AMERICAN CAPITALISM AND TEHERAN

BY GILBERT GREEN

IT WAS Stalin who said that there are two schools of Marxism—the school of dogmatic Marxism, and the school of creative Marxism. Comrade Browder has given us a brilliant example of creative Marxism in action. His penetrating analysis of the profound changes that have occurred brings to mind the prophetic thought of Lenin that history is always richer in content, more varied, and more subtle, than the best parties can possibly imagine, because the best vanguards express the consciousness, the will and the imagination of tens of thousands; but history is made by the consciousness, the will and the imagination of tens of millions.

When has this been more true than today—when tens of millions are making history on the field of battle alone?

It seems to me that in our approach to the period ahead we must avoid two dangers. First, the failure to comprehend the deep-going character of the changes that have occurred; the tendency to stick to old shibboleths; the fear of drawing new practical and theoretical conclusions from the new phenomena of our time. On the other hand, we must avoid the tendency that may arise to improvise answers based upon wishful thinking. We are duty-bound to keep our feet more firmly planted on the soil of solid facts than ever before.

Capitalism remains capitalism. Imperialism remains imperialism. Socialism remains socialism. But one would indeed be blind not to see that each of these must operate today under new and more complex conditions and in an ever changing world—must therefore operate in new ways.

I want to discuss a few of the new conditions under which American imperialism must operate and their relation to the basic perspectives outlined by Comrade Browder.

The war has brought about a tremendous acceleration of the concentration of production and capital; has thereby greatly strengthened the relative weight and dominant role of monopoly capital in American economic life. This fact is hardly disputable. But it is a mistake to draw the conclusion from this that monopoly capital is emerging from the war with a greater freedom of movement than in the past.

Let me give an example. We know that monopoly capital tends to restrict economic development, and that this tendency toward economic stagnation becomes most pronounced in the epoch of the general decline of capitalism.* Yet, what has actually happened? The powerful impact of the war, the development of a war economy, has not only radically arrested this development, it has for the time being reversed it. Total production leaped from the Federal Reserve Board index figure of 108 in 1939 to that of 245 for November, 1943. This represents the most rapid industrial expansion in any period of American history!

We have literally witnessed an upsurge in production; brand new industries have been built; new technological changes introduced; and many new scientific inventions long suppressed by monopoly capital successfully employed.**

Of course, we know that this was brought about by the exigencies of the war, by the incentives of an unlimited market and because this expansion was not dependent upon the investments of private risk capital, but accomplished through outright large-scale government investments in industrial plants.*** But the fact nonetheless remains that this great industrial expansion has taken place and that this has a most direct bearing on the problems and perspectives for the post-war world.

In the pre-war period both government and big business spokesmen developed the pet theory that American industry had been overdeveloped,* that the year 1929 with its national income of $82 billion represented a high peak hardly to be reached again and never to be surpassed.

Today, however, nearly every spokesman for government and business underlines the point that America's normal post-war income and production must be considerably higher than 1929, in fact, that America dare not go below a national yearly income of $100 billion.**

There are two basic reasons for this change of tune. The first is a hard economic law: the tendency of the declining rate of profit. Modern large-scale industry with its tremendous investments in fixed capital, with its enormous overhead, must utilize more than 50 per cent of capacity in order to operate profitably, and the greater the de-

* From 1860 to 1880, American production increased by 113 per cent; and from 1890 to 1913, by 156 per cent. However, from 1913 to 1929, the rate of increase declined sharply to but 70 per cent and from 1929 to 1932 there was no increase but an *absolute* decline in production of 46 per cent! For an entire decade after 1929 there was no general rise in production as compared with the period immediately prior to it. (From "New Data on Lenin's Imperialism" by Varga and Mendelsohn.)

** A case in point is the jet-propulsion plane which while invented in 1930 was not given a fair trial until the war and now is being proven so successful as may revolutionize the entire aviation industry in the next decade.

*** In a speech delivered on July 21, 1943, Jesse Jones estimated that the government had spent "probably 25 billion dollars in building plants and facilities of one kind or another. The title to most of these properties is in the hands of the government."

* This view was shared by Franklin D. Roosevelt, who, speaking in San Francisco during his 1932 Presidential campaign, stated: "Our industry is already built up. It is a question whether it has not been built up too much. Whoever wants to build new factories and new streets, and to organize new trusts, would be more of a hindrance than a help to us. The days of the great initiators, of the finance titans are gone. Our task is not to find and exploit new material wealth, and not to produce a still greater quantity of commodities, but to learn how to carry on with the existing resources and the existing factories."

** The economic staff of the *United States News* in the issue of December 17, 1943, believes that "the national income in the post-war period is likely to hover around $112,000,000,000." But it points out that this is not good enough as it would represent a "depression compared with war standards, but prosperity compared with pre-war standards."

gree of capacity in use, the higher the rate of profit.* The wartime industrial expansion, therefore, makes more difficult a return to pre-war production levels, for these would no longer be high enough to insure large profits.

The second reason is a political one. Even the most optimistic observers admit that there has taken place such a revolution in production technique and labor productivity, that merely to return to the 1929 production level is to guarantee a permanent army of at least 18,000,000 unemployed.** These observers also admit that the American people will not accept that kind of post-war America. The people will insist that what could be done for war can also be done for peace.***

* With a fall in the national income from $82,000,000,000 in 1929 to $69,000,000,000 in 1930, there was a fall in the rate of profit from 7.5 per cent in 1929 to 1.7 per cent in 1930. With a further fall in national income and production for the years 1931, 1932, and 1933, there was a *minus* rate of profit for these three years, *i.e.*, industry operated at a loss. (From *Statistical Abstract* of the Department of Commerce, and Louis Corey's *Decline of American Capitalism.*)

** The output per man hour increased 11 per cent from 1939 to 1942. In the aircraft industry there was an estimated increase in labor productivity of 50 per cent in the 18-month period ending April, 1943. (From *Economic Notes,* Labor Research Association, October, 1943.)

Dr. Alvin H. Hansen, of the Federal Reserve Board, believes that this country can maintain a 1929 production level with from 18 to 19 million permanently unemployed.

*** Another factor to be considered is the fear of certain business circles that the failure to bring about full employment in the post-war period may in turn bring about a great public clamor for direct government operation of the some 1500 new industrial plants owned outright by the government. They prefer to own and operate these plants themselves.

Of interest also is the fear expressed that unless American capitalism ensures full employment the people may make invidious comparisons between the American and Soviet economic systems. The *United States News* of September 3, 1943, states: "Russia can keep full employment, with government running everything. U. S. and Britain may face serious post-war unemployment problems." And it concludes: "The concern is that Russia's example may influence the populations of Europe. . . ."

What are the material possibilities for the realization of the post-war goal of higher production levels? There will, of course, be a considerable backlog of purchasing power in the form of war bonds and savings estimated to total from $100 to $130 billion by the end of the war. Furthermore, there will be a period of reconversion, reconstruction and repair, lasting a few years and requiring considerable outlays of capital. But while both of these factors will undoubtedly give a stimulus to production in the first period after the war, they are not in themselves potent enough to provide a large enough market over a number of years.

Whether higher production levels are possible for any length of time after the war depends greatly upon the creation of a larger foreign market for American goods than at any previous period in our history. And this foreign market is available. The reconstruction of first Europe and then the Far East will create a ready market for American industrial and agricultural commodities for many years and alongside of this America will be in a most advantageous position to meet the increased needs of the Latin-American market.

But this in turn poses another very difficult problem. War-torn Europe and Asia will be in no financial position to buy large quantities of American goods unless American capital stands prepared to finance these purchases for a considerable period of time. This will require a great export of capital—

a period of large-scale foreign investments.*

Lenin, in his classical work on imperialism, pointed to the new significance attained by the export of capital and established this as one of the basic characteristics of imperialism. And yet, since the last world war the rate of export of capital on the part of world imperialism has steadily fallen and since 1930 the normal export of capital has ceased entirely. In 1929, America's direct investments abroad totaled some $7½ billion, but by 1940 this had declined to $7 billion. In 1930, America's indirect investments abroad totaled more than $8 billion. But by 1935 the value of these investments had declined to less than $5 billion.

What is the basic reason for this relative and absolute decline in investments abroad? It cannot be explained by any lack of idle capital; there were ample quantities seeking outlets for increased profits. Nor can it be explained by any lessening in the role of foreign investments as a means of obtaining and holding spheres of influence and new markets.

It is to be explained mainly by a political factor! *The unstable state of world relations* which tended to transform investments abroad from a sure source of super-profits into a rather precarious undertaking. What were the factors contributing to this unstable state of world relations?

In the first place the Russian Revolution, which not only removed one-sixth of the earth from imperialist exploitation, but also expropriated the imperialist enterprises. The second was the awakening of the colonial millions—the Chinese Revolution, the marked tendencies in Latin America to curb the most ruthless features of imperialist exploitation, as well as, in the case of Mexico, the outright expropriation of major imperialist holdings. All this caused concern for the safety of investments in the backward countries and removed the incentive to make new investments.

A third factor was the reneging of nearly all European countries on their war and post-war debts and the great depreciation in the value and income from foreign investments that followed the world capitalist economic crisis.

And, lastly, was the rise of German fascism and Japanese militarism, the drift toward a new world war and the subjugation and colonization of most of the European nations by German imperialism and most of the Far East by Japan.

If these are the reasons for the decline in foreign investments, what are the prospects for the post-war period, especially if we bear in mind that, without these investments and loans, a much larger foreign mar-

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* S. Morris Livingston, head of the National Economics Unit of the Bureau of Foreign and Domestic Commerce, in a report for the Department of Commerce, sees foreign sales of food, clothing and industrial equipment at huge volumes after the war—"provided means of paying for them can be arranged."

The *United States News* of October 1, 1943 writes: "They [American post-war planners] cannot see investment outlets inside this country that will absorb savings that now run between $20 billion and $30 billion a year. It is expected that some machinery will have to be devised to guide an important proportion of those savings into fields of foreign investment."

ket for the period ahead is out of the question?

There is only one way by which this problem can be met by American capitalism, and that is by helping to bring into being a degree of world stability.* But this can be achieved only by the establishment of a new equilibrium based upon the new relationship of world forces.

The old "stability" was based upon the imperialist domination of the earth. It was this kind of "stability" that world imperialism sought to re-establish for nearly a quarter of a century. It was for this that American and British finance capital helped bring Hitler to power, armed him and appeased him, with the hope of thereby destroying the Soviet Union, which to them represented the fountainhead of world instability.

But such a "return to normalcy" is no longer possible. To continue to pursue this will-'o-the-wisp is to toy with disaster, for it will bring the very opposite results, as has been so graphically proven by the whole recent course of world events. Any stability that is to be established in world relations after this war can only be based upon the recognition of the new world reality: on the continued existence and ever-growing strength of the Soviet Union; on a democratic Europe; on a greater freedom and independence for the colonial and semi-colonial peoples throughout the world; and on the maintenance of the Anglo-Soviet-American coalition as a pre-condition for a durable and lasting peace. Without this there can be no stability and without a degree of stability American capitalism cannot solve its economic problems by peaceful means.*

This in essence is the greater significance of Teheran and why Teheran does represent the complete negation of the bankrupt Munich policy and ushers in an entirely new perspective for world humanity.

Of course, this perspective is not yet realized and cannot be realized without struggle. There are powerful forces in this country that will oppose it, even though the opposite course can lead only to disaster, to America striving to replace German imperialism in the struggle for complete world domination. And the most reactionary sections of American imperialism have far less chance of achieving that objective than had Hitler. Teheran represents the only intelligent course that America can pursue, and its perspective can be realized because it represents not only the interests of the wide masses of the people who want a durable and lasting peace and a greater degree of security, but the interests of American capitalism as well.

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* "It is highly doubtful if this country is to finance large-scale projects in other parts of the world that do not promise at least a fair chance of paying out." (From *United States News*, October 8, 1943.)

* On a much more limited scale American capitalism in the past decade has had to take into account the changed conditions in Latin America; had to aim at bringing about a hemispheric unity based upon a new relationship of forces. It was the effects of the economic crisis in the United States, the need for increased foreign markets, plus the threat of fascist penetration in Latin America that brought about the discarding of the old bad-neighbor policy, under which marines followed the dollar and Wall Street puppet governments followed the marines, and its substitution with a more realistic good-neighbor policy. Some of the failures of U. S.-Latin American policy since then have not been a result of the good-neighbor policy but a consequence of the failure to apply this policy consistently.