

The Possibility of the Sixth Post-war ECONOMIC CRISIS IN AMERICA

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editor's note- This analysis of the U.S. economy scientifically predicted the conditions of the economy in 1974 back in January of this year. What was predicted: the on-coming chronic inflation; an economic crisis in 74, recession if not the beginnings of a depression; and the coming of permanent crisis; have all taken form and is the reality today. For an analysis of one aspect of this crisis see article on Budget cuts.

In 1973, the American economy was peaking after having undergone its fifth post-war economic crisis: 1969-1971 were the crisis years; 1971 and the first half of 1972, a period of recovery; and from the second half of 1972 on, economic growth and prosperity. This present period, for the monopoly capitalist, has indeed been a period of unprecedented "prosperity". Corporate profits (after taxes), increased 30% from 1972's figure of 55.4 billion dollars to the historically unprecedented level of 72 billion dollars in 1973. This "prosperity" however is not shared with the American working masses ...inflation and substantial diminishing of "real" income have magnified their financial plight. It is, therefore, clear that such prosperity cannot be maintained for long. An invisible law of economic cycles is that a depression, or crisis, inevitably follows prosperity. The question at hand, then, is when the sixth economic crisis will occur in America. From the evidence which follows, there is a great possibility that such a crisis will occur in 1974.

1) The material basis for this period of prosperity, capital expenditures, reached a height of \$100.2 billion in 1973 - \$11.8 billion higher than 1972's \$88.4 billion expenditure figure. This has been the highest increase in capital expenditure since World War II, but it is extremely unlikely that similar increases will be possible for 1974 or 1975. From November 1970 to June 1973 the index for the production of consumer goods (using November 1970 as the base of 100), went up to 120.3. For the same period, however, commercial and industrial installations had an index of 124.8. With such a high growth in installations, even American bourgeois economists are seriously concerned about if there will be continued increases in investments in installation production. Taking the example of the manufacturing industry's efficiency rate, at its highest level in July 1973, it was only 87%; by September it was down to 86.5%; and by November, to 86%. This clearly shows that there is, already, an over-abundance of productive forces. If there is continued a reckless stimulus for investment in production installation, the only result will be a further lowering of the efficiency rate, subsequently leading to economic crisis.

2) Effective demand of the internal market - due to the tremendous inflation in the past two years, it has been desirable to buy on credit or in installments. This has led to the phenomenon of a superficial prosperity. Total credit reached a record of \$173 billion in September 1973. Concurrently, the inventory of goods increased from \$192.4 billion in 1974, to \$208.7 billion by August 1973. Such facts show that, although the American people are now under the burden of an unprecedented amount of debt, they still have not been able to purchase all the goods that have been produced. It is quite unlikely that this situation can continue much longer without a crisis of over-production.

3) Energy crisis - An energy crisis has actually existed for quite awhile. It is only the manifestation of the U.S. monopoly capitalists' blind pursuit of the largest amounts of profits, the indiscriminate consumption and wasting of natural resources, and the intensification of anarchy of production. Presently, oil is not the only natural resource facing depletion - only one-third is imported. The shortage of some other natural resources is more serious. Presently, the U.S. imports 30% of its pig iron, 56% of its lead, and 60% of its zinc. Oil has been noticed in particular, only because of the boycott by Arab countries. Since oil is not only a most important source of fuel, but also a fundamental raw material for industry, the shortage has greatly affected both industrial and agricultural production in the U.S. Last year, it was reported that General Motors had to close down 16 factories in the middle of December, and Chrysler Motors three factories. In New York, New Jersey and in parts of New England, 30 plastics factories were forced to close down due to a shortage in energy and raw materials. Other areas such as air transport, steel and chemical industries, and copper refineries have all suffered serious setbacks. Even the areas of agriculture have been affected by the crisis. The shortage of petroleum has slowed down the rate of food production. Fertilizer is a by-product of oil refining, and the oil shortage has resulted in higher prices and a more scarce supply of fertilizer.

Had the American economy been healthy from the beginning, such an oil boycott would not have been much of an economic setback. But we can see now that the American economy already contains the conditions for an economic crisis. Such an energy shortage could spark the process by which there would be a general decrease in both industrial and agricultural production. Higher unemployment in 1974 equals the coming of the sixth economic crisis since World War II.

Developing Towards Chronic Inflation

There is, of course, the possibility that the economic crisis will not occur in 1974. Nixon may, using the energy crisis as an excuse and setting a goal to be self-sufficient in energy by 1980, expand government expenditures in energy-related research and development, and increase incentives for private investment in similar areas. These measures, with the huge military expenditures expected, are anticipated to rejuvenate a very weak economy.

If this happens, although the economic crisis might be pushed back temporarily, the inflationary pressures would be increased considerably. One thing is clear; whether or not the U.S. has its cyclical economic crisis in 1974, the inflationary crisis will continue to develop. The major difference is that if the economic crisis occurs this year, inflation will accelerate sharply, whereas if the economic crisis is postponed, inflation will be more gradual.

This is all due to the present Administration's dependence on deficit spending. When the fifth economic crisis occurred in 1969 - 1970, the Nixon Administration resorted to deficit spending for financial relief. In 1971, the national deficit climbed to \$23 billion, and in 1973, even higher, to \$23.2 billion. Nixon had used these two years of huge deficit spending to achieve the perverted "growth" of the American economy, but as a consequence, inflation had approached critical levels. Thereafter, Nixon had to cut back government spending in 1973 to \$14.4 billion; and 1974 is estimated to be as low as \$2.7 billion. Should the economic crisis occur in 1974, then deficit spending in 1974 and 1975 will necessarily increase by a considerable amount once more. If the crisis does not occur this year, then, using energy research and development as an excuse, the national deficit will still increase somewhat.

What this all implies is that if such inflationary pressures continue, what will develop will no longer be mild inflation, but chronic inflation; or, in the terms of American bourgeois economists, from "creeping inflation" to "galloping inflation". These two types of inflation have completely different effects on capitalist production. In general, during the period of mild inflation, monopoly capitalists can increase their exploitation of the workers, thereby increasing their profits and therefore, within definite limits, effect an abnormal growth rate. But during a period of chronic inflation, capitalist production will not only stagnate, it may collapse completely. This is because during the period of chronic inflation, not only do workers' real wages decline drastically, leading to large scale resistance, but all consumers will be hit quite hard under such circumstances, and therefore spend all their wages immediately, avoiding investments. Speculative hoarding by suppliers would result, and as a consequence, a general crisis in the market also. As the price of raw materials mounts, surpassing that of finished products because of hoarding, industries will be forced to suspend production, leading to a general paralysis of the entire economy. The dialectics are clear although inflation could, to a point stimulate production, it can also destroy it. It will still be some time before the U.S. reaches chronic inflation, but it won't be long. In an attempt to stop the impending situation, the Nixon Administration began "wage and price" controls in August 1971. It is obvious that these measures were meant to control wages and

not prices. Any attempt to control prices under anarchal conditions ultimately is meant to benefit the monopoly capitalists, and is only detrimental to the great masses of the working people, and middle and small shopkeepers. It only results in further anarchy of market prices and leads to destructive effects on production. For example, Newsweek, on July 9, 1973, reported that chicken farmers in Georgia and Texas killed more than 50,000 chickens due to a near tripling in the price of chicken feed, with a simultaneous freeze on the price of chickens. For the same reasons, dairy farmers in Chicago killed a huge number of cattle. These are clear examples of the destruction of productive forces and signals that the U.S. is beginning to enter the phase of chronic inflation.

It is common knowledge that during the economic crisis of the 1930s, wasteful incidents such as the dumping of milk into rivers and the burning of large quantities of wheat occurred in the U.S. Forty years later, we now see the drowning of chickens and slaughter of cows. This is only the beginning. We believe that if the inflationary crisis goes one step further, if the economic crisis occurs in 1974, these types of occurrences will mount in frequency and extreme. The special characteristic and principal contradiction of the next economic crisis in the U.S. may be the crisis of over-production versus high prices and a shortage of products and materials. It is also a necessary stage towards chronic inflation.

The World Will Be In "Greater Disorder" Due To The Economy Of The Capitalist World

Everything goes through the process of quantitative to qualitative changes. Our prediction that inflation in the U.S. will soon turn from mild to chronic inflation, is seen not only from the previous analysis, but also in view of the decline of the dollar from its historical position of world hegemony. In the past, during the years of parity between gold and dollars the U.S. could directly export dollars in order to transfer inflationary pressure to other countries. With the collapse of the dollar from its hegemonic position, most major countries have adopted a floating exchange rate for the dollar, thereby eliminating the U.S.'s means of exporting inflation. Thus, any future economic policies which may increase inflationary pressures will only lead to further intensification of the economic crisis within the U.S.

Some countries' reserves of U.S. dollars are still increasing. (In February 1973, out of the total foreign exchange of \$111.3 billion in the capitalist world, the U.S. dollar reserve covered \$64.2 billion). Under such conditions, any vacillation in the credibility of the dollar would affect the value and confidence in these countries' currencies as well. Particularly affected will be the 80 billion Euro-dollars in existence presently. The Euro-dollar may be used by speculators to purchase either gold, key raw materials or precious metals, which may, thusly, adversely affect production in all countries.

We, therefore, conclude that if the sixth post-war economic crisis occurs in 1974, a dollar crisis may also materialize. It would not only increase the inflationary crisis in the U.S. and other capitalist countries, but also lead to world-wide economic stagnation. Of course, world-wide stagnation depends on many other factors, but what is certain is that the capitalist world economy would be forever in greater disorder, and U.S. hegemony further disintegrated.

The Bankruptcy Of Keynesian And Modern Revisionist Economic Theory

Facing such a gloomy outlook, bourgeois U.S. economists are busy developing a solution for future economic crises. These worshippers of Keynesian economics do not understand and cannot accept the fact that the root of capitalists' economic crises lies in the capitalist economic system. This is correctly shown through Marxian theories of the contradiction between the socialization of production and the capitalist form of the ownership of the fruits of production. Bourgeois economists mistakenly believe that it is only a question of the circulation of goods and capital, and that the problem is not inherently the economic system itself. They believe that the concurrence of the economic crisis with mass unemployment is due to the lack of "effective demand" by societies under capitalism. Therefore the solution lies in greater government expenditures, using inflation to stimulate investment and increase consumption. Inflation in the capitalist world today, in essence, is the monopoly capitalists' ploy of using the State machinery's special power of printing more and more money, thus lowering money's value so as to be able to intensify the exploitation of the meager wages of the working classes. This is an important tool of the monopoly capitalists in the redistribution of the national income in their favor. But Keynesian economists glorify such actions by saying that these are policies of the government to promote "full employment."

Keynesian economists further accuse the working classes' just demand for higher wages under pressure of inflation, as the reason why inflationary pressures increase, thereby creating a "theoretical" basis for governmental control of wages. All these are clearly erroneous. For Marxian economics, it is clear that the economic crises are an integral part of the capitalist system, and that inflation is the common disease of all capitalist countries facing total economic crisis. Such an economic

crisis cannot be destroyed by inflationary policies of the government...it can only deepen, just as the crisis of inflation cannot be lessened by superficial "anti-inflationary" policies of the government (i.e. increase in the interest rate).

Marx mentioned in Capital, Vol. I, that, "the vacillation in credit signifies the cyclical changes in production. Political economy seeing it as the cause for such cyclical changes already indicates its shallowness and vulgarity." Keynesianism is but a vulgar, shallow theory of political economy, only serving the monopoly capitalists. It is bankrupt when faced with the objective laws of capitalist economy. The real clowns are those who claim to be Marxists but in fact are the modern revisionist economic theoreticians. They either claim that the post-war U.S. economy has serious economic crises, or call the post-war U.S. economic crises "intermediate crises," negating the fact of the shortening of each cycle in the capitalist economic cycles of boom and bust of the U.S. Other revisionist economists simply declare that all the U.S. government must do is expand the "detente" with the social imperialists, thus leading to cutbacks in military spending and therefore expanding welfare expenditures. These, plus the "expansion of credit and trade" between the two imperialists are declared to be the remedies for the economic problems.

This vulgar propaganda is truly ridiculous and reflects complete negation of the principles of Marxism-Leninism. Of course, all theories are tested in practice. This author believes that as present inflation worsens, leading to greater disorder in the capitalist economic world (including that of the social imperialists who are begging for credit from the West), socialist China will stand out like a beacon of light, without economic crises, inflation, and energy crisis, showing the qualitatively superior nature of socialism and pointing the way for the rest of the world.