government borrowing to which this has led is at the same time the basic cause of the present inflation, it is obvious that such a policy cannot provide an alternative to that same inflation).

Just how long and how far can inflation go on without ending in one or another of the two alternatives? The answer cannot be determined mathematically, of course, but the handwriting is on the wall: The dollar and the U.S. bond 'have been weighed in the balance and found wanting'. No prophet Daniel is needed to read this fact in the following two recent developments:

The decline of U.S. gold reserves and the official acknowledgement of the unsaleability of long-term U.S. bonds.

DECLINE OF GOLD RESERVES

First: The United States Treasury gold stock from a high point of $24.4 billion at the end of 1948 has declined almost 20 per cent, and stands at below $20 billion for the first time since 1940. Furthermore, the ratio of the gold stock to the Federal Reserve Notes and Deposits in 1940 was about two-thirds, but today is only about forty per cent. From January, 1958 to January, 1959, alone, this ratio fell from 47.7 per cent to 42.2 per cent. While this leaves the stocks still well above the statutory minimum of 25 per cent, the ratio of the gold to the bank credit is the lowest it has been in the history of the Federal Reserve. There can be no two ways about it, this outflow of gold is critical and its continuation implies most serious consequences for American imperialism. The explanation of the loss of gold is, to put it simply: Foreign holders of U.S. dollars can sell them to the U.S. Treasury at the rate of an ounce of gold to thirty-five dollars. The dollar has been robbed of much purchasing power by the rising tide of inflation. At the same time competition from West European, Japanese and Socialist countries is undercutting U.S. prices. This situation has developed to the point where foreign holders of dollars are finding it profitable to turn in U.S. dollars for gold and then to take the gold to shop in other countries. The big advantage enjoyed by the competing countries over the U.S. is simply that none of them except possibly France is wasting so much of its productive forces on the on the parasitic and wasteful expenditures for war preparations. (Note: "Can you imagine what would happen," asked one of the highest officials of the Eisenhower Administration, "if foreigners decided they would prefer to hold guilders or pounds or something to dollars?" The Wall Street Journal (Sept.10,1959) in reporting this comment pointed out that, among other things, the foreign holders of some $18 billion of short-term securities would probably demand gold under the circumstances suggested by the Administration spokesman - M.P.)

Second: Since 1917, U.S. government bonds (of 5-year maturity and longer) have been sold under a statutory limit of $4\frac{1}{4}$ per cent interest. This period included two booms, two wars and the Great Depression. Through it all, the government could sell its bonds. Yet on June 8, 1959, the President of the United States was forced to ask Congress to abolish the $4\frac{1}{4}$ per cent interest ceiling, because this limit "under today's conditions makes it virtually impossible to sell (long-term U.S. Government) bonds in the competitive market." (Eisenhower message to Congress.) This request was coupled with an appeal (since granted) for an increase in the "temporary" federal debt limit to $295 billion from the present "temporary" limit of $288 billion. (Note: "The situation with regard to U.S. savings bonds," according to the same Wall Street Journal account, "is.... precarious....in July (1959) alone the rate of redemption on savings bonds was more than double the rate of sales." - M.P.)

The seriousness of the implications of a situation in which the federal government cannot sell its long-term bonds needs hardly to be emphasized. But the urgency of it can be indicated sketchily in these following figures:

On June 30, 1953, the federal debt totaled $266 billion, today it is $285 billion plus. (Latest figure: $289 billion) The average maturity of the marketable portion of the debt was 64 months then, as against only 56 months now. Of the total debt, that portion falling due in one year increased from $65.3 to 78.0 billion, and the total due within five years increased from 7.5 billion to 134.2 billion between the two dates. (U.S. Treasury and Federal Reserve Board figures)

By securing an increase in interest rates on long-term bonds (those maturing in more than five years) Eisenhower hopes to "stretch-out" the Federal debt over a longer period. This would be like finding money. At the same time, the government hopes to sell a larger portion of the bonds to buyers other than commercial banks, and thus to avoid the inflationary expansion of money and credit which occurs when the banks buy the government bonds.

A THORNY PROBLEM

The consequences of either alternative - deflation of prices or devaluation of the dollar - are so terrifying to the U.S. bourgeoisie that it will spare no effort to escape either of those courses.

On the one hand, a price deflation back to the 1947 scale of values would bring prices down by almost 25 per cent. Enough said; the monopoly price-gougers will avoid or delay any general decline in prices if there is any act of prevention fair or foul that they have it in their power to enforce.

On the other hand, a devaluation of the dollar - by raising the price of gold - would be as significant in its way for world politics as the launching of the Sputnik was. It would dramatically reveal the American imperialists to be mere economic mortals, even as their counterparts in other imperialist countries.

It would be a terrible blow to the "leader of the free world" posture. For, such "loyal allies" as Franco, Syngman Rhee, Chiang Kai-Shek, etc. could thus suddenly find their nest eggs and subsidies in dollar form drastically cut. The very talk of devaluation is universally discouraged for fear that a panic among foreign holders of U.S. dollars might lead to a "run on the dollar", thus transforming a rumor of devaluation into an inescapable necessity in fact. Therefore it can be regarded as certain that the U.S. ruling class will defend its position in the export markets with all other means before the last resort of devaluation of the dollar.

However, this critical financial problem of inflation is rooted in the broader crisis of Keynesian policy in general. (Note: The same <u>Wall Street Journal</u> survey quotes "one of the (Government's) best-informed ...money managers" as <u>follows</u>: "....The picnic's over and the money's running out. So I think we'll get through the crisis all right. But not, I suppose, until everybody recognizes that that's the word for it." - M.P.)

THE GREAT DILEMMA

This crisis of Keynesian policy today presents itself in the form of a dilemma.

On the one horn: The government must reduce its borrowing - the alternative is ruinous inflation.

On the other horn: The government must <u>not</u> reduce its spending - the alternative is to undercut monopoly profits and the imperialist war policy.

The bourgeoisie refuses to acknowledge explicitly that there is any such dilemma before them. For, to do so would be to confess the bankruptcy of the Keynesian "anti-crisis" theory and to imply that Marxism may yet have the last word (as it surely will).

But the reality of the dilemma is revealed in the division of the bourgeois commentators into the "fiscal conservatives" and the "free spenders". For, while each complains of only one horn of the dilemma, both together thus testify to the insoluble interconnection of the two aspects of one problem - the crisis of Keynesian policies.

THE "FISCAL CONSERVATIVES" ARGUMENT

The "fiscal conservatives" argue as follows: "The U.S. economy is inherently prosperous. All that is needed is 1) to control and eliminate 'wasteful' spending, particularly non-military spending; and, 2) to stretch out the national debt until prosperity tax receipts can ease the 'temporary' financial embarrassment." To that end they propose 1) a reduction in housing, education, pension, welfare, and other such payments to the people; and 2) an increase in the interest rates to be paid on long-term government bonds in order to ease the present squeeze by lengthening the average maturity of the federal debt.

This is the line of the Eisenhower administration. But the weakness of it is seen in its inability to carry along even many of the Republicans in Congress when it comes to specific applications of this line in the field of housing and farm legislation. They, of course, are not worried about the welfare of the tenant or the working farmer; but they dare not cut off the subsidies of the real estate and banking capitalists who enrich themselves under the "housing" (Title I, etc.) and farm programs.

And in their proposal to raise interest costs, our high-collared "fiscal conservatives" reveal themselves as reckless gamblers at heart. In order to avoid paying less today, because of a "temporary shortage of funds", they propose to pay more tomorrow, by which time their good luck will surely return and they will regain their accustomed prosperous circumstances. Of course, the workers know that the secret of "good luck" of the bosses is in the speed-up and insecurity of the working people. Therefore, the fiscal conservatives simply mean that "tomorrow" they will have turned the screws another notch on the lives of the workers to squeeze out the means of paying the debts of the worthless, wasteful, degenerating imperialist system.

THE "FREE SPENDERS" ARGUMENT

The "free spenders" argue that the expansion of government spending, for war or anything else is not a bad economic factor. On the contrary, they maintain that it is the "very button on fortune's cap", the key to prosperity. To reduce government spending, they say, would be to inhibit the country's "normal economic growth". (Note: We are indebted to the Joint Congressional Committee on the Economic Report of the President, which in its minority and majority reports (March, 1959) agreed that the correct definition of the term "economic growth" is "the process of capital accumulation", i.e., increasing the wealth of only one class. They risk this much frankness since they are confident that the masses of people will not read their report. All the more reason for Marxists to use this "definition" to expose the hypocrisy of "peoples' capitalism".-M.P.)

This is the line of the liberal Democrats. But they betray a lack of confidence in their own line by their unwillingness to challenge the "balanced budget" policy of the Eisenhower administration. The "liberal" 86th Congress came in like a lion and is going out like a lamb. The big talk about "aid to distressed areas, increased unemployment compensation, expanded public housing programs and federal aid to education" (a touch of the "Sputnik fever", you might say) - all died down to a mere partisan maneuvering to escape blame for actions such as increasing the government bond interest rates.

The fiscal conservatives and the free spenders seem to have reached a silent accord in regard to the dilemma: "Let's not fight this thing, it's bigger than both of us."

MONOPOLIES ANSWER: "AUSTERITY"

In short, they have come to agreement on the following solution: To find the way which will maintain and expand government subsidies to monopoly capital, but which will permit a reduction of government borrowing. They have united upon a course of extricating themselves from the dilemma by wholesale reductions of the living standards of the people - in a word, "austerity".

To this end there is a multiform economic and political, now open, now disguised, concerted reactionary drive:

1) To increase man-hour output through automation and speed-up.

2) To attack and weaken the trade unions, disrupt grievance machinery and the steward system and to destroy their militancy.

3) To reduce public services while increasing the rates for such essential services as hospital and medical care, gas, electricity, telephone, public transportation and auto insurance.

4) To rob the poorest tenants and the consumers through higher rents for overcrowded tenements and by monopoly price gouging (often directly organized by the government).

5) To shift as nearly as possible the entire tax burden to the poor and most insecure, through strict enforcement of the withholding taxes, sales and use taxes; and at the same time reducing the tax burden of the bourgeoisie (with its staff of lawyers and accountants working day in and day out devising means of evading what reduced taxes they still are supposed to be paying).

6) To increase steadily the interest charges on consumer, housing and installment credit transactions.

7) To reduce even beyond the present low extreme the living standards of agricultural workers, the majority of whom are of the Mexican, Negro and Puerto Rican oppressed national minorities.

8) To drive the small working farm families and the self-employed of the cities to desperate extremes of overwork in bounden service to monopoly price dictation.

9) To raise the super-profits of imperialist exploitation of the colonial and semi-colonial world, through special tax concessions to imperialist corporations and through the pressure of increased insecurity upon the lives of the peoples of the dependent countries.

(Examples of the savage means by which the American ruling class is prepared to enforce this austerity program could be cited many times under each of these headings. But we think particularly noteworthy are the vicious, cruel and outrageous prison sentences meted out to eight textile workers' leaders on July 23rd for "conspiracy" in the hard fought Henderson, North Carolina cotton mill strike.)

Such a program will certainly lead to a sharpening of class struggles; for, just one look at it is enough to arouse the fighting anger of the masses.

But before drawing political conclusions we must hoe the row to the end in the field of theory.

policies they express. Furthermore it has failed to bring about the material preconditions for cyclical recovery. (The function of the stagnation phase of the economic cycle must be understood - at least if one is a Marxist and not a Keynesian - as being as essential as any other phase of the cycle.)

REVISIONISTS' ARGUMENT

This sort of analysis, of course, is denied by the revisionists. The League of Yugoslav Communists declares in its program that "...state capitalism ....can to a certain extent restrict the anarchic nature of the market in economic development..." (Yugoslavia's Way, p.16)

Readers may recall that in an earlier part of this series we expressed a criticism of the view of Victor Perlo, well-known economist, that the expansion of government spending had brought about a cyclical recovery in 1958. Since that time, Perlo has generalized his view. In a recent article, Perlo advances the opinion that "....it would be wrong to conclude that monopoly capital cannot influence the course of the economic cycle....Sometimes, the monopolies and the capitalist state have temporary and partial success in combatting the crisis." (Discussion article in World Marxist Review, June, 1959)

It is significant to note that the views set forth by Perlo in this latter article evoked special comment from Harry Schwartz, the New York Times' notorious anti-Marxist "expert" and specialist in anti-Communist slander. The heading and theme of Harry Schwartz' account was stated in these words: "Red Revises View About Capitalism" (NYT, June 27, 1959) Schwartz concludes his comment thus: "Traditional Marxism has maintained that the capitalist depressions derive from uncontrollable forces inherent in the nature of capitalism. Now Mr. Perlo....(is) calling into implicit question the 'inevitablity' of the capitalist doom predicted by Marxist-Leninist theory."

The political theories of Harry Schwartz and his ilk may be faulty, but their class instincts are proven highly reliable.

An article in the July issue of Political Affairs, by Hyman Lumer, makes it clear that the leadership of the old CPUSA shares the Perlo view.

Only six months before, in the same magazine, Lumer had emphasized his agreement with the opinion of Eugene Varga, Soviet economist, that "....the present crisis in the U.S.....is a cyclical crisis of overproduction, not a short-term transient crisis similar to those of 1949 and 1954."

Today, Lumer "self-critically" (he is nine months behind Perlo in this "self-correction") declares that"these appraisals...did not adequately take into account the effects which increased government spending, whatever its limitations, exercised on the course of the crisis." In other words, he is saying, there would have been a cyclical crisis; but, because of a government spending program, it was prevented.

THE "FORGOTTEN MAN"

Incidentally, one would wonder how any person calling himself a Communist could write a twelve-page article of "economic analysis", including "self-criticism", and never once find space to so much as mention the name of Marx or Marxism. But Lumer in this article has shown how it is done! (If this be dogmatism....)

The Tito, Perlo and Lumer views exhibit the most common modern revisionist error in political economy, i.e., overestimating the effect of government

CAN THEY REVERSE THE CYCLE?

Can such a program by the monopolies bring about or prolong recovery or prosperity, or prevent or delay a crisis, or shorten a depression? Will the U.S. bourgeoisie, in spite of present difficulties, by its austerity measures succeed in achieving the ideal propounded by Keynes:

"The right remedy for the trade cycle is not to be found in abolishing booms and thus keeping us permanently in a semi-slump, but in abolishing slumps and thus keeping us in a quasiboom." (Keynes, General Theory, p.322)

Undoubtedly such a program will, if successful, raise the share of profits and reduce the share of wages in the national product.

But a rise in the rate of profit is not the cause of a cyclical increase in production. In 1929, for example, the profit of United States' corporations rose to its boom peak, but the year ended in crisis and the index of industrial production fell. Likewise, 1937, a recovery peak profit year, was followed by a decline of production in 1938. As far as cyclical changes are concerned, it is, in fact, just prior to a crisis that profits are highest. Therefore, while recovery is always accompanied by a rising rate of profit, a program which raises the rate of profit is no guarantee that the cycle will change in a positive direction.

In order for a cyclical recovery to occur two material preconditions are required: 1) The excess stocks of commodities (values) must be reduced to the neighborhood of consumption (market) requirements; and, 2) The excess productive capacity must be disposed of by physical (wear and tear) and virtual (obsolescence) depreciation.

Are these developments susceptible of being hastened? Yes - by the development of new markets at home and abroad. Essentially this involves the displacement of non-capitalist production, home industry and domestic services, artisanship, individual peasant production, etc. - and replacing them with capitalist relations of production. New markets can also be won by one or a group of nations at the expense of rival capitalist nations.

CAN PUMP PRIMING HELP?

Can this recovery be speeded up by "pump-priming", either war preparation or peace-time government construction program, etc.?

If the material preconditions have occurred for recovery, and if the credit of the government is sound, and if the rate of profit is not inhibited by such government programs - -

Then, yes, recovery can be speeded up by pump-priming. The experience of the 1930's provides negative proof that where the material conditions are lacking and when government spending inhibits maximum profits (work relief projects, etc.), then pump-priming fails to hasten and confirm recovery. On the other hand, the experience of the war and postwar period shows that the effect of government spending is to hasten recovery when the material preconditions are present and where the maximum rate of profit, far from being inhibited, is being subsidized by government expenditures.

And, again today, the economic situation shows that the vast expansion of government spending in the past year - when exerted in a "counter-cyclical" direction - brings about, not a cyclical recovery, but a crisis of the Keynesian spending on the economic cycle - more specifically in the erroneous idea that such government programs can delay a crisis. From this false premise, revisionism expands its view that monopoly state capitalism has developed the power to modify the economic cycle generally, in all its phases, which, of course, means that conscious actions by the monopolists can prolong the good times, shorten the crisis and eliminate the depression phase of the cycle. (We say "eliminate depressions" because if crisis can be shortened by government induced recovery, then the stagnation phase will never be reached. The reader will here again recognize the Keynesian ideal.)

The revisionists never neglect the formality of saying that "the crisis cannot be avoided altogether". Sometimes they add that "anti-crisis measures tend to prepare a worse crisis later". But such statements are mere platitudes, similar to their talk about "socialism is the only answer" designed to conceal their attacks upon Marxist-Leninist theory without which socialism cannot be achieved. And, like their talk about "titanic struggles" which will take place some day, while they at the same time outline the role of Communists as mere trade union auxiliaries, rather than the vanguard of the working class.

REVISIONIST SELF-CONTRADICTION

Their statement that a crisis "can be delayed but it cannot be prevented" constitutes a self-contradiction.

For, if the crisis can always be delayed then it can be prevented! (This is precisely Keynes' proposition!) On the other hand, if it cannot be avoided, there must come a time when it cannot be delayed any further. The revisionists never come clean on this proposition, never face up to the obligation of honest thinkers when faced with irreconcilable contradictions. They never attempt to tell the workers the circumstances (not the precise time, of course) under which "can delay" must give way to "cannot avoid". Therefore, one is justified in concluding that the revisionists are willing to have the workers believe that the capitalists have found a way to achieve a "permanent delay" - i.e., to prevent crisis!

This is a perfect and necessary corollary to the "peaceful, parliamentary transition" line of the 16th National Convention of the CPUSA, one of whose foremost architects wrote as follows:

"The workers...are not inclined to accept the return of...bad times as inevitable, and will follow the leadership of those with a program to prevent it, or to guarantee that they will not be its helpless victims if and when a depression does come....Socialism.... will come through the constantly successful struggle for peace, prosperity and democracy." (John Gates, Political Affairs, Nov.1956) (Our emphasis - M.P.)

"Hold on!" cry the revisionists, "You draw the bow too far! Have not war and post-war events shown, beyond the niceties of polemics, that state monopoly capitalism has in fact succeeded in delaying a crisis. Theory must not fly in the face of facts."

But just as significant thoughts can never be developed without words, the significance of facts cannot be understood without theory.

The revisionist-conciliationist political economists argue as follows: "If it had not been for the tremendous expansion of government spending a deep and acute economic crisis would have broken out before now." We agree that so far the argument is irrefutable. And perhaps, in this sense, the crisis might be said to have been "delayed". However, to attempt to build up this fact into a theory of "out-planning" the crisis......that is another matter.

For, it would just as true and as meaningful to say that "if the capitalists had not signed any checks or extended any credit there could not have been any boom in the first place." Capitalist spending during a recovery or a boom - private or state - "delays" a crisis. But it would be just as true to say that in a crisis or depression the capitalists "delay" recovery by <u>not</u> spending. One might with no less absurdity call this "combating recovery" as to describe the spending done by capitalists in recovery or boom times as "combating crisis".

PROFIT - NOT "PLANNING" - DETERMINES

The connection between the "combative" thoughts that go on in the capitalists' heads and the evolution of economic events is to be found, not in programs and plans of the class as a whole, but in the objective necessity of each capitalist to realize the maximum rate of profit. It is this which explains the movement of the economic cycle and, indeed, all of capitalist life. The drive for profits explains the emergence from depression to recovery to boom - and no less, it explains the transition from boom to crisis.

Certainly the revisionists and conciliationists would not deny that.

Then, we put to them this question:

If the pell-mell drive for profits in the boom period is what leads to the capitalist crisis, how can the state monopoly use of the government credit in this profit scramble be regarded as a program of "delaying" crisis. If this is <u>delaying</u> a crisis, what in the world would the monopolists have had to do if they been trying to speed it along? What, that is, which would still be consistent with their leopard-spot characteristic of profit-making animals? If by reckless exploitation of government credit, monopoly capital "delayed" a crisis, it certainly was not for want for any measure within their power to increase their profit or to impoverish the masses under their rule, thereby increasing the gap between producing and consuming power.

We submit that when "delaying" a crisis is synonomous with the program of <u>speeding</u> a crisis - then the revisionist-conciliationist argument has been reduced to absurdity.

On this question, we hold with the view of the Bolshevik Party as expressed by Joseph Stalin in his report to the XVI Congress in 1930.

"....bourgeois government of all ranks and colors, bourgeois politicians of all degreees and capacities, have all, without exception, tried their hand at 'preventing' and 'abolishing' crisis. But they all suffered defeat. They suffered defeat because you cannot prevent or abolish crisis while remaining in the framework of capitalism....If capitalism could adapt production, not to the acquisition of the maximum of profits, but to the system of improvement of the material position of the mass of the people, if it could employ its profits not in satisfying the whims of parasitic classes, not in perfecting methods of exploitation, not in exporting capital but in the systematic improvement of the material position of the workers and peasants, then there would be no crisis. But then, also, capitalism would not be capitalism."

We have argued here against the main error of modern revisionism in the field of political economy - overestimation of the effect of government spending on the economic cycle; the belief that the bourgeoisie has found a way to modify the capitalist cycle. The fact remains, however, that there has been a vast program of government spending to subsidize the monopolies, and that as a result the government debt has grown phenomenally. The question then is this:

What significant consequences actually do flow from such a developement of state monopoly capitalist policies?

MARX ON THE PUBLIC DEBT

"The public debt becomes one of the most powerful levers of primitive accumulation," wrote Karl Marx in Volume I of Capital, in discussing the beginnings of capitalism. "As with the stroke of an enchanter's wand, it endows barren money with the power of breeding and turns it into capital without the necessity of its exposing itself to the troubles and risks inseparable from its employment in industry or even in usury." (op.cit. Ch. XXXI)

The bulk of an historical era separates us from the time of primitive capitalist accumulation. Yet, in these observations by Marx, and other of his comments on the same subject, we cannot fail to be instructed in current problems of political science.

CENTERING THE CRISIS IN THE STATE ITSELF

If, in the period of primitive accumulation, it was a "lever", then today, in the period of the second stage of the general crisis of world capitalism, the U.S. public debt has become a major and indispensable adjunct of monopoly capital, a giant pump for drawing money from the pockets of the people and building up the reservoirs of capitalist profit.

But as a adjunct of private capital, the state credit becomes direct heir of, and participant in the most intimate details of the cyclical crisis of capitalist production. This is manifested in an increasingly critical financial situation and by the consequent reduction of the ability of the state to put reserves at the disposal of the capitalists during the crisis and depression periods.

THE EMERGING STRUGGLE AGAINST HIGH TAXES

If, as Marx wrote, "Overtaxation is not an incident, but rather a principle" in the period of primitive accumulation, it has today, in the period of the general crisis, become an indispensable instrument for placing the burdens of the mounting problems and sharpening contradictions of capitalism upon the backs of the toiling masses.

The fight of the common people of America against tax robbery by the British and then by the ascendant American bourgeoisie was one of the main forms of the democratic struggle by which the country was founded. That struggle was led, and mainly manned, by the petit-bourgeoisie of town and country.

In the period now beginning, the U.S. working class is destined to come forward as the modern leading inheritor of that ancient and militant revolutionary tradition: "No taxation without representation!" - this time directed against the leading force of world capitalism, U.S. monopoly capitalism.

And in the course of this struggle, the Marxist-Leninist vanguard will not fail to point out that, under modern conditions, the interests of the masses can be fully "represented" only in the form of the socialist revolution, which will open the way to the ending of taxation, forever.

IDEOLOGICAL "BLASPHEMY" AGAINST GOVERNMENT CREDIT

In the period of primitive accumulation, "Public credit", as Marx put it, "becomes the credo of capital (and)....want of faith in the national debt takes the place of blasphemy against the Holy Ghost, which may not be forgiven".

If then, it could not be forgiven, today it cannot be tolerated. For then, such "blasphemy" merely obstructed the path to bourgeois glory. Today, it indicates the gaping chasm of financial crisis for the state which stands as the pillar of "the free world".

Since overestimation of the strength of the bourgeoisie is a hotbed of opportunist theories, the revisionist-conciliationists in the leadership of the old CPUSA, instinctively avoid and deprecate any exposure of the revolutionary connotations of the ruinous fiscal policies of U.S. monopoly-state capitalism. On the other hand, in the struggle against the myth of "American exceptionalism", including its revisionist forms, Marxist-Leninists will be "guilty" of this sort of "intolerable blasphemy" many times.

VIII. THE POLITICS OF REVISIONIST POLITICAL ECONOMY

ESSENTIAL ELEMENTS OF A PEOPLE'S ECONOMIC PROGRAM

In one section of our previous chapter we sketched, in some nine points, the outline of the reactionary "austerity" program by which the monopolists aim to solve their dilemma through forcing a general lowering of the living standards of the masses. A brief study of this monopoly program is enough to indicate certain essential lines of a program of popular resistance. Certainly any people's anti-monopoly program must include demands and aims such as the following:

1) The six-hour day. Broadened unemployment compensation and continuation of payments for the full duration of unemployment. Resistence to speed-up. Increase minimum wage to $1.50 per hour. Fair Employment Practices legislation, with teeth.

2) Increased trade union militancy, unity and democracy. Resistance to anti-labor bills. Defense and extension of Negro job rights. Organization of the South.

3) Maintenance and improvement of (and reduction of the rates charged for) hospital and medical care, and public services such as gas, electricity, telephone, public transportation, etc. Increased pensions and public assistance, and public education facilities.

4) Organization of tenants and consumers for rent and price control and for improved services. Mass campaigns against housing discrimination against Negroes, Puerto Ricans and other oppressed national minorities.

5) Halt and reverse the soak-the-poor tax burden shift of the past twenty years. Raise income tax exemptions, repeal sales taxes, increase taxes on unearned income, rents, profits, etc. Assert the principle of taxation according to ability to pay.

6) Stop repossession proceedings against working people burdened down with installment debt. For a moratorium on mortgage foreclosure proceedings against and home and auto buyers in the ranks of the working people. Limit and reduce interest and debt charges for installment, auto and housing loans.

7) Organization of agricultural workers and extension of full coverage to these workers under federal social security and minimum wage laws.

8) Government guarantee of cost-of-production for working farmers. Protection of self-employed working people against monopoly price-and-rent gouging.

9) Defense and support of the national liberation struggles of the peoples oppressed by U.S. imperialism. Immediate ending of the cold-war armaments policy. Expansion of trade with the Soviet Union and other socialist countries on the basis of extension of credits by our country.

Such a program flows directly and consistently from the application of the Marxist-Leninist theory of political economy to the present economic situation, such as we have undertaken to present in this series of articles.

Such a program is completely consistent with the general line of the POC in the struggle for the reconstitution of a Marxist-Leninist Party in our country, as set forth in our documents and in VANGUARD, and as manifested in our day-today work on issues.

That is why the POC merits the confidence of the masses in the struggle for the people's economic program of resistance to monopoly capital.

However, it is well known that the revisionist 16th Convention and the present leadership of the old Communist Party are also FORMALLY committed to such a program. (Note: Most recently this is repeated in the "Draft Political Resolution" for the 17th Convention scheduled by the old Party leadership for December, 1959 - M.P.) Yet, we said at our founding conference and repeat today that the revisionist line and leadership are unworthy of the trust of the working class.

Why? Why must the workers learn to discount the "anti-monopoly" claims of the revisionist leadership of the old Party, just as they have learned to discount the occasional "progressive" or "radical" pronouncements of other opportunists?

For these reasons:

1) Because - unlike the consistent efforts of the POC to apply Marxist-Leninist political economy to the American scene - the old Party line departs from the fundamentals of Marxism-Leninism to produce a revisionist political economy which is inconsistent with the basic requisites of a people's anti-monopoly program.

2) Because - unlike the POC which consistently follows the road of the Marxist-Leninist 12-Party Declaration - the old Party leadership has taken the path of opportunist accommodation to U.S. imperialism, the path of Party liquidation.

In putting these broad statements to the proof, we take as our standard two basic and essential facts about any real people's economic program today (and let the opportunists challenge them at their own risk):

First: The indispensable ingredient of all aspects of the people's program is the struggle to limit and reduce profits - and primarily monopoly profits.

Second: Being an anti-profit program, it cannot depend upon the support of any section of the capitalist class - and it will be directly opposed by all sections of monopoly capital.

CONTRARY TO REVISIONISM

We shall now show that the line of the old Party is irreconcilable with these basic requirements of a people's anti-monopoly program.

The policy set forth in Section II of the Main Political Resolution of the 16th Convention included the view that "....all serious efforts to transform the Democratic Party by ousting the Dixiecrats and undermining the influence of Big Business, help create the preconditions for a new political alignment under labor's leadership, whatever its form." (Convention Proceedings, p.270. Our emphasis - M.P.) As the context of that quotation shows, the reference to "whatever its form", means to say that that form might be a "transformed" Democratic Party, itself.

SAME LINE FOR 1960 ELECTIONS

In outlining the old Party's approach to the 1960 elections, Eugene Dennis General Secretary, reaffirms that: "The main strategic and tactical line we Communists should pursue...remains in most respects, essentially as projected by the 16th Convention in Section II of the Main Political Resolution..." (Toward the 1960 Elections, report adopted by the CPUSA National Committee, December 6, 1958, and published as a pamphlet.) (The newly published "Draft Political Resolution" for the 17th Convention restates the same line.- M.P.)

Thus, for all their demagogic denunciations of "revisionism", they are still doing business at the old revisionist stand which they set up in cooperation with John Gates.

"...The Democratic Party", according to the Dennis Report, "remains nationally, one of the major parties of capitalism." (p.11, our emphasis, M.P.) Nationally, it seems, the Democratic Party is "a party of capitalism", but, perhaps in some states? counties? districts? wards? precincts?, it is a "party of socialism"!! And, how revealing is the National Committee's description of the Democratic Party as simply a "party of capitalism." Why do they not say "party of monopoly capital"?

The answer is that they are caught in a contradiction: They dare not openly deny that the Democratic Party is a property of monopoly capital. Yet, since they pin their hopes on the Democratic Party ("transformed" to be sure!) for the formation of their false idea of "an anti-monopoly coalition", they can not admit that the Democratic Party is a party of monopoly capital.

After conceding that, at the moment, prospects are not bright for "labor and its allies 'capturing' the Democratic National Convention", Dennis goes on to declare that "a Democratic presidential ticket can emerge in 1960, resting on and responsive to a broad mass movement." (p.11) (Dennis' favorite Democrats seem to be such as Dean Acheson, Adlai Stevenson, Herbert Lehman and Senator Hubert Humphrey, whose recent roles he evaluates positively on page 9.)

"Such a ticket," he declares, would champion a forthright civil rights program...(and) many of the positive economic and social demands of labor and the farmers..." "This possibility exists", he goes on, "because of"(our emphasis, M.P.) a number of factors, the first two of which are a) "the irrepressible' (something like the Civil War, perhaps?) - "the irrepressible conflict over civil rights which is deepening the cleavage in the Democratic Party"; and, b) "certain contradictions and differences within the ranks of big capital..." (p.12)

(If they try to make a show of calling back their words in the light of the outrageous performance of the first session of the overwhelmingly Democratic 86th Congress, we shall remind the workers of the contrary and correct analysis of the 1958 elections made by the POC and printed in VANGUARD, November, 1958. The difference is not between foresight and hindsight, but between revisionism and Marxist-Leninist science and principle.)

In short, the old Party leadership proposes a 1960 election tactic centered around a concept of an "anti-monopoly coalition led by labor" but "rested on" by the "liberal" sections of monopoly capital. Yet no section of monopoly capital ("liberal" or otherwise) will "rest" in the presence of a general attack on profits; still such an attack upon profits, as we have seen, is the indispensable element of a people's program, of resistance to monopoly's "austerity" drive against the living standards of the masses.

Thus they too are faced with a dilemma: On the one hand, they cannot have a policy of a general reduction of profits, otherwise the "liberal" monopolists won't "go along", won't "rest on" the "anti-monopoly" coalition. On the other hand, they cannot become advocates of "austerity". For, with such a policy, "labor" - by which the old Party leadership means, first of all, Meany, Reuther, MacDonald, etc. - can't "lead", i.e., can't "deliver" an adequate base for the "liberal" wing of U.S. imperialism to "rest on"!!

In order to solve their problem, it became absolutely necessary for the old Party to revise political economy, to develop a rationale in the field of "economics" whereby the bourgeoisie could escape from their present dilemma, thus, in theory, eliminating the "necessity" for monopoly capital's reactionary "austerity" offensive, and making it unnecessary for the working people to defend their living standards by attacking profits. A theory had to be found whereby wages and profits can increase at the same time.

We know that wages and profits can increase simultaneously only during the recovery and boom phases of the cycle. Thus it becomes obvious why the revisionists require a political economy pegged to the idea of"modifying the economic cycle", "delaying the crisis", "eliminating the depression", etc., etc. Such a "theory" as we have seen is unsound and a departure from Marxist political economy. But the old Party leadership is not to be deterred by such details for only their revisionist line in political economy, can serve their revisionist "strategy" of an "anti-monopoly" coalition presided over by the "liberal" sections of monopoly capital!

REVISIONISM OPPOSES THE PEOPLE'S FRONT

Such opportunist policies in the fields of capital economy and electoral "strategy and tactics" are the very negation of a real anti-monopoly coalition. The correct concept of such a coalition has been set forth in many Marxist-Leninist documents on the United Front and the People's Front, from the time of the Seventh World Congress of the Communist International in 1935, to the 1957 Twelve-Party Declaration.

"At present", says the Declaration, "the struggle of the working class and the masses of the people against the war danger and for their vital interests is spearheaded against the big monopoly group of capitalists...(whose policies) conflict increasingly not only with the interests of the working class, but the other sections of capitalist society: the peasants, intellectuals, petty and middle bourgeoisie." Note well: <u>Here we find no speculation upon "irrepressible" conflicts among the monopolists</u>.

Yet, such speculation, on the contrary, is the very key of the 1960 "election policy" of the old CPUSA leadership! In that policy we see the political-ideological conditioning for the flowering of revisionist ideas of a "depressionless" capitalism.

REVISIONIST ECONOMICS AND THE NEGRO QUESTION

Similarly, we can trace the interconnections of the old Party leadership's policies on the Negro question and their political economy.

They are convinced, as we have seen, of the fundamental vitality of U.S. capitalism, now "fortified" with the power of state-monopoly capitalist ways and means. Therefore, the revisionists abandon the idea of the revolutionary character of the Negro question. Instead, they outline a perspective of liberation through an "anti-Dixiecrat" coalition "rested on" by the "liberal" monopoly capitalists. According to this thesis, the future great internal expansion of U.S. capitalism will "lead monopoly capital to tap the labor supply of the Black Belt" so completely that the whole basis of the Negro question will be, let us say, "drained away." Such are the marvels we are told to expect from the powerful operation of the blind economic forces of the new "depressionless" capitalism.

And the "beauty" of it all, again, is that the whole thing can be accomplished without the least interference with the total profits of monopoly capital! Indeed, they would likely be increased in the process! It is clear why such "economic theories" have so much to offer the builders of the "anti-monopoly" coalition to be "rested on" by the "liberal monopolists".

But for those who hold the Marxist-Leninist view of political economy there is no such future in store of U.S. imperialism in the period of the general crisis. Therefore, the Negro question remains not only a national question, but also a revolutionary question, insoluble by imperialist capitalist methods, for the very reason that every step in the liberation of the Negro people contains, in one form or another, the attack upon the profits of the monopoly capitalists. And, for this reason, in turn, the builders of a real people's front against reaction, war and fascism, refuse to regard the Negro liberation movement as a "resting spot" for any wing of monopoly capital.

THE STRUGGLE FOR SOCIALISM AND PEACE

In mapping out their "peaceful, parliamentary and constitutional American Road to Socialism", the old Party leadership predicts that: "Titanic economic and political struggles will intervene before the majority of the people take the path to socialism." (Main Political Resolution, 16th National Convention Proceedings, p.304).

It cannot be denied that economic and political struggles tend to become "titanic" in times of economic crises and depressions.

But let us imagine, of we can, a future situation like this:

> An economic crisis has occurred and "titanic" economic and political struggles have begun. Congress is in session. Some hothead, casting caution to the winds, introduces H.R.5678, a bill "to provide for the peaceful transition to Socialism."
>
> Immediately, "Mr. Sam", as the Speaker of the House is affectionately known, goes into action. The wheelhorses of the 16th Convention, elected to Congress on a coalition ticket, are called on the carpet and are accused of having had a secret hand in putting forward the Socialism Bill. They stoutly deny it, of course. They admit they are "for Socialism"; but they proclaim their loyalty to the "liberal"-monopolist "anti-monopoly" coalition. As proof of their good faith, the adopt a motion of censure against "adventurist" sponsor of the Socialism Bill, and reassert their support of the coalition's "anti-depression"Bill, H.R.1234.
>
> Money is appropriated in large amounts and spent. The depression is nipped in the bud. Profits rise again. Unity of the "coalition" is preserved. The "titanic economic and political struggles" subside, and Socialism is seen to be not the only - nor even the lest - way out of the depression!

Fantastic? Yes. <u>But only because the revisionist theory of political economy is fantastic!</u>

Not only depression but the basic causes of imperialist war will be removed, according to this revisionist fantasy! For, if - as the revisionist contend - the bourgeoisie can prevent depressions, <u>they have at the same time escaped from the contradictions which are the basis of the imperialist drive toward war.</u> ("We ask," wrote Lenin, "is there under capitalism any means of removing the disparity between development of productive forces and the accumulation of capital on the one side, and the division of colonies and 'spheres of influence' for finance capital, on the other side - other than by resorting to war?" (<u>Imperialism, The Highest Stage of Capitalism</u>, Ch.VII) If the bourgeoisie has achieved the ability to control the productive forces - the same which under capitalism have always made depressions an inevitable part of an economic cycle - then, they are not inherently bound to a policy of "resort to war". (The fact that today the peace forces of the world, and first of all the Soviet Union, China and the other Socialist countries, are strong enough to bridle the warmakers, is quite a different thing from suggesting that the basic economic internal contradictions of the imperialist war-making nature have been surmounted.)

But, if U.S. imperialism has learned how to end the depressions and the "necessity" for resorting to war for profit - then it has learned how <u>not</u> to be imperialism; then it has found <u>nothing less than a means of blunting the class struggle</u>, and the means, therefore, of preventing the socialist revolution.

It is easy to see how such fantastic revisionist thinking on political economy is designed to reassure the liberal bourgeoisie. It is equally clear how the revisionist theories about state-monopoly capitalism serve to disguise the danger of the resort to fascist state monopoly capitalist rule, by the financial oligarchy faced with mounting and inescapable depression prospects in the period of the general crisis of capitalism. Finally, it is obvious how such ideas serve to blind the workers to the realization of their historic class mission as the "grave-diggers of capitalism".

We have thus tried to show the interdependence of the "political economy" and the "strategy and tactics" as advanced by the revisionist-conciliationist leadership of the old CPUSA, and to trace the roots of these politics to their origin in the class interests of the bourgeoisie.

These facts show why, in spite of their so-called "anti-depression" programs, the old CPUSA cannot act as a vanguard of the proletariat nor "tribune of the people" in the struggle against monopoly capital's "austerity" attacks upon the living standards of the people.

IX. S U M M A R Y

We completed the introduction to our subject by bringing into focus three key theoretical questions:

1) The current economic situation in our country in relation to the Marxist theory of the capitalist economic cycle.

2) The effect of government spending in relation to the economic cycle.

3) The inter-relationship of the economic situation in our country and the present, second-stage, development of the general crisis of world capitalism.

For the purpose of this series of articles we have completed discussion on the first two of these points, and can summarize our main conclusions on them as follows:

1) The cyclical economic crisis which began in the United States in the latter half of 1957 has NOT ended in a cyclical recovery.

2) The material conditions for recovery have not matured; the over-expansion of productive forces and commodity stocks still bars the way to cyclical recovery. Therefore, a period of stagnation, of far-below-capacity production, is in prospect before a cyclical recovery occurs.

3) When recovery occurs, as it will sooner or later, it is much more likely to resemble the weak and unstable "recovery of a special kind" of the mid-1930's, than the upward phases of the post World War II economy.

4) The efforts of state-monopoly capitalism to "reverse the cycle" through increased government spending have not achieved economic stability. On the contrary, they have threatened to "strip the gears" of the government's financial machinery, have brought it to the verge of financial crisis.

5) The failures of these attempts reveals a crisis of Keynesian theory and policy; the dilemma of the necessity to increase government spending and the necessity to reduce government borrowing.

6) The crisis of Keynesian policy is bound to lead to the most severe sharpening of the class struggle, as the ruling class seeks its one way out: the reduction of the living standards of the people, i.e., "austerity".

7) The leadership of the old Communist Party of the United States has developed a revisionist political economy (closely allied to Keynesism). This theoretical line would disarm the workers ideologically in the face of the "austerity" attack organized by monopoly capital.

8) The policies of political economy put forward by the old Party leadership is of a piece with the whole revisionist-conciliationist line of the 16th National Convention. It is designed to help provide a platform for an alliance with the "liberal" sections of monopoly capital, even though the ruinous effects of such a policy for the workers is becoming more obvious every day.

We have not completed our preparation on the third question, that of the general crisis. Within the near future, we hope to be able to present our views on it. Even so, however, we can already indicate certain main general conclusions on that point:

9) The contrast between the health and growth of the economy of the socialist world, on the one hand, and imperialist parasitism and decay, on the other, will not merely continue to develop as in the past. The qualitative content of this competition will change. Led by the achievements of the Soviet economy, the socialist world system will prove not only its relative superiority over world capitalism, but its absolute superiority, pound for pound, barrel for barrel, yard for yard.

10) The competition of the socialist world and the rise of the national liberation struggles will multiply the difficulties and restrict the gains for capital exports by imperialist powers to the colonial world.

11) The workingclass of the United States, and other imperialist countries, Britain, France, West Germany, Italy, Japan, Belgium and the Netherlands, will be forced into very sharp clashes with "their own" imperialist rulers in defense of peace and the peoples' living standards. In the course of such struggles the policies of opportunism (including its revisionist varieties) will become more and more exposed as a betrayal of the working class. As the crisis of opportunism grows, the monopolists will strive increasingly to rely upon fascist measures against the people. The workingclass will in turn come forward increasingly as the champion of the peoples' democratic liberties.

- "C H A N G E   T H E   W O R L D" -

Said Marx: "The philosophers have interpreted the world in various ways; the point, however, is to change it." And, again: "Theory becomes a material force as soon as it has gripped the masses."

Since we are Marxists, our interest in the study of the economic situation is to develop our understanding of our country on the basis of Marxism-Leninism. But this understanding is only the beginning. To "change the world", we must take the steps necessary to win the masses to the conclusions we have drawn, by putting these conclusions to the test of practice in day-to-day struggles of the people.

We have cited some eleven conclusions of our study of the economic situation; but there is yet one more, the one upon which depends the effect of all the other conclusions.

In Part Eight of this series we outlined essential elements of a people's economic program for struggle against the "austerity" offensive now being directed by monopoly capital against the living standards of the masses. This is the line of battle. A people's victory depends upon the correct application of the tactics of the united front of the working class.

The line of the leadership of the old CPUSA is, as we saw in our previous discussion, incapable of organizing this people's anti-monopoly struggle because of that leadership's opportunist policies (the same policies which have led it to refuse to endorse the 12-Party Declaration, the program of the international Communist movement.)

THE CONCLUSION OF CONCLUSIONS

Yet, without a Marxist-Leninist vanguard Communist Party in the United States, the American working people will be decisively handicapped in the day-to-day struggles against "austerity", reaction and the danger of fascism. Without such a party, the U.S. working class cannot discharge its responsibilities of international proletarian solidarity. Without such a party the working class cannot fulfill its historic revolutionary mission as the builder of socialist society, the only real way to "prevent economic crises".

Therefore, the one main, central and paramount conclusion, set like a capstone to all our nine articles of polemic and conclusions is this:

Build the P.O.C., in order to bring into being in the shortest possible time a real Marxist-Leninist Communist Party in our country! To the Masses! Vindicate the vanguard role of Marxist-Leninists in <u>every struggle</u> to defend labor and the people against the crisis-sharpened attacks by capital.

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