

Resolution of CP on Economic Situation in U. S.

Following is the resolution adopted by the convention of the Communist Party on the economic situation:

For a Prosperous America; For an End to Poverty; For a New Program of Social Advance

The years since 1939 have witnessed a huge expansion in the American economy. During this time, our productive capacity has more than doubled, and today the United States towers over the capitalist world, surpassing in productive power and wealth all other capitalist countries put together.

This enormous power, monopolized by a handful of giant corporations, rests on a tribute drawn from the whole capitalist world through a vast expansion in foreign investment. It rests on two wars and extensive militarization of the American economy. It is the power of American imperialism, more grasping and parasitic than ever before.

These same years have witnessed also a prolonged period of relative prosperity—a period of nearly two decades without a major economic crisis.

The wartime boom, in a country untouched by the destructive effects of war, has continued into the post-war years. Since 1947, despite temporary declines, industrial production has risen by 42 percent. Corporate profits before taxes have nearly doubled. Real wages in organized industry, particularly during the last few years, have risen substantially. And by mid-1956, employment reached a record level of 66½ million.

As in the twenties, the current boom has once again given rise to illusions of permanent prosperity. Crises, say the spokesmen of big business and the Eisenhower Administration, are a thing of the past. The government, through its capacity to intervene and to "manage" the economy, can prevent any major disaster and can limit economic fluctuations to mere "adjustments." Moreover, they assert, we have developed a "people's capitalism," in which the share of income and wealth going to the working people is steadily rising while that going to big business is falling.

But such Wall Street-inspired illusions are entirely unfounded. In reality the very factors sparking the boom serve also to increase the underlying instability of the economy and the imbalance between productive capacity and the market. Outstanding among these factors are:

1. A high rate of investment in fixed capital throughout the post-war period. This has been motivated principally by the need to restore world-wide damage and domestic shortages arising from the war, as well as to replace obsolete and worn-out equipment, by technological advances, and by the expansion of basic industrial capacity to fit the enlarged world role and military program of American monopoly capital. Coupled with this has been an expansion of the consumer durable goods market and an extended boom in housing construction.

But today the rate of increase in industrial capacity far exceeds the rate of growth in purchasing power. This disparity ultimately leads to a point when continued expansion in the face of inadequate markets is no longer profitable and capital investment declines.

2. A vast growth in government spending. For the current fiscal year, cash outlays of government at all levels will total \$100-billion, of which federal government expenditures account for some \$69 billion.

two-thirds goes for "national security." In large part, therefore, the present high level of the economy is based on the unreliable prop of arms spending, which during the Korean war hit a peak of \$55 billion a year, and is today running at an annual rate of about \$44 billion. And for the coming fiscal year, President Eisenhower has proposed a record peacetime federal budget of \$72 billion, \$45 billions of it for military purposes.

Among the consequences of such spending are the post-war inflation which has brought prices of consumer goods and the cost of living to their highest level in history, a federal debt of \$276 billion, only slightly below the World War II peak, with its billions of dollars in interest charges, and a tax burden which consumes one-third of the earnings of the average worker.

3. An unparalleled inflation of private credit. Corporate debt has grown 2½ times since 1945. Personal indebtedness—home mortgages and consumer debt—has risen to \$137 billion, of which more than \$100 billion was accumulated during the last ten years. Consumer credit alone has grown to nearly \$41 billion and amounts of 15 percent of all consumer disposable income—an all-time high.

The most recent economic upsurge, since 1954, has been stimulated chiefly by such credit inflation, together with a large volume of tax rebates and giveaways to big business. Hence the American economy today has taken on much of the aspect of a typical speculative peacetime boom, reminiscent in many ways of the boom of the twenties. The mounting volume of credit, with its attending threat of further inflation, contributes greatly to the underlying instability of the economy.

4. Postwar expansion of foreign investment. Today, American investment abroad, in all forms, totals \$45 billion, or four times the prewar level, and the profits extracted (both admitted and concealed) are estimated at nearly \$10 billion a year. In the main branches of American industry, profits from foreign investment range from 10 percent of total profits to as high as 50 percent in the case of the oil trusts. These volumes of investment and profit exceed those of all other imperialist countries combined. (And this is in addition to the billions in extra profits obtained through the super-exploitation of the Negro people in this country.)

But these foreign investments rest on a very shaky foundation. The growing breakdown of the colonial system and the spreading movement for national liberation threaten the continued extraction of these super-profits and the whole parasitic structure built on imperialist exploitation.

Clearly, the foregoing features render the future of the economy far less secure than some would have us believe.

Moreover, today's boom has by no means brought prosperity for all.

From 1947 to mid-1956, farm income fell by one-third. In 1955, the Department of Agriculture reports, net farm income was lower than in any year since 1940. The persistent agricultural depression places a heavy economic burden on the shoulders of the small marginal and family-sized farm operators, and the outbreak of a general crisis would have a catastrophic effect on the small farmers. For never before was the agricultural economy so closely bound up with the country's industrial and financial life, and never was it under

Of the federal outlays, about

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such sharp pressure from monopoly.

One-fifth of a nation suffers poverty in the midst of plenty; one family in five earns less than \$2,000 a year — that is, less than \$40 a week. Among Negro families, the proportion is more than two in five. Ten million American children live in slums. In the midst of the boom, the country is dotted with distressed areas and "sick" industries, plagued by high unemployment.

Despite the record national employment, the rise in production since 1954 has brought no corresponding rise in factory jobs. The auto workers, during the past year, suffered an alarming growth in unemployment, with 100,000 of those laid off still not absorbed at the current peak of production. And with the further extension of automation and increased productivity, unemployment threatens to spread further.

Nor has small business flourished in recent years. The rise in profits has been concentrated in the biggest corporations, and bankruptcies of small business ventures have reached their highest rate since 1939.

The chief beneficiaries of the boom have been the giant trusts and monopolies. The year 1955, says *Fortune*, was "very definitely the best year ever for big business."

The monopolies have continued to grow and to become ever more powerful. Today, the 500 largest industrial corporations account for about half of all production and employment. These giants rake in the lion's share of the profits. In the first quarter of 1956, profits per dollar of sales for the biggest companies (those with assets of \$100,000,000 or more) were nearly five times those of the smaller companies (with assets under \$250,000). And under the Cadillac Cabinet, with its giveaways and its policies favoring big business, mergers are taking place at a higher rate than ever before.

The enormous profits of the trusts are obtained at the expense of the workers, the small farmers and small business. Though real wages are rising, they have not kept pace with the rise in productivity or the still greater growth of corporate profits, and the worker's share in his product thus continues to decline.

Hence, despite the prolonged prosperity and despite the significant efforts of the new features which have emerged in the American economy, the basic contradictions inherent in capitalist production are not abating but are becoming sharper. The fundamental factors making for economic crisis continue to operate today, no less than in the boom of the twenties — in particular the basic factor which Marx described as "the tendency of capitalist production to develop the productive forces as if only the absolute power of consumption of the entire society would be their limit," while the actual purchasing power of the masses remains relatively restricted and lags increasingly behind.

The boom, with its growing credit inflation, only conceals the sharpening contradiction between the forces of production and the capitalist relations under which they are operated—a contradiction which can be finally resolved in the people's interests only through the establishment of a socialist society. The Marxist theory of crisis has not been invalidated by the prolonged period of prosperity.

In assessing the post-war economic developments, the Party was correct in giving special weight to the effects of extensive growth in military expenditures. However, in 1945, 1949 and 1954, we incorrectly predicted that the then current declines would develop into crises of major proportions.

At times, the Party gave a one-

sided appraisal of the effects of the arms program. It overlooked the extent of continuing investments in fixed capital to replace, expand or modernize equipment which had worn out or become obsolete since the last major cycle of fixed capital renewal in the thirties. Together with this, it failed to size up adequately the level of commercial and residential construction, the scope of unsatisfied consumer demand, the possibilities of credit expansion, and the government's tax program of rebates, rapid write-offs and lowered excess profits taxes.

At the root of these mistakes has been our acceptance of the erroneous thesis, widely prevalent among Marxists in all countries, that in the post-war stage of the general crisis of capitalism no significant peacetime expansion of capitalist production would be possible. This contributed to a one-sided and incomplete study of economic data. At the same time, our inadequate attention to the new and specific features of the American economy led to the application of the Marxian theory of crisis in a routine, formal and doctrinaire manner.

Our repeated estimates of impending economic crisis had many harmful effects: projection of unrealistic economic programs, overestimation of the tempo of radicalization of the masses, with resultant mistakes in tactical approaches to united front relations, especially in the trade unions; and finally, encouragement of all tendencies to overestimate the imminence of war and fascism.

The correction of our wrong approaches in this field is a vital prerequisite for obtaining a proper understanding of the present day American economy and for the development of a correct economic program. The National Committee proposes toward this end, that a special commission be established to launch a thorough-going study of the main theoretical questions confronting us, and on this basis to make a fresh analysis of the total economic picture. All Party members are urged to participate to the fullest extent in the study and discussion of these problems.

For, American capitalism has undergone great changes since the pre-war years. Many important developments have become intensified to such a degree that they have taken on certain new features—features which have a pronounced affect on the course of the economic cycle and all related economic factors.

Central among these is the tremendous growth of monopoly, as a result of which the impact of monopoly control on the determination of prices and production, and on the position of small business, has greatly increased.

Hand in hand with this has gone a tremendous increase in the intervention of the government in the economy. This intervention, whose primary aim is the protection of monopoly profits, today penetrates every aspect of our economic life. Huge government expenditures, chiefly for military purposes, government subsidies, guaranteed markets, stock-piling, tax writeoffs and giveaways—all these have in turn had far-reaching effects on the role of taxation, government debt and monetary policies. Government economic intervention has been a contributing factor also in the unequalled rise in the volume of private debt and particularly in the enhanced role of consumer credit in the economy.

Another important feature is the new wave of technological advances, particularly the development of automation, which has not only greatly increased productivity, but has also begun to affect profoundly the composition of the labor force, the role of skilled labor, and the growing shift in employment from manufacturing to service occupations.

An especially significant new de-

velopment is the impact of a greatly expanded socialist world on our economy. Particularly important is the peaceful competitive bid of the socialist countries for world markets, and their growing ability to offer underdeveloped countries a source of capital goods independent of the imperialist nations.

There are also certain special characteristics of the American economy — for example, the exceptionally prominent part played by the production and sale of consumer durable goods, notably the automobile — which require examination.

Finally, there are certain long unresolved theoretical questions, such as the operation in this country of Marx's law of the impoverishment of the working class, or the operation of the law of value under monopoly conditions, which demand answers with growing insistence.

The failure adequately to study these new and special features is a major cause of economic errors which we have committed in recent years.

A most important factor on today's economic scene is the existence of a greatly strengthened, more unified labor movement, whose power has been enhanced especially by the AFL-CIO merger. Labor has won significant economic gains during the postwar years, among them a virtually uninterrupted series of annual wage increases.

But today labor faces new and more acute problems. Though production has risen during the past few years, factory employment has fallen off. Among industrial workers, there is a growing sense of job insecurity and mounting pressure for the thirty-hour week without reduction in take-home pay. There are intensified problems of speed-up and worsened working conditions. In many industries the runaway shop evil is reaching more and more serious proportions.

Organized labor has developed an extensive economic program to combat poverty and depression. Included in it are demands for higher wages, an end to discrimination in employment and pay, a shorter work week without reduction in pay, a reduced burden of taxes on low-income groups, increases in the minimum wage, in unemployment compensation and in social security benefits generally, large-scale public works, and aid to small business and farmers.

We Communists endorse and support the forward-looking proposals of the labor movement and other democratic organizations for economic betterment and social welfare. It is through the development of a united movement behind such a program that the American people can advance their economic welfare against the encroachment of the trusts.

We urge, on our part, a program which includes:

1. All necessary measures for the defense of the economic conditions of the working people against the destructive effects of economic crisis.
2. Reduction of arms spending, together with other measures to combat inflation.
3. A program on a grand scale for development of water power and conservative projects, as well as the building of highways, schools and other vital public works.
4. A positive world economic role, with the provision of real economic aid—not arms—to underdeveloped countries, and with the restoration and expansion of East-West trade.
5. Large-scale economic development of underdeveloped areas in our own country—notably the South.
6. Defense and extension of national property—forests, oil and other natural resources, as well as atomic energy installations—against

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the inroads of monopoly.

The age of automation and the atom, with its great promise, stands in glaring contradiction to widespread poverty, to inadequate educational and health facilities and to growing insecurity and fear of the future. But to fulfill the promise of plenty which automation and atomic energy hold forth will require concerted struggle by labor and its allies against the big monopolies. In the course of such struggles, if Communists and other socialist-minded Americans work effectively, the working people of this country can achieve a fuller understanding of the need for a socialist economy as the only basic answer to their problems.