

DISCUSSION ARTICLES

2. The Meaning of the American Crisis

(Continued from Last Issue)

D. The thesis does not show clearly whether its perspectives are for a long or a short period, in politics or in economics. The political perspective of increased sharpness of the class struggle for the next few years, even in the face of some revival in capitalism, is sound because it proceeds from the sound premise that this revival will be based on wage-cutting and the consequent aggravation of class contradictions. A long-term perspective of revolutionary upsurge, however, is not compatible with a long-term economic perspective which includes the possibility of a complete recovery of American capitalism, over a period of time, from the depths of the present crisis to the heights of 1929. On the long-term perspective the position of the thesis appears to be ambiguous, as it fails to exclude the possibility of a "Victorian age" of American imperialism, parallel to the development of British imperialism in the nineteenth century.

The second conclusion which we shall attempt to prove is that there are differences between the position of American economy at the present time and the economy of England in the nineteenth century of such a far-reaching kind that the methods which proved successful for England cannot be successful for America, and that therefore American imperialism cannot restore a high level of prosperity.

A. The first of these basic differences is the existence of contradictions in America's world position which no European power has ever had to face. England developed markets on the basis of selling their finished goods and buying their raw materials and foodstuffs. America is a major exporter of both raw materials and manufactures, and its internal economy is built on a certain equilibrium between the two.

When England developed raw material production in foreign backward countries colonies or semi-colonies, it had little home production of such commodities, and after the decisive defeat of the agricultural Conservative interest in 1923 willing sacrificed its limited home agriculture. In the United States, nearly half the population is still agricultural, and a much larger proportion is engaged in the production of 60% of the world's copper, 55% of the world's iron ore, 44% of the aluminum, 67% of the petroleum etc., that is, in the extractive industries producing industrial raw materials. Development of production of such commodities in foreign countries would simply aggravate the competition of the world at large with American exports of raw materials. Unless production of such goods in backward countries were increased, exploitation of such countries would be impossible.

There is therefore a contradiction between America's position as the world's greatest producer of raw materials and its need, forced by the pressure of excessive productive facilities, for exploitation of foreign markets. This contradiction did not exist for the older imperialist nations, who produced relatively little raw material.

Government figures have been cited to show that the percentage of manufactured products in total U. S. exports has increased from 30.7% in 1910-1914 to 50.2% in 1930, while the percentage of crude materials and semi-manufactures declined from 49.5% to 35.5%. The Department of Commerce lists gasoline, kerosene, fuel oil, lubricating oil, etc. as manufactured products, although in many cases they represent less "value added by manufacture" than such items as copper ingots or steel billets, classed as semi-manufactures considering all work done from the original extraction of ore (or crude petroleum) to final shipment ready for export. These four classes of refined oil products averaged in value, during 1910-1914, \$114,400,000, or 5.37% of total exports; in 1930 they totalled \$432,715,000, or 11.44% of total exports. Transferring this item alone from manufacture to semi-manufacture would give the following comparison:

Table with 3 columns: Dept. of Commerce figures, 1910-14, 1930. Rows include Raw & semi-mfd., Finished mfrs., Revised to allow for oil products as semi-mfd. products, Raw & semi-mfd., Finished mfrs.

Without going into other criticisms of the official data, it will be clear that American economy has not yet adjusted itself to a basis of exporting finished products predominantly; it therefore follows that development of raw material resources abroad will aggravate the position of basic raw material industries in the U. S.

B. A second contradiction in America's world aims is based on the fact that its export markets are largely based on developed industrial nations, not on backward ones. The countries which took 4% or more of total American exports in 1930 were: United Kingdom 17.6%, Canada 17.2%, Germany 7.2%, France 5.8%, Japan 4.3%, a total of 52.1% to America's sharpest competitors. British imperialism did not grow by exporting to Britain's competitors, but to backward countries. American imperialism in crushing and displacing European competition, is at the same time reducing the buying power of its (at present) best markets; another contradiction which weakens the effectiveness of imperialism as a solution of America's crises, both present and those to come.

American capitalism as a whole cannot solve its problem by increasing its sales to India and China and reducing its sales to England and Germany; the standard of living of the Indian or Chinese worker is and must be kept lower than that of the European or American worker for capitalism to make a profit on the former, but this means that the new markets must be narrower than the old. The problem can be evaded for a short time by increased exports of productive goods such as rail-material, mining machinery, etc., but this cannot be a serious factor in comparison with the actual displacement of raw material production by America to similar production abroad. E. By the end of 1929, it was estimated on the basis of a questionnaire that American "direct" investments abroad, meaning factories, mines, plantations, etc., owned outright by American and not in the form of bonds or stocks (finance capital), amounted to over 71 1/2 billions of dollars. To this extent the American bourgeoisie is profiting by the direct exploitation of a foreign proletariat, and to this extent is shifting the scene of its contradictions from at home to abroad. Such a shifting solves the problem of the individual capitalist, in realizing a larger surplus value, but aggravates the contradictions of American capitalism as a whole, directly as reflected in unemployment and indirectly by stimulating imports.

F. It has been suggested by some comrades that exports of finance capital in which America is notably strong, may solve the American crisis. Finance capital, as Lenin pointed out, is the spearhead of imperialism, the directing, assembling and attacking force of capitalism. But finance capital in itself is not a primary factor in production—it regulates the relations among the exploiting classes. A foreign loan (export of finance capital) unaccompanied by exports of goods, is merely a means of displacing the bourgeoisie of the borrowing country by that of the lending country. This is the difference between such investments and the direct investments just mentioned. American loans to Germany tend to shoulder out the German bourgeoisie, in favor of the American bourgeoisie. Such exports of finance capital favor the growth of a parasitic class of bondholders, obtaining their subsistence from the exploitation of a foreign bourgeoisie and a foreign proletariat. In no way however, can such exports solve the contradictions of the home economy, which are contradictions of productive relations.

G. On the contrary, the growth of such a parasitic element among the American bourgeoisie creates another contradiction—the necessity of a large surplus of imports over exports, with which the surplus values represented by the exported finance capital may be realized. Every mature imperialist power has in the past developed an "unfavorable" balance of trade, that is, the rest of the world produces more goods for it than it has to produce for the rest of the world. The difference represents largely, the interest on its exported finance capital. England at the present time, exports about 60% of the value of its imports; the difference represents the proceeds of imperialist exploitation.

For the United States, however, such a perspective conflicts sharply with its ambition, forced on it by economic necessity, to increase exports to the maximum and reduce imports to a minimum. Clear expression to this ambition was given in the Hawley-Smoot tariff of 1930. When a Czechoslovak shoe manufacturer, for instance, began flooding the American market with cheap shoes, the tariff was promptly raised on him and his markets greatly reduced.

A country such as England, with an atrophied agriculture and little raw material production, has no contradictions to face in developing its import trade. In America, out of 1930 imports totalling \$3,061,000,000, the main items were raw silk 263 millions; newsprint (based on the partial exhaustion of American forests) 132 million; coffee, 209 millions; rubber, 140 millions; sugar, 130 millions; burlaps, 54 millions; wood pulp, 74 millions; petroleum and gasoline (of which America produces an enormous surplus herself), 122 millions; copper ores (for refining not a genuine import) 92 millions; and tin, 80 millions. These were all the commodities imported to the extent of 50 millions or more apiece, and together they totalled 1,284 millions, or 42% of total imports. Exports of finance capital by America therefore create more contradictions rather than solve old ones, unless ways can be found of increasing American imports of silk, sugar, coffee and the like.

G. Behind these contradictions is the basic difference between American and classic British imperialism, that American imperialism enters the arena in a period of world capitalist decline, while British imperialism developed during the world upswing of capitalism, before its contradictions had reached their present maturity. When British imperialism, through exploiting native labor in backward countries greatly increased the total world supplies of raw materials, world markets were still expanding and able to absorb the increased supplies. American imperialism following the same procedure will throw additional supplies on to a world market which is incapable of absorbing the volume of production from existing facilities. This will aggravate its own contradictions, between the developed productive forces of America and of the existing outside world, and the limited and declining world markets.

Since the driving force behind all capitalism is profit, such imperialist conquests, by war or peace, will be carried out, because it is still possible to extract surplus value from backward countries. They will have a different meaning however, from that which similar conquests had for England on the upward swing of capitalism. They will mean for America an increased sharpness of contradictions at home. The development of cotton-growing in India would mean the economic devastation of the South, its retrogression to a pre-capitalist economy based on small self-sufficient farms, and the loss of a great section of the home market to American industry, which still operates to the extent of over 90% for the home market.

On these grounds we deny the possibility of a "Victorian age" for American capitalism. We believe that the revival in the near future, when and if it comes, will be limited in scope, will not be the beginning of a great upward swing that will recover the ground lost since 1929, that the stabilization so achieved will be temporary and that the next crisis will start from a lower plane than the present one. Politically, we believe it

Social Reformism and a Labor Party

In dealing with social reformism and the labor party the thesis presents a position of correction compared to the previous analysis and although the main points are correct, there are, nevertheless, a couple of points that need further clarification. The thesis says, "Add to this fact that American bourgeoisie is still powerful enough to grant 'concessions' as the growth of reforms, and we not only have an explanation of its expansion but also to calculate upon its growth (not its 'narrowing down') in the coming period." Considering this in relation to, "Abstractly considered to be sure, were there a mass movement which would organize a labor party, the Communists would have to take up the question of working within a revolutionary nucleus." If we can "calculate upon its growth" then how can we calculate that the labor party "is a matter which has less timely significance today—even abstractly—than in years past, since there is no substantial movement at all for a labor party in the 1932 elections?"

If we consider the crisis and all the economic implications that go with it, as well as the future trend, we can agree that the degree of exploitation is increasing and the standard of living declining. Also considering the weakness of the unions and the Communist party, we can say the trend is toward a narrowing ECONOMIC base of social reformism. In other words, the trend of the economic factors favors the revolutionist and not the reformer. Such could not be said (except historically) of capitalism in its growth stage when "granting" crumbs could be well afforded for "peace-development" while today these concessions are for breathing spells of decay capitalism.

In this sense, the economic base for social reformism is narrowing but from this we cannot conclude, as the Stalinists do, that reformism is done for—nor can we, by seeing actual growth of reformism, dismiss the problem by saying the base is not narrowing but has ability to widen, as the thesis says.

In realizing the historic limitations of reformism in America (as Trotsky points out) it would be wrong to deny its possible growth (Stalinism) but also wrong to present it as the thesis does. The difference between growth and decay capitalism, which turns around so many problems, also changes the problem of reformism. Reformism can have a narrowing economic base with an ideological growth. As Trotsky says, the support of the social democrats in Ger-

Prospects for the Outcome of the Crisis

No matter what problem of importance we, as a political organization, set ourselves to solve, we are always confronted with the question of the "economic crisis". Our analysis of the development of the latter will determine the position to be taken on the problems of the day. It is for this reason that we must seriously and comprehensively study the various factors at work and the possible solutions in order to determine their degree of likelihood.

There are in the main three paths possible for this country to follow: (1) the crisis grows deeper and deeper, leading either to an imperialist or a revolutionary war, or to both; (2) it continues in the present state of depression; (3) it rises out of the crisis.

Three are factors working for the realization of all three of the above, yet the factors working for the third possibility make that one the most likely.

Politics and Economics Volumes have been devoted to explaining the direct connection and dependence of politics on economics. This is, of course, very true and must always be borne in mind. Yet, and this is also important, politics very often acts as the cause and not the effect, i. e., not as the determining factor for economic trends, but the precipitating factor for accelerating or retarding economic events. Recognizing the above, we shall discuss the question of the crisis in order to show that "America will in most likelihood be able to get out of its present crisis", always remembering that major political events, such as successful revolutions in Germany or Spain or the outbreak of a new imperialist war, will act as the added force to warp completely the following conclusions.

The major factor working for the continuation of the present crisis until a revolutionary overthrow is the Communist party, the labor movement. An objection may be made to my using in practically the same breath the "Com-

correct to infer that the attempt to stabilize capitalism on a lower level will result in greater militancy, and will usher in a period of years of increasing revolutionary upsurge based on increasing economic contradictions and increasingly evident inability of capitalism to solve its problems. Imperialist conquests by America during this period of decline will not result in sufficient restoration of economic health to slow this development up materially. How long such a period can last until a true revolutionary crisis is reached we cannot foretell; it seems most improbable that it will take so long for American capitalism to reach the crisis of its downswing as the hundred or more years that it took to reach the peak of its upswing, which we believe was passed in 1929. We certainly do not believe that the revolutionary crisis is at hand today or next year. On the basis of the foregoing perspective, however, we do believe that a strategic line laid out for the next year or two on the basis of class resistance to wage cuts could well extend its scope for a longer-range outlook of increasing militancy over a period of years.

—B. J. FIELD.

many is not faith in the leadership but lack of faith in the Communists.

Since the developing of American economies is not moving in favor of the capitalists and their social reformers, but in favor of greater class battles and the revolutionist, it follows that the economic base of social reformism is narrowing. But because the economic base is narrowing it does not follow that capitalism will not and cannot grant social reforms. Precisely because the capitalist economic base is sliding, making more insecure its position against the onslaught of the workers, it must "grant" social reforms in order to stem the tide and save a tottering world system.

Material gains of the past and material gains of today as social reforms are different, just like some material gains of the workers favor the social reformers while other material gains favor the revolutionist, the Communist. In other words, social reforms of developing capitalism and social reforms of decaying capitalism have a different base although they both serve the same ends and same masters. But in serving the same ends, the social reformers are not as secure at present as they were in the past, because they don't have the favorable base of yesterday. This factor is what makes the following sentence in the thesis so vital and the key to the problem. "The proportionate strength of the two parallel streams (social reformism and Communism—H. O.) will depend in a large measure upon the course pursued by the Communists."

The thesis must explain social reformism in relation to growing and decaying capitalism and the change of emphasis of some problems from emphasis of objective factors to emphasis of subjective factors. The basic reason for the changed relationship being the OPPOSITE TREND OF OBJECTIVE FACTORS in the growth and decay stages of capitalism.

Further the thesis must not deal with the labor party in the abstract. All indications are that the question of the labor party will be more important in the future than in the past (to a large extent due to the Right wingers and Centralists). This means to present our position on the labor party and farmer labor party, as well as the relation of the two which we are sure to have in complex American developments, yet maintaining the basic correct analysis on social reformism and the labor party as presented in the thesis.

—HUGO OEHLER.

his first article by considering the market to consist only of consumers' goods) Exactly as there are two major divisions of the market (foreign falls into the first two), so there are two groups of industries, producing either producers' goods or consumers' goods. If there is the likelihood that the industries of categories 1 or 2, or both will again begin to produce at considerably increased ratio to capacity, as compared to the present, we believe it would be proper for us to conclude that the likelihood is that America will get out of its crisis (always remembering the few vital words pertaining to "politics").

Factors at Work

The following are the factors we contend will act to bring about this change. They will act both independently and complementarily, supplementing and reinforcing each other:

- 1. Gradually diminishing supply of stocks (primarily in consumers' goods); 2. Re-investment in industry, both in the sense of replacement of constant capital and the expansion thereof; 3. Increased foreign market.

Exactly how will the inter-actions of the points above enumerated tend to start the wheels of industry moving again? In the following manner.

A crisis has as one of its major characteristics a large surplus of consumers' goods stocked up. Because of this large accumulation, the factories producing these commodities temporarily slow down production or in many cases even shut down completely, we thus have the two opposing factors: (1) less is being consumed of this type of goods, because of decreased purchasing power of the masses caused by unemployment and wage-cuts and the impoverishment of the petty bourgeoisie; (2) less is being produced, i. e., in both cases "less" after the period of the depression has set in than during the previous period of prosperity. But—and this is the all-inclusive "but"—the point is reached where current consumption exceeds current production. This is obvious upon slight reflection. The working class, although in depressed straits, must continue to live, to eat, to buy clothes. The market consisting of consumers' goods can never go below a certain level—no matter what method the proletariat uses to obtain these necessities of life, they must be gotten. Furthermore, a considerable portion (luxuries, etc.) of the market for category (1) is less affected by the crisis than other portions. I refer here to the big and petty bourgeoisie and to those of the American workers who, even during the crisis, continue to receive their high steady income. No matter what the dynamics of the situation may be, we can say that the supply of stocks on hand in the consumers' industries must decrease. Even the more objective of our bourgeois experts recognize the importance of the above in looking for signs of a let-up. I believe that it was last July that the *Annalist* registered great disappointment because of the failure of a survey of stocks on hand to show any appreciable drop from the beginning of the crisis. Further, by quoting from "Business Cycles and Unemployment", we find that "during 1921 and the early months of 1922, there was a considerable reduction in the quantity of new materials produced and as a result much of the surplus stock was consumed". The same effect will be recorded at some future date for the crisis of 1930.

Increased activity in production of consumers' goods will mean re-employment of new masses of workers in these industries. Re-employment means more wages and therefore an increase in that part of the market that is formed by wages. An increased market results in even greater industrial activity, etc. etc.

Effects on Producers' Goods

However, the above is but one of the results to be expected as a result of shrinking stocks. A second will be its effect on those industries manufacturing producers' goods. For a period of almost two years, industry has been idle, the incentive to replacement of fixed capital therefore lacking. No sooner do the first signs of the possibility of profit show themselves than the demand for the replacement of parts "worn out" by two years of even idleness (for a certain depreciation occurs in fixed capital whether it is barely used or it is working at capacity). This stimulates production in those industries producing fixed capital (e. g., steel, machinery). Here again we have the ever reflected wages of increased wages, increased market, etc.

Glancing back at the second of the above enumerated factors we read that one of the forces in operation will be that of expanding the constant capital. One of the features of our present crisis is the enormous quantity of money capital available. What greater inducement could there be for investment of large sums in new as well as expanding old enterprises than the low money rates existing at the present time. "A crisis is always the starting point of a large amount of new investments" (Marx).

Who is to predict that this huge engulfer of hours of labor is not to take the form of expansion of new industries. Would not the rise of a new industry act as an enormous market for present day industry in the same manner as railroads did at one time, automobiles at another and radio and airplanes to a greater or lesser degree during the past decade? Let the one who desires the name of the industry guess himself, or perhaps ask his parents why they were unable to predict the rise of the automobile industry.

Foreign Trade

As regards increase of foreign trade, we believe the thesis has taken the proper line of development—by a revision of the world market. But here however, the thesis is weak in not clearly stating the political reverberations that must ensue from a too vigorous pursuit of an aggressive foreign policy. Not for long can Germany or England continue to withstand any serious assault upon their markets without the greatest internal conclusions, upheavals that may, with proper Comintern leadership, lead to the victory of the proletariat in short order. In the main, therefore, the contention that America will attempt to get out of its crisis on the back of Europe is true, but not all-inclusive.

In conclusion, and to sort of very briefly sum up all of the above: America will most likely issue from the present crisis through an expanding market—the expanding market taking the form of increased exports development of new industries, rehabilitation of old ones, and the pick-up to ensue in certain industries because of the inevitable consumption of their surplus products. Made difficult by the enormous increase of capacity for production during the past decade, we nevertheless believe that American capitalism will succeed in extricating itself from its present acute difficulties.

—H. STONE.

In the Struggle of the Shoeworkers

BOSTON.—

After textiles, the shoe industry in New England is the industry second in importance in that area. Of all industries in the section, the shoe industry has been left almost untouched by the economic crisis. Production of shoes increased due to the fact that New England is producing a cheaper type of shoe. Despite all that, the wages of the shoe workers have nevertheless undergone unheard-of slashes, even in such a period of wage cuts as universal in its effects as the present. Average reduction of the workers' pay amounts to 40 per cent for all crafts. The wood-healers and some of the crafts in the stitching rooms have had their wages decreased in even higher percentages ranging anywhere from 40 to 50 per cent. The wage-cutting campaign is still on, and during the present season the workers have begun to show resistance against it. Workers everywhere in the industry are maturing for organization possibilities, as manifested by walk-outs in several factories. At the moment, the cutters in the Dartmouth factory are out on strike while all the other departments are working.

Unfortunately, there is no union in the field strong enough to give all the shoe workers leadership in the struggles that are looming ahead for them. The Boot and Shoe, the oldest union in the industry, an A. F. of L. organization, is discredited among the workers quite thoroughly, their numerous betrayals are still fresh in the minds of the shoe workers. It has always proved itself to be a servile agency of the State Board of Arbitration calling all genuine revolts against rotten conditions: "outlaw" strikes, and expelling militant locals, as in the Brockton strike in 1922. The United Shoe Workers, at one time a progressive union, with its main, or to be correct, only base in Lynn, have lost their following at present by trailing in the footsteps of the Boot and Shoe. A few more independent local organizations, like the one in Haverhill, actually amount to nothing.

The present critical situation among the shoe workers, their distrust of all leadership is a result of their experiences particularly in the great strike in 1930 in which 12,000 Boston shoe work-

ers participated. The leadership in that strike were a part of the old United machine. No preparations were made, no demands drawn up, even the picketing was not carried on in an organized manner. The strike was spontaneous almost from its inception and took on huge proportions over night. The local leaders felt themselves incapable of handling such a big situation and were ready to receive aid from any quarter that would offer it to them. In this way, many of the Communist party members weaved themselves into the general strike committee. Splendid possibilities were opened up for the Left wing in general. The W. I. R. and the I. J. D. were recognized by the general strike committee as the official aid agencies and representatives of these organizations were invited to speak to mass meetings of the strikers. When Biedenkapp came to address the workers for the revolutionary Independent Shoe Workers Union of New York, he was enthusiastically received by the strikers.

But, instead of proving to the workers by patient advice and activity in the strike itself, that the Left wing, under the leadership of the Communist party, really represented the will of the strikers and that only a revolutionary leadership can win the strike for them, the party in the midst of the first "third period" flare actually attempted to move the party headquarters into the headquarters of the strike. Instead of working with the rank and file of the strike committee on a united front basis, by our tactics and policies, we even alienated the Left wing workers. A few weeks later, when Foster came down to address a strikers' meeting, called by the party's forces, the meeting was broken up by the shoe workers themselves, and he was not given a chance to speak. The party even then did not realize its mistakes, but rather deceived itself into thinking that the breaking up of the meeting was simply the work of the reactionaries and that the workers were still with us. Disillusioned betrayed and defeated, the workers returned to the shops. Many of them were black-listed and could not get any jobs at all.

—SHOE WORKER.