

"WORKERS AND OPPRESSED PEOPLES OF THE WORLD, UNITE!!"

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HAS THE ECONOMY "RECOVERED"?

Despite the self-serving claims of the Ford administration to the effect that the economy is entering upon a "strong recovery", the economy of the United States of North America (USNA) continues to flounder in the throes of economic crisis. At the center of the present difficulties is the crisis of relative overproduction that began in 1973 and continues to this day. This overproduction crisis has been further aggravated by the fact that it is occurring amidst the general crisis of capitalism, when the world capitalist system is on the decline, weak and in the process of decay, when capitalist markets are shrinking, resulting in a permanent army of the unemployed, and a chronic under-utilization of productive capacity exists.

Government economists tell us that the future is bright, but the facts speak a different language. They tell us that the present crisis is far from over, and the slight upturn in late 1975 is insignificant given the overall downward trend of the past two years. Let us look at the facts.

The gross national product (GNP) has declined by 6.6% since 1974¹. Factories are still operating at 2/3 capacity (65%) and unemployment remains extremely high at about eight million, or a rate of 8.7%.² Noteworthy are the changes in industrial production. Overall the situation is down 5.9% from the 1974 level.³ In auto, passenger car production is down 20% from the 1974 level;⁴ in steel, output is off 19.2% from one year ago⁵; housing construction, which has been in a depression since 1973, stands today at 17% below the 1974 level.⁶

Bankruptcies are up by 34% since 1974, reaching a record 254,484 cases (individual and corporate) in 1975.⁷ These companies that have crashed are not all "small freys"; they included some large monopoly capitalist concerns, such as W.T. Grant Co, Bowman Co, and a number of banks.

Business investment for the replacement and expansion of fixed capital is the biggest "thorn in the side" of the alleged "recovery". Capitalists are fearful of expanding production when they can't sell all the present goods, and therefore, capital investment stands below the 1974 level by 16%.⁸

The real income of the masses of people continues to fall under the impact of rising prices and taxes. The real wages of the working class was off by at least 3% in 1975⁹ and the latter was below the 1973 level. Consumer prices continue their upward pace at 9.1% in 1975.¹⁰ Thus, contrary to the claims of the Ford administration, the present crisis is still very much with us and is inflicting much suffering and hardship on the working class and toiling masses of the USNA.

The contemporary crisis of overproduction is the worst since World War II. The slumps of 1948, 1953, 1957, 1960 and 1967 were not as deep or as long.¹¹ The present crisis has lasted now for over two and a half years; the former crises did not go beyond one year. One reason for the severity of this crisis results from the fact that the whole world capitalist system has been caught in the grip of crisis at the same time. This has made it more difficult for the USNA imperialists to shift some of the crisis on to other imperialist countries by trade barriers, tariffs, "dumping" and devaluations.

The major capitalist countries of England, West Germany, Italy, France and Japan are all suffering high unemployment, high prices, low output, bankruptcies, and a constriction in trade, along with the USNA. None of these countries, except West Germany, showed a net growth in 1975.

MAJOR CAPITALIST COUNTRIES Oct. 1975¹²

| | Unemployment | Consumer Prices |
|--------------|--------------|-----------------|
| USNA | 8,000,000 | 7.6% |
| ENGLAND | 1,165,400 | 25.9% |
| FRANCE | 1,015,600 | 10.2% |
| ITALY | 1,055,000 | 12.2% |
| JAPAN | 1,413,000 | 9.6% |
| WEST GERMANY | 1,061,300 | 5.8% |
| TOTAL | 13,700,500 | |

Further, the sharpeness of the world capitalist crisis is brought home by the fact that in many countries, the monopoly capitalists have brought in the government to rescue major capitalist enterprises from ruin, as was the case with Lockheed, Penn-Central, and a number of banks in the USNA. In England, the British government "galloped" to rescue British Leyland and Chrysler Corporations British subsidiary from collapse. And in Italy, France, West Germany and Japan, government efforts are underway to prop up tottering monopolies.

The economic difficulties in the USNA have been further compounded by the fact that the awakening movement of the lesser developed countries has sharpened the contradictions of capitalism and have reduced the USNA's chances of putting the crisis on to their backs. No longer will the economically poorer countries allow the USNA and other imperialist nations to maneuver completely at their expense. With the success of the Oil Producers Cartel, the developing countries are demanding higher prices for their raw materials, lower prices for USNA manufactured goods, and more favorable trade terms.

The continual rise in prices (means of production and consumer goods) in the face of glutted markets is typical of every crisis of overproduction since 1929. It results from the fact that monopolies are able to hold prices above value due to their domination of the market and because government policy of trying to end the crisis through inflation, i.e. the depreciation of the currency by over-expansion of the money supply. Both of these factors tend to shift the burden of the crisis on to the backs of the working class owing to a fall in real wages.

The policies of Ford and the Liberal Democrats' opposition aim at ending the present crisis by inflation, further militarization of the economy, and war. They only differ on how much militarization and inflation there is to be. The liberals want only a little less "guns" and a little more "butter" than Ford. But they unite with Ford on the need to "keep America strong" -- a cover for militarism. The USNA ended the crisis of the 1930's through militarization associated with World War II; the crisis of 1948 was ended by the Korean War; the crisis of 1960 was mitigated by the Vietnam War. It is clear that the imperialist USNA is planning another World War to end the present crisis. Ford's proposed 1977 budget is in essence a war budget. Proposed defense spending is over \$112 billion, just short of the World War II mark. Militarization, of course, is no solution to crises of overproduction. Due to the fall in wages resulting from inflation and taxes associated with militarism, the latter, in the long run, only creates conditions for the outbreak of a new crisis. The USNA proletariat must not only fight against the Ford economic proposals (cut in food stamps, welfare, wages, etc), but must mount a determined effort against imperialist war and for peace.

The economic policies of the trade union leaders, the "labor lieutenants" of the capitalist class, are a carbon copy of the liberal Democratic opposition. For this reason the class-conscious proletariat must fight against their leadership and win the masses of the workers from their influence if we are to be successful in preventing the capitalists from placing the entire burden of the crisis on to the backs of the workers.

Crises of overproduction are inherent to capitalism and they find their source in the basic contradiction of capitalism -- social production and private appropriation. Crises cannot be abolished except by abolishing capitalism.

The present crisis proves once again that the bourgeoisie is no longer able to rule over the gigantic productive forces of society. Only through a socialist revolution and the establishment of a proletarian dictatorship will it be possible

for society to rule over these productive forces and bring an end to such crises. In socialist countries like the People's Republic of China and Albania, crises of overproduction do not exist; the elimination of capitalism removed the basis of such crises. The masses of people in China and Albania do not suffer the miseries of unemployment, hunger, and poverty brought on by such crises. They are building a new society free of capitalist exploitation. The workers of the USNA must follow the examples of the workers of China and Albania.

* FOOTNOTES *

- 1 New York Times (NYT) 1/1/76, p18 F
- 2 NYT 1/1/76, p18 F
- 3 US News & World Report (USNWR) 2/16/76, p53
- 4 Daily Commercial News 1/19/76, p16
- 5 USNWR 2/16/76, p64
- 6 Wall Street Journal (WSJ) 1/20/76, p2
- 7 NYT 2/1/76, p3 F
- 8 USNWR 3/1/76, p7
- 9 USNWR 2/16/76, p7
- 10 WSJ 1/22/76, p2
- 11 Industrial Production 1971 Edition, Board of Governors of Federal Reserve System p6
- 12 Peking Review #6, 2/6/76, p12

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BANKRUPTCIES

As in previous crises, a number of capitalist enterprises, unable to compete in the intense struggle for markets, collapse and go bankrupt. A company goes bankrupt when the money it receives from sales is less than the money it pays out. When this happens, over an extended period of time, the company is forced to cease production, close down and declare bankruptcy under the bourgeois legal procedures. The state then sells the assets and holdings of the company (inventory, plant, machines, real estate, etc.), usually way below their value, and divides the money amongst the creditors at a fraction of the amount owed.

During the present crisis, bankruptcies and defaults (failure to pay financial debts) are on the rise in the capitalist countries. The USNA had 8,035 business failures in the first eight months of 1975, an increase of 22.3% over the same period of 1974.¹ USNA corporate debts have soared 65% in the past five years, from \$797,600 million in 1970 to \$1,320,000 million in 1975.² West Germany had 9,500 bankruptcies in 1975, compared to 8,000 in 1974.³ Japan had 12,605 in 1975, up 8% from 1974.⁴ France had 13,487 in the first eleven months of 1975, up from 11,194 in 1974.⁵ And Britain had 9,167 in the first nine months of 1975, compared to 9,436 for all of 1974.⁶

As the crisis hits, the capitalists were forced to cut back production, which means laying off workers. But this solution only intensified the already existing problem in which the capitalist had too many commodities and dwindling markets in which to sell. With the increased lay offs, the workers were denied their means of subsistence, which in turn decreases the market and in turn the sales. This is exactly the opposite of what the capitalists desired.

As the sales fall, so do the companies and banks associated with them. This brings in to play the credit system of capitalist society, which plays a major role in the rising bankruptcies and defaults. All capitalist companies borrow money to expand their production of commodities--to hire more labour-power and means of production. Between 1970 and 1973, industrial enterprises dramatically increased their debts and became over-extended. With the crisis of relative over-production and inflation, sales begin to fall. The companies become unable to meet their obligation and are forced to default. This in turn puts the banks and credit institutions in trouble; unable to collect from their debtors, they become unable to meet their obligations and collapse.

Further, the length and intensity of this economic crisis is now forcing some large monopolies to declare bankruptcy, such as the W.T. Grant Co.,⁷ a billion dollar retail chain store and the Hamilton National Bank, in Chattanooga, Tennessee.⁸ Others are reportedly in serious trouble.

The growing number of bankruptcies has led to further centralization of capital. The markets and means of production of the smaller companies and even monopolies are gobbled up by other larger monopolies, as was the case of bankrupt

Hamilton National Bank of Tennessee being taken over by the First Tennessee Bank in 1976.⁹ With this increased centralization of capital and markets, the monopolies are in a better position to keep commodity prices up and cut back on production, enabling them to more or less shift the crisis on to others.

In addition to the further centralization of capital, the present crisis has accelerated the general trend towards state monopoly capitalism, through the efforts of the governments to prop up failing monopolies. Through government subsidies, fixed prices, loan guarantees and public ownership, the capitalists are attempting to prop up faltering monopolies by insuring profits to unprofitable enterprises. In the failure of the Franklin National Bank of New York, in 1974, the USNA Federal Reserve Bank pumped in \$1.72 billion in loans in an attempt to save it. The near collapse of British Leyland Motors and Chrysler of Britain was temporarily averted when the British government rushed in a package of aid and loans. The extension of credits by the French government to Peugeot, in its take-over of the failing Citroen auto giant, was the only thing preventing it from falling under. Despite these efforts, all these companies today still are in a weak position.

Many bourgeois politicians and scholars have wrongly equated this trend toward state monopoly capitalism in the USNA and the rest of the capitalist world with socialism. President Ford's bloated phrase-mongering against "creeping socialism" as regards the growth of government "regulation" is typical of this confusion. For such people, any government regulation or public ownership, as in Sweden, England and most Western European countries, is the same thing as socialism. This is pure nonsense. By such logic, Richard Nixon would be a champion of socialism, because he imposed wage-controls on the economy in 1971. What fundamentally distinguishes socialism from capitalism is not state ownership, planning, and regulation of the economy, but rather the fact that the working class is the ruling class through the dictatorship of the proletariat; the fact that the aim of production is not for profit but for use. Production is for the needs of the toiling masses under socialism. The People's Republic of China is a socialist country because it fulfills these essential requirements alongside of public forms of ownership. The Soviet Union is not a socialist country because it does not fulfill these requirements despite the fact that public (state) ownership is dominant throughout the economy. Further, socialism is not a static thing, but a transitional stage between capitalism and communism.

More correctly, the trend towards state monopoly capitalism really represents a tendency toward fascism in the economic sphere. Neither state monopoly capitalism nor fascism can eliminate the economic, political and social contradictions confronting the USNA and the world capitalist system. Only a working class revolution is capable of solving these problems by removing capitalism itself through a revolutionary seizure of power and the establishment of the dictatorship of the proletariat.

* Footnotes *

- 1 Peking Review #1, 1/2/76, p28
- 2 Peking Review #1, 1/2/76, p28
- 3 New York Times 1/25/76, p18
- 4 New York Times 1/25/76, p18
- 5 New York Times 1/25/76, p18
- 6 New York Times 1/25/76, p18
- 7 Business Week 3/1/76, p21
- 8 Business Week 3/1/76, p21
- 9 Business Week 3/1/76, p22

WHO WE ARE

Workers' Press is written and published by the Marxist-Leninist Collective. We are a communist organization based on Marxism-Leninism, the science of the revolutionary class struggle of the proletariat against the bourgeoisie. We are part of the international struggle of the working class to end exploitation and oppression by overthrowing capitalism and establishing socialism. We aim to bring communist ideas and analyses to the working class. We strive to broaden the outlook of fellow workers and to arm workers with proletarian class consciousness so that together we can lead the struggle against all forms of oppression and exploitation by imperialism. To do this we must organize ourselves into an independent political party to concentrate the resistance of the working class into a single fighting force. This Newsletter will provide a link whereby advanced workers can attach themselves to revolutionary ideas and a revolutionary organization. We want this Newsletter to become a workers' Newsletter. Correspondence and inquiries should be sent to:

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