

TOWARDS AN ECONOMIC CRISIS IN THE U.S.A.

EUGENE VARGA
(from *Pravda*, January 28, 1954.)

AT the beginning of January, President Eisenhower presented his first message to Congress on the state of the Union. However hard his economic advisers tried to embellish the situation, it looked far worse than a year ago. The facts testify that the promises that Eisenhower made before the elections have remained unfulfilled. He promised prosperity, but his ministers could not prevent the beginning of a crisis of overproduction; they have only secured huge profits for the big monopolies.

'There is no Crisis'

The 'scientific' economists of the U.S.A., the big capitalists and the right-wing trade union leaders can no longer deny the facts of a fall in production, a rise in unemployment, a fall in prices, etc. However, afraid of revealing the very deep contradictions of the capitalist mode of production, they avoid the word 'crisis' in every way possible, and use instead a host of more agreeable expressions: 'a slowing up of tempos of growth', 'normal adjustment to a new situation', 'lull', 're-adjustment', 'falling tendency', etc. 'There is no crisis', American economists declare. Use of the words 'depression' and 'crisis' is considered dangerous.

Marx gave the only true, the only scientific theory of economic crises. He showed the inevitability of the periodic recurrence of crises of overproduction under capitalism. During the last hundred years there have been no less than ten world crises alone which have gripped the main or all capitalist countries. Nonetheless bourgeois economists try to picture the crisis of overproduction as occurring not from objective causes, but from every kind of subjective reason. It turns out, for example, that talk of 'crisis' shakes confidence and brings on a crisis! Fairless, president of the steel trust, United States Steel Corporation, announced this at the Economic Club in Detroit: 'We ourselves can bring on a crisis by our talk about crises'. Capitalists and their economists—consciously or unconsciously—confuse cause and effect.

It stands to reason that after the beginning of a crisis, arising as a consequence of objective causes, people adjust their behaviour in

the economic field to the new situation and thus deepen the crisis. But this is not 'subjective' action, it is also objective necessity. Each capitalist, anticipating a fall in prices, tries to buy less in order to protect his profits, to clear old stocks more quickly, and to put off the replacement of his fixed capital. Such activity brings about an acceleration of the fall in production and prices. Workers and employees, seeing the increasing frequency of mass dismissals, fear the future for quite objective reasons. They reduce all their purchases, as far as possible, especially of durable consumer goods: furniture, clothing, footwear, radios, etc., in order to have at least some resources for the period of impending unemployment. Their actions reduce the size of the home market, increase overproduction and deepen the crisis. Farmers, suffering heavily from the fall in prices, reduce purchases of agricultural machinery, fertilisers, and consumer goods. This deepens the crisis. But all this happens, not as a result of 'talk of crisis', not from subjective causes but because of the *existence* of a crisis of overproduction.

Fall in Production in the U.S.A.

An increase in production in the U.S.A. continued for a fairly long time after overproduction had already set in. In their scramble for maximum profit the capitalists increased production even more, produced for stock-piling, sold goods on credit, at the expense of the future consumer power of the population, hoping that the difficulties of realisation would be transient. It has been just the same in the past before every economic crisis. Huge stocks of goods have been created in the U.S.A. In September, 1953, stocks of private entrepreneurs in industry, wholesale and retail trade, amounted to \$80,000 millions. Stocks of farm produce held by the state, and stocks in farmers' barns, on security of which they had received state credit, are valued at \$6,000 millions. The value of state stocks of strategic raw materials has reached \$5-\$6,000 millions. The value of the huge stockpile of arms and munitions of all types (atom bombs, tanks, guns, etc.) amounts to not less than \$100,000 millions. The total of consumer credit amounted to \$28,200 millions in October, 1953, according to official data. Stocks continued to increase until November, 1953; and the total of consumer credit continues to increase at the present time.

But neither production for stockpiling, nor sales on account of the future purchasing power of society can ward off the crisis of overproduction. The following facts are evidence of this:

Index of Physical Volume of U.S. Industrial Production
(1934-5=100)

December, 1952	...	...	...	...	235
March, 1953 (maximum)	...	...	...	...	243
September, 1953	...	...	...	...	234
November, 1953	...	...	...	...	228
December, 1953 (our estimate)	...	...	...	...	226

Thus the fall in production amounts to seven per cent., even according to official figures.

Marx and Lenin taught that deterioration of the position of the working masses and their low purchasing power inevitably puts a periodic limit to the striving of the capitalists to extend production without limit; the proletarian condition of the masses makes overproduction inevitable.

Analysing American official statistics, we find concrete confirmation of this proposition of Marxism-Leninism. In those branches of industry which are chiefly engaged in satisfying the demand of the working people, the fall in production began several months earlier than the general fall in production. Thus, production of cotton textiles and knitwear had already begun to contract at the beginning of 1953. Production of footwear had already contracted 20 per cent. between March and July.

The influence of the different rates of development of purchasing power of various strata of the population is particularly evident in the U.S. motor car market. A year ago a surplus of second-hand motor cars, which are bought by working people, was already being felt. Market difficulties for the ordinary new motor cars which are bought by the prosperous section of farmers, small and medium businessmen, salaried employees, and officials, began in the middle of the year; but in the market for expensive, luxury cars, which are bought by big businessmen, no sales difficulties have been noted up to the present.

Lenin pointed out that the final aim of production is always production of means of consumption. Means of production are produced only in order to produce means of consumption with their help. The overproduction of consumer goods, which was already evident at the beginning of 1953, inevitably leads also to overproduction of means of production, and to a fall in their production. And this is what has actually happened in the last two months of 1953. Production of steel, the chief material from which industrial

equipment is made, fell by 22 per cent. in December, compared with the maximum (March). The number of active blast furnaces is decreasing daily. In the centre of the iron and steel industry—around Pittsburgh—only 19 out of 25 blast furnaces were working in the middle of December, 1953, and 11 out of 14 open hearth furnaces. Engineering works are reducing the number of workers. Thus the present crisis is developing along 'classical' lines: the filling up of warehouses with goods, then a decrease in production of means of consumption, and finally, growth of crisis in the field of means of production.

All the facts point to the inevitability of a further fall in production in the U.S.A. (That, however, does not exclude an increase of production in particular months, as took place in August, 1953. The fall in production in times of crisis never proceeds uninterrupted.) This can be anticipated on the basis of the following *concrete* facts:—

(a) the total of unfulfilled orders of U.S. enterprises at the end of October, 1953, was \$13,000 millions lower than at the end of October, 1952. This means a decrease of 18 per cent. The total of new orders in October was \$2,000 millions lower than a year earlier. In November and December the position worsened still further.

(b) the sharp fall in production of steel means that a reduction is taking place in production of means of production. This is testified also by numerous reports in American newspapers of a reduction in production and by dismissal of workers in individual enterprises.

(c) in October, 1953, new housing begun was 10 per cent. lower than in October, 1952.

(d) commodity stocks of private entrepreneurs amounted to nearly \$80,000 millions at the end of October.

Stock piles can be reduced only as a result of a decrease of production, of a fall in prices, and also partially, by means of their deterioration and destruction. Only thus—by means of a crisis—are normal relations between production and stocks of goods restored under capitalism.

Fall of Prices as a Sign of Crisis and a Factor in its Intensification

The big U.S. monopolies, in spite of overproduction, had maintained the prices of their goods up to the autumn of last year at a higher level than in 1952. But the prices of the goods of unmonopolised enterprises experienced a marked fall,

Prices of Typical Monopoly Commodities

	Sept. 1952	Sept. 1953	Percentage increase
Steel (dollars per ton) ...	66	81	23
Aluminium (cents per lb.)	20	21.5	7.5
Copper (cents per lb.) ...	24.2	29.6	21
Petrol (cents per gal.) ...	12.9	14.2	10
Sulphuric acid (dollars per ton)	20	22.35	11

There was no fall in the factory prices of new motor cars; and, of course, prices of armaments remained at a high level. This high price level in a number of basic branches of heavy industry is, of course, linked with the carrying out of the arms race policy. *Quite a different situation exists for those commodities the prices of which the monopolists are trying to reduce. Since September, 1952, the buying price of cotton has fallen 16 per cent., wheat 9 per cent., beef 20 per cent., scrap iron 24 per cent. These facts, by the way, once again confirm how little average figures mean: the general index of U.S. wholesale prices was 107 in September, 1952, and 106 in September, 1953 (1948=100). As if nothing had changed. Actually the monopolies had raised prices of their goods in this period up to 20 per cent., in this way obtaining huge super-profits; but wholesale prices of farm produce fell 10-20 per cent., and hundreds of thousands of farmers were ruined.

However, since October-November, 1953, the big monopolies have had to take note of the existence of overproduction and to reduce their prices. The steel monopolies have, since October, been paying the cost of railway transport for delivery of goods, which buyers have had to pay before. The prices of several special sorts of high-grade steels have been reduced \$2-\$13 per ton. At the beginning of December the General Electric Company reduced the price of air-conditioning equipment by 25 per cent. The oil trusts have two or three times cut the prices of petrol. The big speculative builders have reduced the price of newly-built one-family houses from \$24,500 to \$22,500, but even then there are no buyers. All these facts confirm that militarisation of the national economy does not remove the inevitability of economic crisis. On the contrary, it leads to the growth of a new, profound economic crisis, and creates the conditions for its onset.

Increase of Unemployment and Poverty

The newspapers daily announce the mass dismissal of workers from enterprises in the motor car, aircraft, iron and steel and other industries. Only in the middle of November did official U.S. statistics for the first time admit a decrease during the month in the number of jobs, and an increase in the number of unemployed of 300,000. In December it was admitted that the number of unemployed rose by 422,000 persons. This is all the more significant, because in December the number of unemployed always decreases, since department stores, shops, clothing factories, etc. take on additional workers and shop assistants temporarily for the Christmas and New Year sales. In January of the present year, unemployment increased at no less a rate.

The number of unemployed officially amounts to only 1,850,000 persons. Actually it is several times greater. It is well known that American statistics do not count as unemployed those who have worked even one hour a week, and also those who are actually unemployed, but for whom a 'work place' has been kept or to whom work is promised in the course of the succeeding month. The information on dismissals does not square in any way with the official number of unemployed. It must also be taken into account that every year in the U.S.A. 700,000 youth begin work; but the number of employed workers, even by official figures, is less than last year. Short time is widespread. The average employment of workers in industry fell from 41.7 hours a week in December, 1952, to 39.9 hours in December, 1953. Enterprises are closed several days a week, etc. As a result average weekly earnings of employed workers had already fallen by two dollars a week between March and September, 1953. At the same time retail prices, especially of food-stuffs, have not been reduced, although wholesale prices are falling.

To sum up: the number of wholly unemployed has risen by at least a million persons; weekly earnings of employed workers have decreased by two dollars, while the cost of living has risen by two per cent in half a year. Even these figures are evidence that the U.S. working class is *already* experiencing a further fall in its standard of living as a result of the development of crisis phenomena. Of course, the worsening of the workers' position will lead to a fall in their purchasing power and above all to a fall in demand for manufactured goods which is a factor in intensifying the crisis.

* . * . *

At the end of December, 1953, a conference of 300 leading American economists recognised at last, under pressure of the facts, that a period of 'recession' had begun. The economists declared that in 1954 the national income will be five per cent. less than in 1953, that the value of industrial production will decline by \$20,000—\$25,000 millions, and that the index of industrial production will fall 10-15 per cent. Of the 300 economists, including 100 working in state institutions, only half-a-dozen expressed the view that 1954 production would begin to increase. The overwhelming majority had to admit the inevitability of the fall continuing even into 1955.

Of course, it is difficult to paint an exact picture of the further development of crisis phenomena in the complex present-day circumstances of the ever greater intensification of the general crisis of capitalism. But one thing is clear—the crisis of overproduction in the United States is becoming to an even greater extent an actually operative factor.

FROM THE *LABOUR MONTHLY* OF 25 YEARS AGO

PARASITES

The coalowners' defeat of the miners in 1926, and the unremitting guerilla warfare that they have carried on since then, has enabled the cost of production to be reduced to an 'economic level in relation to the world price', in the words of Evan Williams, the President of the Mining Association. The reduction is in effect entirely at the expense of wages; a comparison of the third quarters of 1925 and 1928 is instructive in this connection. It shows that while total costs of production per ton have been reduced by some 3s. 7d., of this no less than 3s. 3d. is represented by reduction in wages cost. Miners' wages are now nearly £17,000,000 a year less than before the lockout; it is worth adding in parenthesis that the royalty-owning parasites have suffered no reduction in the £6,000,000 that they suck annually from the industry.

From *Coal, Charity and the Class Struggle*,
by Allen Hutt, March, 1929.