

THE NATURE OF CAPITALIST CRISIS

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The Nature of Capitalist Crisis

Lecture I Bourgeois Theories of Crisis

I. Present Crisis has demonstrated impotence of Bourgeois Economics.

Powerless to predict it - denied it was coming.

Powerless to foresee its course and depth.

Powerless to explain.

Powerless to propose a way out.

Modern capitalist interpreters as helpless before the social forces man has created as the bushranger before the forces of nature. They "shudder before the impenetrable mystery in which their own economical relations are involved."

Not only stocks and businesses went bankrupt - reputations also

(See "Oh Yeah ?" - Viking Press, 1932 - Babson, p.8 ; Hoover, p.9 ; Magnus W. Alexander, p.12 ; Nat'l. City Bank, p.14.

II. Why Bourgeois Economics is unable to account for crisis.

A. Classical Economy - the great age in bourgeois economic science.

1. Positive features

a. Standpoint of production

b. Critique of feudalism and mercantilism - theory of differential rent.

c. Labor theory of value.

2. Negative features.

a. Unhistorical character.

b. Inability to penetrate to essence of labor-capital relation.

c. Or perceive the antagonistic elements and historical limitations of capitalism.

3. Its work accomplished before the crises began.

a. Adam Smith: Wealth of Nations, 1776.

b. Ricardo; Principles of Political Economy, 1817.

c. First great crisis, 1825.

B. The Degeneration of Bourgeois Economics into Apologetics and vulgar economy.

1. Apologetics - defence and concealment rather than analysis.

2. Vulgar Economy - superficial appearance rather than essence. Both evade consideration of real relations of capitalism and direction of its development.

C. Science of Economics based on

1. Equilibrium Theory

How system would work if it were in equilibrium. (i.e. free from contradictions.) Only trouble, is not in equil., refuses to work, is based on contradictions.

2. Ignoring of Specific Peculiarities of Capitalism.

a. As if production were for sale of consumption-actually for profit.

b. As if each man were a separate individual and free agent to determine whether he wanted to work or not to work, exchange or not exchange, buy or sell or not buy or sell, save or not save, etc. Actually born into a definite social system, whose laws are social.

cf. Marginal utility on length of working day.

Theory of Abstinence

Prof. Seligman on Consumer's Surplus- "If I agree to give up a book for my neighbor's knife, I do so because I expect his

knife to afford me more satisfaction than the pain of parting with the book. As a consumer I expect surplus enjoyment." Try this with coffins and castor oil. Producers do not produce for themselves the things they want, but production is for exchange, for society.

Growing tendency to objective blind regulator of supply.

Objective determination of general social demand.

3. Denial of possibility of knowledge of social law, and its conscious regulation. Even Economists insist.

a. No way of measuring whether price is high or low. (above or below value) Thus Prof. Robbins - 'The Nature and Significance of economic Science.' : "Any given price has significance only in relation to the other prices prevailing at that time. Taken by itself it means nothing." p.55 - "The valuations which the price system expresses are not quantities at all. They are arrangements in a certain order. To assume that the scale of relative prices measures any quantity at all save quantities of money is gratuitous metaphysics. Value is a relation not a measurement." p.56

b. No meaning to term, "Volume of Production", nor measure of this volume. Hence planned production impossible.

Again Prof. Robbins: "...the idea of changes in the total volume of production has no precise content. We may, if we please, attach certain conventional values to certain indices and say that we define a change in prod. as a change in this index, for certain purposes this may be advisable. But there is no analytical justification for this procedure. It does not follow from our conception of an economic good. The kind of empirical generalization which may be made concerning what causes will affect production in this sense, can never achieve the status of a law. For a law relates to definite conceptions and relations and a change in the aggregate of production is not a definite conception." p.66.

c. Commodities have value only in an individual, subjective sense.

They are worth as much or as little as each individual feels they are worth. Since individuals do not appreciate raw materials, (i.e. wheat as against bread) therefore these have only a "derived value" (Lionel D. Edie) i.e. their value is derived from the fact that they enter into a product which has subjective value.

d. There is no way of comparing incomes, telling whether one man earns more or less than another, or whether incomes are large or small, adequate or inadequate. One man may get more satisfaction out of chicory than another out of coffee, or out of margerine or lard than a pampered belly out of butter, etc. Perhaps those in the so-called lower income ranges get more net satisfaction than the rich, therefore more values, etc. Robbins: "...suppose that we differed about the satisfaction derived by A from an income of \$ 1,000, and the satisfaction derived by B from an income twice that magnitude. Asking them would provide no solution. Supposing they differed. A might urge that he had more satisfaction than B at the margin. While B might urge that, on the contrary, he had more satisfaction than A. We do not need to be slavish behaviorists to realize that here is no scientific evidence. There is no means of testing A's satisfaction as compared with B's. If we tested the state of their blood streams, that would be a test of their blood not satisfaction. Introspection does not enable A to discover what is going on in B's mind, nor B to discover what is going on in A's mind. There is no way of comparing the satis-

- factions of different people." (p. 123-4)
- e. It is betrayal of science even to go into such matters as real income and objective value.

Robbins quoting with approval from Prof. Haberler (German economist of same school):

"Science is guilty of trespassing beyond its necessary limits--that is to say, it is delivering a judgment of value--if it attempts to lay down for others which of two real incomes is the 'larger'. To decide on this, to decide which real income is to be preferred, is a task which can only be done by him who is to enjoy it--that is by the individual as 'economic subject'" p.63, footnote)

Thus basic economic realities are forever unknowable. Nothing can be ascertained about society as a whole, production as a whole, objective social law, the nature of capitalism, the underlying social relationships etc. An attempt to imitate neokantian empirio-critical idealism in the natural sciences. The suicide of economics. (For further discussion of this point read: Strachey: The Nature of Capitalist Crisis, Chapter X, The Gilded Science)

- D. Bourgeois economics has no theory of crises, omits the phenomenon from consideration, even denied the theoretical necessity or possibility of crises under capitalism, and the connection between capitalism and crises.

Dr. Friedrich A. Hayek: "The pure theory of economic equilibrium, the great achievement of nineteenth century economics, provides no explanation of trade depression." (Prices and Production, p. 31)

1. J. B. Say: "Theory of Markets" (Theorie des Debouches)

A theory of automatic outlets for goods. "Products are given in exchange for products." Money can be ignored as a mere transitory intermediary. "Products pay for products." All goods produced constitute automatically a demand for other goods. "The total supply of products and the total demand for them must of necessity be equal, for the total demand is nothing but the whole mass of commodities which have been produced. A general congestion would consequently be an absurdity." (Le Traite d'Economie politique, 1803, Vol.II,p.175) The theory did not become popular till after the crisis of 1825, and has been much repeated since. The only overproduction recognized is that of some one commodity with reference to others or of one country with reference to another. The only remedy, further expansion of production. Such crisis features as capitalism shows are due to its insufficient development, and by its expansion, which can continue indefinitely, it eliminates the very possibility of crises.

2. Crises as "unexplained residue"---Robbins:

"The best example of the unexplained residue is provided by those fluctuations of trade which have come to be known as the trade cycle. Pure equilibrium theory, as is wellknown, does not provide any explanation of the phenomena of booms and slumps....It explains fluctuations which are in the nature of orderly adaptations. But it does not explain the existence within the economic system of tendencies conducive to disproportionate development. It does not explain discrepancies between total supply and total demand in the sense in which these terms are used in the celebrated law of markets. Yet unquestionably such discrepancies exist, and any attempt to interpret reality solely in terms of such a theory must necessarily leave a residue of phenomena not capable of being subsumed under its generalizations."

Thus crises, instead of being central problems of capitalist economy were a side issue outside the reign of economic law, an aberration or unexplained residue, not lawful but a violation of the "laws" of bourgeois economic "science".

Yet -

- 1) crises begin with the beginning of capitalism
 - 2) no previous system had this type of economic crisis-starvation in the midst of plenty. They had only natural crises-starvation in the time of scarcity.
 - 3) they are obviously a central phenomenon governed by some law, as proved by their frequency, their periodic regularity, and their effect upon the entire system and every one of its aspects.
 - 4) there has been over a century of such crises--since the generalization of the industrial revolution--surely time to observe the phenomenon and develop an explanation of it.
- Severe Crises: 1837, 1857, 1873, 1893, 1920, 1929
 Secondary " : 1814, 1825, 1847, 1865, 1884, 1901, 1907, 1914, 1926.
 Major " : roughly every twenty years
 Secondary " : alternate decades
 Not a decade without a crisis. Between 1837 and 1937 about one bad year for each good year.
 Since the 20th Century: 1901-1907-1914-1920-1926-1929. More frequent. More continuous. Deeper.
 Today: Profoundest in history of capitalism.

III. Types of Bourgeois Theories of Crisis

As crises have recurred with regularity and deepening severity, bourgeois economists have been compelled to tip their hats to them.

- A. In 1895 Bergmann (German) counted 230 explanations. Since then their production has multiplied manifold. The great number proves none is satisfying or authoritative.
- B. The main types are:
 1. Natural explanations: Blame it on nature
 Example: Jevons Sun spot theory. Social sense: if it is a law of nature, it has nothing to do with capitalism.
 Quote New York Times, April 14, 1933 for latest version:
 "A remarkable correlation between the variation in the amount of the total heat radiated by the sun and booms and depressions in business was demonstrated with charts last night before the Science Forum of The New York Electrical Society at the Engineering Societies Building, 29 West 39th Street.
 The Charts, made by Dr. I.V. Burton, of the McGraw-Hill Publishing Company, show that during the last twelve years whenever there was a drop in the amount of the total output of the sun's heat it coincided with a cycle of business prosperity; and conversely, coincident with a rise in the total solar heat above the normal invariably there was a business depression.
 If these relationships are not pure coincidences, and it was emphasized that it is too early to reach any conclusions on that score, they may prove the beginnings of two new sciences--solaristics and lunaristics, scientific versions of medieval astrology. By means of these it may prove possible to predict the flux of business cycles and the coming of earthquakes, as well as other phenomena.
 The longer the sun's radiation stays either above or below normal, Dr. Burton stated, the more prominent the effect seems to be upon business. Solar radiation charts made by the Smithsonian Institution in Washington showed that radiation has been above normal for nearly

all the past two and one-half years. It was also above normal in the depression of 1920-1921, and again in 1924 and 1927, all years of subnormal business activities. As the solar radiation seems to go in definite cycles, Dr. Burton extended the chart, by the study of the cycles in the past, as far as a 1941. Without offering them as definite prognostications, the charts showed that beginning from now on the solar radiation is entering a cycle below the normal, which means, provided the relationship is not pure coincidence that we are about to enter a period of business prosperity. In addition to the correlation between the quantity of the sun's heat and business cycles there also seems to be a relationship between the amount of ultra-violet in the atmosphere and the presence or lack of confidence. Abundant ultra-violet seems to make us optimistic while a shortage of it makes us pessimistic, it was stated."

2. Psychological explanations- Blame it on human nature.

- a. Overconfidence, lack of confidence, ebb and flow of feeling.
- b. Aversion to work and desire to get rich quick-moral decay and softness of good times-depression as enabler and purifier.

From the New York Times of April, 8, 1935.

Address by Dr. A. A. Brill.

"Primarily it is the emotional conditions which have most to do with the economic depression. Emotional cycles run up and down. Whenever there is a period of elation there must follow a period of depression. The period of elation in an individual is characterized by a large measure of indulgence and pleasure, and the same applies to the economic elation. An example of this condition was given to us during the World War, when large amounts of money were made and freely spent.

It is useless to try to cure the economic depression by the use of economic measures. It cures itself sooner or later. It will not cure itself, however, until the emotional condition subsides. We should watch the emotional cycle in the individual and apply the same analysis to nations and races."

From the New York Times of Sept. 14, 1932.

Quotation of Roger Babson:

"Of all diseases, our moods are most contagious. Success breeds success, while failure breeds failure. The nation is either optimistic or pessimistic."

3. Explanation by surface phenomena

Some effect is the cause. The boils cause the syphilis. Put salve on the boils and the cure is complete.

Some common explanations have been: price drop; stock market drop; fall in the rate of profit; currency shortage; currency excess; inflation; deflation; speculation; fear to invest; currency shortage; credit shortage; lack of saving; lack of spending; wages too high; wages too low, etc.

a. Overcapitalization

Soligman: "In point of fact all crises are financial crises... due to overcapitalization of anticipated earnings.

"Crises, therefore, are not necessarily a result of increased technical production. The important point is not production but capitalization.

"We may look forward to a fairly successful adjustment of capital to real earning capacity... When this stage is reached credit will be shorn of its lurking dangers and will stand forth in its true

light as an unmixed benefit to solid economic progress."

b. Not enough capital

Cassel: "In modern crises it is not in the first place a matter of overproduction....The Crisis arises out of an acute lack of capital, i.e., of savings..." (Theoretical Social Economy, 4th Edition, 1927)

Therefore idle plant?

Therefore accumulated commodities?

Both are forms of capital in excess!

c. Not enough money and credit

Major Douglas, J. A. Hobson, Irving Fisher

d. Too much money

Dr. Friedrich C. Hayek

e. High wages

Even Strachey, who tries to follow Marx, falls into this pit.

See: Nature of Capitalist Crisis, Chapter XXI, The Present Crisis, pp 333-6.

f. Low wages

Hobson and the Liberal and social-democratic schools.

4. Explanation as an accident or combination of accidents. Therefore historically unnecessary. May have happened in the past, but not likely to happen again.

a. Cassel

"The Crisis in the World's Monetary System" Oxford University Press

'Dr Cassel Believes that "the post-war" generation has been guilty of a series of the "most appalling" faults, mistakes and violations of fundamental economic principles which together might well be expected to result in a crisis. Having finished the war, he holds, we may proceed to claim war debts and reparations without being willing to accept payment to cut up the world's market by aid of the most extraordinary protectionist devices into almost watertight compartments, to prohibit the international migration of men, to hinder the free movement of capital and to prevent by aid of great valorization schemes a natural adjustment of the prices of certain commodities.

"Within our different countries we have developed monopolies both of enterprise and labor, and in this way have done all we could to restrict internal freedom of movement," continues Dr. Cassel. "Not content with that, we

have created systems of unemployment doles calculated to increase the immobility of labor in a very dangerous way, and, in addition, to ruin public finances. Some people have started so-called radical movements aiming at the revolution.....

The idea that rapid progress is possible only for a limited period and necessarily must be followed by a period of restriction is based on the superstitious belief that the capacity for production develops faster than that for consumption, and that it is necessary therefore now and then to slow down production for some time in order to give consumption time to overtake production.

"The only ground for this belief is, however, a very defective understanding of the mechanism of uniform economic progress.

As I have already said, an elementary analysis of this mechanism shows that in the normal state of development consumption grows at the same pace as production and that the same holds true

with regard to saving and creation of fresh real capital. It is very deplorable that a great part of the world's financial press is ignorant of such an elementary truth." (New York Times August 6, 1932)

b. Sombart

(1) "Historically unnecessary"

(2) Tendency to disappear

"The crisis of 1857 was the last catastrophe on a grand scale. And since then there exists the obvious tendency in European Economic life to equalize contradictions, to soften them away, to make them disappear." (Das Wirtschaftsleben in Zeitalter des Hochkofs)

(3) Marx's predictions not verified but "the opposite of the prophesied sharpening of crises: it was their elimination."

c. Trusts will eliminate

Iscuete: 1907 (Gide calls him the outstanding authority and writes "we may say that, today, the science of foreseeing crises is more exact than that of foretelling the weather." (Political Economy p. 159)

"If we want to judge the future in accordance with the experience of the U.S., we will come to the conclusion that economies which are organized into trusts and unions of trusts, will be spared by crises."

Same year, 1907 - Crisis in America and World.

d. American Jazz Economists

Hoover Commission on Economic Changes:

"Inasmuch as demand for goods and services is in fact insatiable and apparently can not be satisfied, insofar can productivity be enlarged indefinitely"

"In the course of the seven years which we have investigated the equilibrium of production and consumption is making itself manifest with full clarity."

Host of Statistical services.

No foresight

Not even much hindsight

No real explanations---for the moment open-mouthed - not even trying to explain away.

IV. Social Democratic Theories

A. Revisionists - beginning with Bernstein - Marx outmoded by Bourgeois Bankruptcy.

1. Softened

2. Eliminated by trusts

3. Crisisless Capitalism in Prospect

Kautsky: (1902)

"Thus we can say in general that crises are growing ever sharper and more extensive."

Kautsky: (1926) Introduction to 2nd Vol. Capital

"We socialists used to say ourselves that crises are unavoidable so long as things are produced capitalistically. On the other hand it was precisely the capitalists who hoped to be able to soften the crises more and more thru unions of entrepreneurs... Thus things stood till the world war. Here it (the war) has basically over-

turned (revolut.) the relationships on this field also.
 "If they arose up till then (world war) out of purely economic relations which were to be influenced but little by capitalist politics, since then however, we have entered into a period of crises which are incomparably the greatest part a product of the politics of the governments, and which therefore may be avoided even if the capitalist economy continues if the policies of the governments were somewhat less determined by military and monopolistic considerations and somewhat more by economic insight into the needs of the circulation process."

Hilfording: (1927) Social Democratic Congress at Kiel
 New era of organized capitalism "the basic substitution (in principle) of the capitalist principle of free competition by the social principle of planful production."

Naphthali: (1928) Basic change
 "today we regard it as the task of the unions and socialist parties everywhere to fight against the appearance of crises. The goal of their economic politics (policies) is the overcoming, softening, and prevention of crises."

NO ALIBIING

- V. Description instead of Explanation - Wesley C. Mitchell and his school
 Each phase brings on the next. Hailed as greatest theoretician of crises!
 Here bankruptcy is most complete!

VI. Summary

- A. Bourgeois economic theory went bankrupt upon the development of the first general depression and the appearance of the proletariat on the stage of history as an independent force.
- B. Crises are focal point and violent expression of all contradictions in capitalism.
 A study of crises involves a study of these contradictions.
 It reveals that crises are an organic necessity of capitalism.
 And reveals the historically limited character of the capitalist system.
 Crises are the sore spot - the sign of the incurable disease eating at the vitals of capitalism.
- C. The growing authority of Marxian economics is largely due to the fact that it alone offers a sound analysis of this, the key problem of capitalism.

Marxism - 1st ignored
 Then - refuted
 Today - forbidden

But still it breaks through.

LECTURE II

WHY CAPITALIST SOCIETY CONTAINS THE POSSIBILITY OF CRISES

- I. The distinctive character of capitalist crises. (Special Problems of the Course)
 - A. Previous social systems have known crises of scarcity, draught, crop failure, fire, flood, pestilence, war. The crisis was always direct, explainable, obvious; there was hunger because there was not enough to go round - crisis because of contraction of production.
 - B. Today such crises increasingly impossible and local.
 1. Because of man's mastery of the laws of nature and ability to produce abundantly.
 2. Because of improved means of transportation to overcome local scarcity.
 3. Potential possibility of drought and flood control.
 - C. Capitalist crises have an element of irrationality, almost, abstractly speaking, seem to have an element of impossibility.
 1. First job is to explain how it is possible to have a crisis, or series of crises, involving:
 - a. Expansion of production
 - b. Excess of unsalable products.
 - c. Idle productive machinery
 - d. Idle producers and bankrupt capitalists

"In these crises there breaks out an epidemic that, in all earlier epochs, would have seemed an absurdity---the epidemic of over-production. Society finds itself put back into a state of momentary barbarism; it appears as if a famine, a universal war of devastation, had cut off the supply of every means of subsistence; industry and commerce seem to be destroyed. And why? Because there is too much civilization, too much means of subsistence, too much industry, too much commerce. The productive forces at the disposal of society no longer tend to further the development of the condition of bourgeois property; on the contrary, they have become too powerful for these conditions, by which they are fettered, and no sooner do they bring disorder into the whole of bourgeois society, endanger the very existence of bourgeois property, when they overcome these fetters. The conditions of bourgeois society are too narrow to comprise the wealth created by them." - Communist Manifesto

2. Second task is to explain how it is possible to recover by increasing the scarcity, or how it is possible for capitalism, once it has "over-produced" to recover at all.

"How does the bourgeois get over these crises? On the one hand by enforced destruction of a mass of productive forces; on the other, by the conquest of new markets and the more thorough exploitation of the old ones. That is to say, by paving the way for more extensive and more destructive crises, and by diminishing the means whereby crises are prevented." - Communist Manifesto

3. Our third job is to explain, not only why crises are possible, but why they are inevitable, i.e., why a crisisless capitalism is impossible.
4. Our fourth job is to explain why crises are regular and periodic, why capitalism does not slowly decline in continuous fashion, or slowly expand, but when it was expanding did so with a series of rhythmic shocks and today when it is declining, does not decline steadily but convulsively - why under capitalism there cannot be either permanent prosperity nor permanent crises.

"As long as capitalism exists cyclical fluctuations are inevitable. They will accompany it in its last agony just as they have in its youth and maturity." Theses of Third Congress of the Communist International.

5. Our fifth task is to analyze the present crisis and the changes in the nature of capitalist crises in the period of capitalist decline.
6. Our sixth task is an analysis of the proposed remedies for crises: inflation, reduction of costs, debts and wages, planned capitalism, fascism, N.R.A., commodity dollar, etc.
7. And last, relation of crises to the end of capitalism and transition to a crisisless society.
These problems and related ones require systematic understanding of the entire structure of capitalism.

"It is impossible for anyone without serious economic study to understand why the existing economic system cannot be made to work.... People can understand easily enough that such a system may get, and clearly has got, out of adjustment and that it may break down entirely. But they cannot but suppose that it is at any rate possible to put it right." - Strachey

This lesson takes up the first problem: How is a crisis of overproduction possible? How is it possible that the production of plenty should bring with it jobless workers, bankrupt capitalists, idle machinery, undisposible products and mass hunger?

II. Societies are theoretically divisible into two basic types: Societies of planned production and of unplanned production; of production for use and production for profit; commodity and market societies and societies producing use values for direct or at least calculable and closely connected consumption.

- A. First type: The primitive tribe (on a tribal scale); the oriental commune (on a communal scale); with some limitations, the medieval manor; future communist society (on a world scale).

Characteristics:

1. Production directly for use
2. Production directly social
3. Individual directly a part of society, maintained regardless of his stint
4. Planned division of labor;
5. Based on planned estimate of needs. Only uncertain element is nature. Only possible type of crisis is crisis of scarcity, or (in war) of robbery.

- B. Second Type: Commodity Production. Either simple commodity production (where producer owns own tools--artisan his implements, peasant land and implements) or Capitalist society (where there is a separation of producer from means of production)

III. Possibility of crises inherent in the commodity and market

- A. Commodity a unit of two antagonistic elements - a polarity of use value and exchange value.
- B. A commodity is produced for exchange. It is only an exchange value for its producer. It cannot become a use value unless it is exchanged, sold, finds a purchaser. If not, it is not an exchange value for its producer, nor a use value for any one. (Can the coffin manufacturer use up all his unsalable coffins?)

C. Commodity must make a salto mortale if its value is not to perish. With production for sale, and the possibility of production followed by failure to sell, we get the possibility of crisis.

1. The market is a blind regulator. Men's labors are still in fact social, for society, and on a wider scale of social division of labor than ever, but no quotas are assigned.

a. Neither what should be made

b. Nor how much of it

c. Nor how much time can be profitably expended on it.

Only after it gets to market, that is, ex post facto, can the commodity producer find out to what extent his individual labor was socially necessary labor (the value of his product) or whether it was social labor at all.

May find you weren't working for society, and still worse, society wasn't working for you.

Planless production is inherent in production for the market.

Engels: The law of value is "a law which can only assert itself by by periodical revolutions. It is nothing but a law of nature resting on the unconsciousness of the persons concerned" - Capital Vol I Everyman Edition, p 49 note

Salto Mortale

Marx: "In order that a commodity may in practice function as an exchange value, it must quit its bodily shape, must transform itself from imaginary gold into real gold....(this feat) may be more difficult...than it was to St. Jerome to put off the old Adam" Capital p. 80

Blind Division of Labor

"...it is necessary that the labor which has been expended upon it shall be of a socially useful kind, of a kind that constitutes one of the branches of the social division of labor. But the division of labor is a productive organ of spontaneous growth; it has grown up, and continues to grow up, behind the backs of the producers of commodities." p. 84

A given commodity may contain more labor than socially necessary, or a whole branch may though no single piece does. "It is a case (of)... 'caught together, hanged together'" p. 85

IV. Money relation - the extension of the possibility and scope of crises.

A. C-M-C'. The circulation of commodities is effected by the medium of money. The commodity producer sells it to buy a new commodity.

1. Exchange thus separated into a sale and a purchase.

a. Vulgar economists, following Say argue that every sale is also a purchase, therefore there is no rupture possible.

b. But producer A may sell, and get money, and then delay in buying. His value is thus tied up in a money hoard. The endless chain of purchases and sales is thus broken. If this phenomenon becomes general, a crisis occurs.

"We see then that commodities are in love with money; but the 'course of true love never did run smooth.'" Cap. p 85

Marx: "These forms therefore entail the possibility, though nothing more than the possibility, of crises. The conversion of this mere possibility into a reality (and a necessity - B.D.I.) is the result of a long series of relations, that, from our present standpoint of simple circulation, have as yet no existence." Capital I p. 92

V. Credit - the lengthening chain - the further extension of the possibility of crises.

A. Money now enters not merely as a medium of exchange and measure of value but as a means of payment.

1. Seller sells, but doesn't realize value in cash.

2. Buyer buys but doesn't pay. When this becomes general, the buyer must resell the same commodity (merchant) or other commodities before he can pay.

B. Lengthening chain of credits develops. A sells to B who resells to C who sells to D etc. and none pays. When E pays D he can pay C and C can pay B and B can pay A. But if E cannot pay? Thus A can go on for a long time believing he has sold his commodities and keep on making more, only to find at the last that they are being returned, were never sold at all, and that he has a lot of coffins on his hands. Actually a chain of sales may never reach the ultimate consumer, and yet be financing further expansion of production for some time. He may even be reinvesting the imaginary profit for enlargement of productive plant. Stream of commodity follows stream, and industry may be apparently flourishing for some time before it becomes apparent that previous commodities have not really reached their destination and production has gone beyond demand. Then come the returns, the price drops, the mad scramble for cash, the bankruptcies, the sale at any price to raise cash for settlement of debts.

C. Credit thus helps to explain the convulsive expansions and contractions. But it is not the sole cause of periodicity as we shall see, and Strachey is mistaken in saying:

"If we can imagine a creditless capitalism in which every transaction was mediated by hard cash, then it is true that the oscillatory form of the crisis, but not the crisis itself might be abolished. We should get a slow, steady decline of the rate of profit which would act upon the system like a creeping paralysis." p 313 (Strachey also attributes crises too exclusively to the falling rate of profit) The credit system however, expands and accelerates the violence of crises.

Marx: "The credit system appears as the main lever of overproduction and overspeculation in commerce solely because the process of reproduction, which is elastic in its nature, is forced to its extreme limits. It is so forced for the reason that a large part of the social capital is employed by people who do not own it and who push things with far less caution than the owner, who carefully weighs the possibilities of his private capital, which he handles himself. This simply demonstrates the fact that the production of values by capital based on the antagonistic nature of the capitalist system permits an actual free development up to a certain point, so that it constitutes an immanent fetter and barrier of production, which is continually overstepped by the credit system. Hence the credit system accelerates the material development of the forces of production and the establishment of the world market. To bring these material foundations of the new mode of production to a certain degree of per-

fection, is the historical mission of the capitalist system of production. At the same time credit accelerates the violent eruptions of this antagonism, the crises, and thereby the development of the elements of disintegration of the old mode of production.' ---
Capital Vol. III, p. 522

D. When a crisis occurs, the credit expansion gives extreme violence to the crisis.

Marx: "The sudden reversion from a system of credit to a system of hard cash, heaps theoretical terror on the top of practical panic; and the dealers by whose agency circulation is effected tremble before the impenetrable mystery in which their own relations are involved."

1. Previously, economists and business men, Marx points out, were declaring money illusory and goods "real wealth". Now goods become worthless and only gold and silver is wealth. And all the gold and silver in the world turn out to be an insignificant fraction of the enormous demands.

Marx: "As pants the hart for cooling streams, so does his spirit pant for money, the only wealth."

V. There are further possibilities of crises in every phenomenon characteristic of capitalist society. That is why Marx's theory of crises is "scattered" throughout the 3 volumes of Capital, "Theories of Surplus Value" and other writings.

But the distinctive Marxian view is that crisis is not merely a possibility under capitalism, but that crises are inevitable under capitalism. That carries us to the next lessons.

The Inevitability of Crises under Capitalism

- I. In commodity production, i.e. production for the market, lies the possibility of crises.
 - A. In the polar antagonism between use value and exchange value.
 - B. In the separation between purchase and sale.Marx: "No crisis can exist without purchase and sale becoming separated and entering into contradiction with each other."
 - C. In the general complication and extension of the market.

As long as the market is local and limited and easily calculated, and production is restricted to use, local consumption or customers' orders, and further restricted by guild limitations, and most things still produced for use rather than sale, a general crisis cannot occur, the partial, local crises and individual bankruptcies can.
 - D. In credit, in money used as a means of payment, with the consequent possibility of illusory sales, of goods piled up on middlemen's shelves. This makes possible a financing of further expansion of production by illusory sales long after the limits of the actual market have been overstepped and overproduction has occurred. Hence the first period of a crisis often gives the appearance of the greatest wave of prosperity.
 - E. In fluctuations in the price level (due for example to changes in technique). Between the time of the sale on credit, with money as a mere theoretical measure of value, and the time of payment of the money owed (which usually requires a preliminary resale) there may have been a change in the value of the commodity. The final sale may have to be at a price far below that due on the unpaid purchase.
 - F. In fluctuations in the value of money, which become ever more serious in effects as the credit chain lengthens.
 - G. In the possibilities of a disproportion between one branch of industry and another.
- II. Under capitalism all these possibilities expand enormously.
 - A. The commodity system becomes general -- everything for sale.

Even things not produced for the market like land, labor power, etc. develop a market, acquire a price, become an object of purchase, sale and investment.
 - B. Labor power becomes a commodity.
 - C. A gap and antagonism develops between the value created by labor (a category existing under simple commodity production) and the value of labor power (peculiar to capitalism).

Thus the actual producers no longer receive, and can no longer purchase, the equivalent of the value created by their labor.
 - D. The money relationship becomes general.
 - E. The credit relationship develops enormously.

Production and ultimate consumption, sale and purchase, purchase and payment, etc. become separated by an ever-lengthening chain.
 - F. The market becomes a national and world market and becomes ever more incalculable.
 - G. Enterprises become larger, production more concentrated, and mechanized, so that it produces increasingly at a rate which is independent of the market and dependent on its own inner laws.
 1. The technical nature of machinery.
 2. The growth in fixed costs.
 - a. High value tied up in constant capital, especially machinery.
 - b. Rapid rate of depreciation and "moral" obsolescence.
 - c. Increase in permanent technical, managerial and maintenance staffs.
 - d. High costs of selling and advertising apparatus.
 - e. Debts and interest charges.

3. Competition, which requires that each enterprise should produce as cheaply as possible, introduce labor-saving machinery and displace as much labor as possible, and use the most productive machinery possible.
 4. This requires production on a large scale, the larger the output, the cheaper the cost of production per unit.
 5. The pressure of unused productive capacity
- H. Capitalist production becomes ever more roundabout, and whole industries develop which produce not commodities for the consumer but means of production for other industries. In this lies the possibility of a major disproportion between the industries.

Marx: "With the development of capitalist production, the scale of production becomes less and less dependent on the immediate demand for the product and falls more and more under the determining influence of the amount of capital available in the hands of the individual capitalist, of the instinct for the creation of more value inherent in capital, of the need for the continuity and expansion of its processes of production." (Capital, II).

"The capitalist mode of production has a tendency to develop the productive forces absolutely... regardless of the social conditions under which capitalist production takes place."

"Capitalist production naturally implies production without regard to the limitations of the market." (Theories of Surplus Value.)

III. Capitalist production not only develops crises from a possibility into a reality, but into a necessity. Capitalist production is based upon such inherent internal contradictions that it makes crises inevitable as an expression of those contradictions.

- A. Capitalism abolishes private property in the means of production and products by the producer, and makes production, division of labor and means of production social, but subjects this social production to individual ownership and appropriation by the small number of capitalists.

Engels: "This contradiction, which gives to the new mode of production its capitalistic character, contains the germ of the whole of the social antagonisms of today. The greater the mastery obtained by the new mode of production over all important fields of production and in all manufacturing countries, the more it reduced individual production to an insignificant residuum (i.e. simple commodity production--B.D.W.), the more clearly was brought out the incompatibility of socialized production with capitalistic appropriation....

"The contradiction between socialized production and capitalistic appropriation manifested itself as the antagonism of proletariat and bourgeoisie....

"....with the extension of the production of commodities, and especially with the introduction of the capitalist mode of production, the laws of commodity-production, hitherto latent, came into action more openly and with greater force.

"It became apparent that the production of society at large was ruled by absence of plan, by accident, by anarchy; and this anarchy grew to greater and greater height. But the chief means by aid of which the capitalist mode of production intensified this anarchy of socialized production, was the exact opposite of anarchy. It was the increasing organization of production, upon a social basis, in every individual productive establishment... The contradiction between socialized production and capitalistic appropriation now presents itself as an antagonism between the organization of production in the individual workshop and the anarchy of production in society generally. (Anti-Duhring, Section III, Chapter II)

- B. The motive of simple commodity production is not merely the production of use values, but of exchange values. The motive of capitalist production, and its driving force, is not merely the production of exchange values but the expansion of capital, the production of exchange values containing surplus value. It is production for profit.
1. Capitalist crisis is not a general overproduction in excess of human needs.

Nor too many means of production to be employed by the working population.

It is an overproduction of means of production and commodities from the standpoint of production for profit.

Marx: "Capitalism comes to a standstill at a point determined by the production and realisation of profit, not by the satisfaction of social need."

Barbara Woolon: "Plan or no Plan".

"Movements of profit take precedence of all other price changes, since the prospect of profit is ordinarily the first indispensable stimulus to production. It is only after someone has smelled a profit in the air, that the workers, whose job it is to make the goods that meet the demand that offers the profit, have a chance to get to work. In other words, the satisfaction of consumers' needs is achieved, so far as it is achieved, first thru the stimulus of profit, and only secondarily and indirectly because a hungry and eager consumer is a magnet for workers equally eager to make him what he wants. So also the consumer goes without, when the utmost price that he can and will pay is insufficient, not just to provide a living for those who would work for his satisfaction, but rather to yield a profit that will induce someone to employ those wouldbe workers." (p. 44)

Production stops, not because social need is satisfied (it cannot be), nor because there is a shortage of means of production or labor power, nor even because the market is unable to absorb any more goods (within certain limits the demand will decrease if the price is lowered) but because further commodities will not fetch a price sufficient to yield a profit.

Marx: "The process of production appears merely as an indispensable and intermediate link, as a necessary evil of money-making. All nations with a capitalist mode of production are seized periodically by a feverish attempt to make money without the mediation of the process of production." (Vol. II, p. 64).

2. The three questions:

1. Is there money in it?
2. Is it legal?
3. If not, where can I get a good lawyer?

3. Aim of capitalist production is:

- a.) Not production for use (as in non-commodity societies)
- b.) Not production for exchange and use of product acquired by exchange (as in simple commodity production).
- c.) But production for profit, for surplus value, for the self-expansion of capital.

The hunger for appropriation knows no limits.

But production stops the moment profits stop. And the criteria of profit and social need diverge ever more widely.

If restriction promises more profit. than expansion, capitalism will restrict. cf. monopolies etc. as well as conduct in a crisis.

If destruction promises more profits than production, capitalism will even destroy examples:

- a.) AAA
- b.) NRA codes
- c.) British shipyards dismantling by the "National Shipbuilders Security Ltd.

"And now the Shipbuilders Security have got the yard (at Jarrow a one-industry shipbuilding town--B.D.W.), there cannot be another ship built here for 40 years." (quoted from Evening Standard, Oct. 9, 1934, in Strachey, p. 294).

- d.) British government scheme to dismantle spindles.

C. Contradiction between absolute development of productive powers and limitations of market under capitalist relations.

1. Tendency in capitalism to absolute productivity, divorced from actual relations within which capitalist production takes place.

Marx: "The measure of surplus production is capital itself, the scale of productive conditions at hand and the limitless drive to enrichment and capitalization of the capitalists, but by no means consumption." (Vol. II, 263)

2. But the same system tends to depress systematically the absorptive power of the mass of producers.

Marx: "Contradiction in the capitalist mode of production: the laborers as buyers of commodities are important for the market. But as sellers of their own commodity--labor-power--capitalist society tends to depress them to the lowest price. Further contradiction: the epochs in which capitalist production exerts all its forces are always periods of over-production, because the forces of production can never be utilized to such a degree that more value is not only produced but also realized; but the sale of commodities, the realization on the commodity capital, and thus on surplus value, is limited, not by the consumptive demand of society in general, but by the consumptive demand of a society in which the majority are poor and must always remain poor." (Note on Crises in ms. of Vol II, inserted for future elaboration, p. 363, note).

3. Competition drives each capitalist to produce as much and cheaply as possible. Engels: "It is a frantic struggle, which carries away even the most experienced and phlegmatic; goods are spun, woven, hammered, as if all mankind were to be newly equipped, as the two thousand million new consumers had been discovered in the moon." (Condition of Working Class in England, p. 84).

4. The same inexorable laws of competition drive to an ever increasing productivity of labor, and an ever decreasing relative number of laborers (rising composition of capital) and an ever decreasing share for the producers of the value of their product (rising rate of exploitation).

Lenin: "It is just this extension of production without a corresponding extension of consumption which corresponds also to the historical mission of capitalism and its social structure."

D. Contradiction between drive for increasing profit in individual workshop and requirements for profit of capitalist class as a whole.

Very struggle of capitalists to increase profits leads to the tendency of a falling rate of profit.

The Nature of Crises: Violent Expression of All Contradictions Inherent
in Capitalism

I. Capitalism is the most contradictory or antagonistic form of production.

- A. Capitalism abolishes private property of the producers in the means of production and product, only to reestablish private property in the form of the monopoly of those means by a class of non-producers--the capitalist class.
- B. Capitalism renders production social on a scale unparalleled in history both
 - a. In the individual factory with its belt line, assembly, etc.
 - b. and in society as a whole with its world market.
 - c. and in banking and credit with their rudimentary social accounting and concentration of capital funds and control.

But appropriation, ownership and arbitrary control remain individual in a narrower sense than ever in human history. A relative handful of men can say yea or nay to the whole productive process, society's very life-process, according to whether it increases or decreases their profit, their control, their ownership of social wealth.

- C. Capitalism develops the highest degree of planfulness within the factory--planned integration to maximize productivity.
And at the same time, the highest degree of planlessness--planlessness integrated on a world scale--in society as a whole.
- D. Capitalism contains within it forces driving to the absolute extension of production.
 - 1. The urge for surplus value, the self-expansion of capital.
 - 2. The urge for the reinvestment or capitalization of surplus value--the accumulation of capital.
 - 3. The reduction of production costs, by speed up, intensification of labor, increase in the mass of raw materials handled by a given number of laborers, increase in the mass of machinery set in motion by a given number of laborers, cheapening of the value of labor-power, etc.
(Increase in productivity of labor or proportion of constant capital to variable capital; increase in relative and absolute rate of exploitation or proportion of surplus value to variable capital).
 - 4. Growth of machinery and technique and of magnitude of industry producing means of production.
 - 5. Competitive drive of each individual capitalist to reduce ^{his} cost of production below the average (introduce superior technique) and then of each remaining capitalist to catch up with the superior technique or perish.
 - 6. Capitalism drives each producer restlessly to seek to increase his profits (by introducing superior technique) and thereby tends to develop a falling rate of profit for capital as a whole. (lowering rate of variable to constant and total capital, whereas only variable capital is productive of surplus value).
 - 7. Growth of concentration and centralization of capital--larger and larger aggregations of capital in fewer and fewer hands.
 - 8. Extension of the capitalist system to all the ends of the earth.

Werner Sombart: "The modern business man is drawn into the transmission belts of his establishment and revolves with them. There is no room for his personal virtue because he is in a dependent position. The force by which the establishment subjugates its master is competition, which drives the establishment along the path of unlimited expansion. There is no point in the development of business at which one could say 'enuff'. The business man is confronted with the dilemma, either to grow and expand, or to retrogress and be ruined." (From The Bourgeois)

- E. At the same time that capitalism drives ceaselessly to the absolute extension of the powers of production of society, it also drives towards the continuous reduction of
1. The laborer's share of the total product--struggle to increase relative and absolute surplus value, to maintain and augment the rate of profit.
 2. The relative number of laborers compared to the total machinery and materials, and the total capital involved.
- F. This antagonism between the social nature of production and the individual nature of appropriation, between planfulness for production in the workshop and planlessness on the market, between absolute mass production and limited mass consumption, expresses itself in the form of a periodic overstepping of the limitations of the capitalist market by constantly extending production. Capitalism is constantly acting as a check on its own production, constantly expanding production beyond the limits of its own social relations. Hence it produces the contradictory phenomena of too much and starvation, too many products on the market and too few products in the hands of the masses, too much capital and too much labor, falling prices and mounting need and inability to pay. Hence the real barrier to the indefinite expansion of the productive powers of mankind is not a physical barrier, not a human barrier, not a technical barrier, it is a social barrier--the real barrier is capitalism itself.
- G. Crises represent the violent explosion of an ever-mounting accumulation of contradictions, the violent expression of all contradictions inherent in the capitalist system.
- Crises are not only necessary under capitalism, they have a definite social function to perform--the temporary relief of accumulated social antagonisms.

II. Critique of the Vulgar (Reformist) Underconsumption Theory.

- A. To state that goods can't be sold because they can't be bought, explains nothing--it is a pure tautology. It leaves unexplained how it can come to pass that society which never produces more than it can humanly consume, can produce, must produce, more than it can capitalistically consume, i.e. with a profit to the owners of industry.
- B. But to state that crises can be avoided by a mere increase in wages, or "issue of purchasing power in the form of bonuses, new currency, subsidies," etc. leads from empty tautology to fundamental error.
1. Underconsumption of the masses is age old. Crises of overproduction are characteristic only of capitalism.
 2. Consumption follows from productive relations. The phenomenon of underconsumption in its capitalist form as the opposite pole of overproduction, is precisely the problem to be explained.
 3. If increasing wages were the solution, each crisis is normally preceded by such an expansion of industry that
 - a. The number of laborers increases.
 - b. The steadiness of employment.
 - c. Even the level of individual wage generally rises.
 4. Not only does the consuming power of the masses increase, but profits, middle and upper class consuming power, luxury demand, etc., increase also.
 5. Thus, this increase in purchasing power which should prevent or cure crises actually occurs normally on the eve of every crisis and as a herald of its approach.
 6. An "excessive" increase in wages would only hasten crises and slow up recoveries--"excessive" meaning a cutting down of profitability of production.
- This Strachey distorts into a fatal error--the belief that crises are actually caused by the "excessive" rise in wages and mass purchasing power--the opposing pole of the error that believes they can be prevented by wage increases.

Marx: "It is a pure tautology to say that crises are caused by the scarcity of solvent customers, or of a paying consumption. The capitalist system

does not know any other modes of consumption but a paying one, except that of the pauper or of the 'thief'.... But if one were to attempt to clothe this tautology with the semblance of a profounder justification by saying that the working class receive too small a portion of their own product, and the evil should be remedied by giving them a larger share of it, or raising their wages, we should reply the crises are precisely always preceded by a period in which wages rise generally, and the working class actually gets a larger share of the annual product intended for consumption. From the point of view of the advocates of 'simple' (!) common sense, such a period should rather remove a crisis. It seems then that the capitalist production comprises certain conditions which are independent of good or bad will and permit the working class to enjoy that relative prosperity only momentarily, and at that always as a harbinger of a coming crisis." (II, pp. 475,6)

7. Strachey's misinterpretation of the Above Passage.

Strachey: "It may be true that it was the rise in real wages, the very rise in consumers' demand, which undoubtedly took place in 1929 and 1930, which precipitated the slump. For this rise, while it was too small to do much to relieve the glut of consumers' commodities, may have been large enough to prove the last straw to the rate of profit." (P. 296).

Even the empirical fact is wrong in this case. (See Corey).

Strachey further confuses Marx's "harbinger" of the crisis, with his own term "proximate cause".

"the proximate cause...was precisely the enlargement of consuming power which took place in 1929 - 30." (P. 333).

And further ascribes the length of the depression to "a failure on the part of the capitalists to cut money wages fast enough to prevent real wages from rising." (P. 333)

A dangerous as well as false argument.

a. They cut plenty.

b. Real wages did not rise during the depression, quite the contrary.

Strachey's further argument ascribes the growth of modern crises to improvements in the condition of the working class, the opposite of Marx's theory of increasing misery.

"In Marxian terminology, the price of labor power rose above its value. This at once set up a grave disturbance of the system." (p. 335).

"In America during the great boom of 1924-29, there is some reason to suppose that probably for the first time, and certainly for the last time in the history of capitalism, the rate of accumulation outran the supply of available labor power, bid up its price.... Unemployment was as near non-existent as it ever can be under capitalism." (P. 334)

Rather the opposite was the case, i.e. there was

1. For the first time an actual decrease in the size of the working class under prosperity.
2. A growth of technological or structural unemployment, disemployment.
3. This was only partially concealed by the growth of secondary luxury and distributive (salesmen, advertisers, etc.) and personal service trades, and the export of much of the surplus capital or its entrance into speculation.

We will have more to say about the falsity of the "underconsumption" theory when we take up the relation between the various branches of industry.

III. The Problem of Periodicity.

A. A crisis is a general accumulation of contradictory developments to the breaking point.

1. Production extends till it extends beyond the limits of capitalist relationships. Then comes an overproduction, a fall in prices, a collapse of profits, a discharge of workers, a withdrawal of capital from operation, a contraction of demand, a tailspin.

Problem why doesn't it contract indefinitely? Why are not crises permanent? What "positive" function is performed by crises which makes recovery possible?

B. The modern credit system enables this overexpansion to proceed some distance before it is felt. Therefore the overexpansion is greater, the reaction more violent.

1. But this does not mean as Strachey and various bourgeois economists have maintained, that the expansion thru credit causes the cyclical crisis or (in Strachey's case) gives it its cyclical nature.

Strachey: "If we can imagine a creditless capitalism in which every transaction was mediated by hard cash, then it is true that the oscillatory form of the crisis, but not the crisis itself might be abolished."
p. 313

This leads to conclusions having kinship with:

Douglass: Let's expand credit indefinitely.

Fisher: Let's keep money and credit fixed and controlled.

Robinson (Buchan): If we give credit only on merchandise or production operations and not on real estate and stocks, capitalism can be saved such crises as 1929.

Credit does not in itself explain overexpansion, overproduction. It is merely a sort of "elastic clause" attached to the real causes, and stretching them further. It explains merely why the overexpansion can proceed for a longer time before it is felt, and why the reaction is then more violent. In that sense Robinson is the soundest of the three with his contention that a curb on speculative credit would lessen the extreme features of crisis. (But the very developments of modern capitalism inevitably strengthen its speculative features.)

C. There is neither a crisisless capitalism nor a recoveryless depression possible. The cycle is an inevitable feature of capitalism as truly as is depression itself.

The Periodicity of Crises

- I. Crises are the violent expression of all the contradictions inherent in the capitalist system. Its main roots are:
 - A. The anarchy of the market.
 1. Production for the market - commodities.
 2. Possibility of rupture between production and realization of value.
 3. Of rupture between sales and purchases.
 4. Credit.
 5. Speculation.
 6. Incalculability and fluctuating character of market.
 7. Market as blind regulator of production and division of labor. Crises as an implacable restoration of equilibrium between production and market.
 - B. The limitations of the market due to the social conditions of capitalist production.
 1. Exploitation. Producers can purchase only a small part of product. - Existence of surplus value.
 2. Capitalist accumulation. The capitalists cannot consume all of the surplus value. Part is reinvested which further expands production.
 3. Tendency to the absolute development of the productive capacities of mankind regardless of the limitations of the capitalist market.
 - C. The unequal development of the different industries and different portions of the social capital. The possibility, even inevitability of disproportionality and disequilibrium.
 - D. The tendency to a falling rate of profit.
- II. Examination of a business cycle - the Pick Up ("Recovery").
 - A. Let us begin with a pick up, due to
 1. Opening of new markets, thru cheapening of prices and production costs.
 2. Thru industrialization of new regions and extension of foreign trade.
 3. Development of new inventions and new industries.
 4. Shortages and depreciation developing out of previous depression, etc.
 - B. The new demand is at first capable of supply by existing productive machinery.
 1. Companies on part time go on full time.
 2. Shut down plants reopen.
 - C. But as demand continues supply proves inadequate causing:
 1. Rise in prices.
 2. Rise in rate of profits.
 3. Beginning of expansion of existing enterprises and opening of new enterprises.
 - D. But capitalist production is roundabout.
 1. A greater demand for textiles after certain point requires--
 2. Production of textile machinery by machine factories, which after a certain point requires--
 3. Additional steel mills, iron mines, coal mines, etc.
 4. Also above development requires expansion of cotton fields, opening of additional power houses.
 5. And absorption of industrial reserve army and training of additional workers.
 - E. As the expansion of these industries producing means of production (machinery and raw materials) takes some time, supply lags behind demand and prices and profits continue to rise.
 1. In the textile industry, causing opening of more textile factories, which in turn increases still further the demand for machinery and raw materials, further raising prices and rate of profit in means of production industries.

(Note: From here on means of production are called MP and means of consumption MC).

2. Hence prices and profits rise especially in MP industries.
 3. And since they take a long time to develop, capital keeps rushing in to them for some time attracted by super-profits.
 4. This situation in which supply lags behind demand may last for years.
 - F. During this period of lag, the opening of fresh steel mills, iron mines, coal mines, machine shops, increases number of workers, creates fresh demands for cotton goods and other MC, but these industries do not produce any MC (only MP which for a long time are not ready to produce MC). Thus demand continues for a long time to increase faster than supply and prices and profits continue to rise.
 - G. The enlargement of the MP industries creates demand in and stimulates many MC industries. But each of these requires in turn fresh machinery, coal, iron, steel.
- The enlargement of any industry whatsoever at certain point thus tends to evoke an enlargement of industries producing iron, coal, steel, machines. Hence the MP industries are the most responsive to a pick up.

III. Examination of a business cycle--the Boom. ("Prosperity")

- A. All old plants run at full blast and a whole train of activities are set in motion to open new plants.
- B. Money is borrowed at constantly higher interest rates as the rising profit rate becomes more alluring.
- C. Wages rise.
 1. Because more workers are employed -- total payroll.
 2. Each is employed more steadily.
 3. The workers become more confident as jobs become more plentiful and the industrial reserve army's pressure is relieved.
 4. The employers become more "generous" as they cannot afford to be interrupted by strikes and high labor turnover.
- D. Rents rise.
 1. Of coal mines, iron mines, other sources of raw material including agricultural raw material.
 2. Farm rents rise as prices of farm consumers' products rise.
 3. Especially rents of superior location sites rise as more and more businesses open, available sites are taken up and urban working population grows.
- E. Commercial profits rise as producers capital presses for quick turnover for purposes of reinvestment.
- F. Speculators' profits rise as more and more stock and bond issues are floated to secure capital for further expansion.

Engels: "Little by little the pace quickens. It becomes a trot. The industrial trot breaks into a canter, the canter in turn grows into the headlong gallop of a perfect steeple-chase of industry, commercial credit, and speculation, which finally, after breakneck leaps, ends where it began-- in the ditch of a crisis."

IV. Examination of a business cycle.-- Overproduction (Outset of a crisis).

- A. Unable to gauge the market, finding it always in excess of supply, stimulated by prices and profits, rushing into the profitable means of production industries which for a long time create fresh demand but not consumption goods, industry finally reaches a stage where the great masses of new machines are ready to produce consumers' goods, and the machines which have produced those machines are ready to produce more machines which will produce more consumers goods, and suddenly, without any contraction, even with some expansion of the market, the capitalists find that they have expanded their productive apparatus too much. (too many consumers commodities, too many machines ready to produce consumers goods, too many machines ready to produce more machines, etc.)

- B. Supply no longer lags behind demand, but vice versa.
- C. Some plants, the weakest in set up, fail and workers are fired and the market begins to contract.
- D. Textile plants etc. cease ordering machinery, and the production industries (which expanded most during the boom) have no market at all. They shut down almost completely. MP industries are most sensitive to a boom. They are also most sensitive to a depression.
- E. The shut down of mines, steel mills, machine shops, etc. enormously contracts the market for consumers goods.
- F. The credit crisis, monetary crisis, stock exchange crisis etc. appear earlier or later but inevitably as accompaniments, sometimes as apparent precipitators of the basic phenomena described above.
- G. During the prosperity the capitalist has been reluctant to spend his profits on himself. He has desired to reinvest them, tempted by big profits and forced by energetic competition. He has bought more and more machinery and plant. Now it all appears as excess productive capacity, only partly paid for, eating up rent, interest and overhead, idle fixed capital incapable of being any longer withdrawn as a hoard or spent on luxuries, or converted into some other type of investment. (And what type of investment is possible?) Hence to use it, to meet rent, interest, indebtedness, overhead, etc it must be used. The stream of goods continues, and prices fall.
- H. Prices no longer cover constant and variable capital much less surplus value. Profits cease. Losses begin. Bankruptcies ensue. Non-payment of indebtedness follows. Capital goods industries come to a total standstill. Means of production industries shrink but far less. The crisis is on in full blast, and since machinery perishes but slowly, it will be a long time before the means of production industries will revive.

V. Material basis for the periodicity of Crises.

- A. Modern industry began with the industrial revolution. First in England and then in America and Continental Europe after War of 1812 and Napoleonic Wars. All started new methods of production together therefore a general crisis about same time 1825, 1837, etc.
This was intensified by international trade, credits, payments, etc.
 - B. At end of crisis, new technique and new plant started in all industries and advanced countries at about same time.
 - C. The cycle of fixed capital turnover is a long one and depends upon fairly uniform determinants -- namely physical obsolescence and moral obsolescence.
- Marx: "...this cycle comprising a number of years, thru which capital is compelled to pass by its fixed part, furnishes a material basis for the periodical, commercial crises in which business goes thru successive periods of lassitude, average activity, overspeeding and crisis. It is true that the periods in which capital is invested are different in time and place. But a crisis is always a starting point of a large amount of new investments. Therefore it also constitutes from the point of view of society, more or less of a new material basis for the next cycle of turnover." (Vol. II, p. 211).
- D. Once started the rhythm tends to perpetuate and intensify itself--becomes the condition of its own continuance.
- Marx: "Just as the heavenly bodies, when they have once been started in motion along a particular path, continue that motion for an indefinite term, so does social production continue on its course, when once it has been started upon this movement of alternating expansion and contraction. What were effects, in turn become causes; and the vicissitudes of the whole process, which continually reproduces its own determinants, assume the form of periodicity." (Vol. I, p. 700).

Capitalist Equilibrium, Price Cycles, and Falling Rate of Profit

I. The Problem of Capitalist Equilibrium.

A. All increases in production of means of production must inevitably carry with them an increase in the production of consumers goods.

1. In this connection, we must analyze the nonsense of schemes for producing more and more means of production without increasing the production of means of consumption.

Strachey does wrong to take this too seriously.

2. To prevent a rupture in equilibrium between the two departments (I - means of production, II - consumers goods) it is necessary that the production of the latter increase much faster than the former.

B. Once a producer in department II acquires a new machine, he does not require another one for many years, e.g. 10 years.

To produce more machines the enterprises in Dept. I have themselves enlarged their plant and keyed up productive capacity. They must now find new purchasers, either thru

1. Opening of new enterprises
2. Opening of new but related industries requiring same types of machines and materials.
3. Foreign markets as in 1 and 2.
4. Old enterprises still willing and needing to expand.

The old customers now need only a theoretical $1/10$ of a machine per year and don't buy till end of 10 years.

C. Still worse Dept. I has not only geared up productive capacity but may also reinvest some of profit for further expansion.

D. If the means of production industries find a static industry which reproduces only on the same level each year (however high that may have seemed when first reached) that itself means excess productive capacity during the years between the second and the tenth (renewal time), hence a crisis in basic industry.

Only on the condition of constant and ever more and more rapid expansion of Dept. II can Dept. I avoid a crisis of over production.

But Dept. II can only keep expanding faster and faster if the market for consumers goods is doing likewise.

Once more we observe the tendency of capitalism to drive to the absolute expansion of the forces of production without regard to the limits which capitalist social relations, i.e. capitalism itself, puts on the market and hence on Dept. II and thence on Dept. I.

Capitalism drives to the absolute expansion of the forces of production. Capitalism hinders that expansion.

II. The Problem of Capitalist Equilibrium Continued.

A. The consumption of the workers is limited by the needs of capitalist industry to make a profit.

1. In the formula $C+V+S$ only V is expended by the workers for necessities in Dept. II.

B. The individual consumption of the capitalists is limited by the need for the expansion of industry, the reinvestment of part of the profits, capitalist accumulation.

1. Part of S is spent by the capitalists on necessities and luxuries in Dept. II, and part on new machinery and raw materials in Dept. I and fresh labor which spends its share of the additional sum in Dept. II.
2. The S therefore becomes in part an additional C and in part an additional V .
3. The old plus the new C and the old plus the new V yield a still larger S and part of that is reinvested. Once more we are on the unlimited expanding spiral which brings overproduction and crisis.

4. Especially in periods of prosperity and high profits the capitalists are irresistably driven to capitalist expansion or accumulation.
5. The profits go highest during the lag of supply behind demand (boom) in Dept. I. Therefore more and more capital rushes in there.

Now we can judge the idiocy of those theorists, like Tugan-Branowsky, Cassel, Hayek, etc., who say the rupture of equilibrium is due to a shortage of capital or an insufficiency of savings.

Sooner or later productive capacity in Dept. I is far in excess of the needs of Dept. II, and a crisis sets in in I which reacts on II. Or there is an excess productive capacity in II compared with the consumers market, which reacts upon I.

III. Problem of Capitalist Equilibrium continued.

A. Marx works out following formula:

Social production can be simplified into two main departments as above. Then annually (or whatever period of turnover is desired) all investment, at start of first cycle, can be represented by

Dept. I - $C' + V'$

Dept. II - $C_2 + V_2$

At end of one turnover this has expanded as follows:

Dept. I - $C' + V' + S'$

Dept. II - $C_2 + V_2 + S_2$

If capitalism is to continue without any further expansion of scale of production, the capitalist class must

- a) Spend all S' and S_2 on themselves personally, not reinvesting any S .
- b) Replace constant capital used up (C' and C_2) and get same amount of labor again (V' and V_2).

- B. Value of C' must be spent in Dept. I to get new machinery and materials. Value of C_2 must be spent in Dept. I to get new machinery and materials. Wages ($V' + V_2$) are spent in Dept. II. Surplus Value ($S' + S_2$) are spent in Dept. II. If any is spent in Dept. I we have expansion.

- C. If equilibrium is to prevail then $V' + V_2 + S' + S_2$ must exactly equal $C_2 + V_2 + S_2$ and $C' + C_2$ must exactly equal $C' + V' + S'$ or C_2 must equal $V' + S'$.

If greater or less any year, no equilibrium even for static capitalism.

- D. But actually part of S' and S_2 are capitalized (invested) hence the conditions of this precarious equilibrium become still more complicated.

IV. Price Movements and the Business Cycle.

A. During rapid ascending curve when demand greatly in excess of supply.

1. Price of production of plants of low technique determine price on market regardless of what type of plant produces bulk.
2. Value of commodity produced by lowest type plant becomes socially necessary value and determines value on the market.
3. Enterprises of superior technique receive a superprofit.
4. As worse and worse plants are drawn into production there is a rise in price level.

This furthered by drawing in of constantly inferior hence dearer sources of raw materials, etc.

- B. But when supply begins to catch up with demand, and on the other hand the expansion of demand is curtailed by rising prices, then the demand is satisfied by the supply of commodities of average value, i.e. those produced in average and superior plants, then average price of production becomes market price.

Prices begin to drop. To offset this capitalists hold for a rise that does not come, add to advertising and selling expenses, unload on easier and

easier credit terms, hunt for more and more distant markets.

Capital rotates more slowly, interest rises, credit tension increases, competition increases, inferior set ups make no profit or run at a loss, even average set ups realize only part of value contained in commodities, and superior plants are enabled by their superiority and stimulated by the pressure of falling prices and profits, to get more and more of the market till they are able to supply most or all. At same time, the new plants that began building when profits were high, now are completed and begin pouring in their goods. The drop now begins in earnest.

C. But this new drop in price does not again enlarge the market. It closes inferior factories and begins the discharge of workers and contraction of the market. Also orders for machinery to Dept. I cease and that basic and larger of the two departments suddenly contracts violently. This in turn again contracts the consumers market.

New factories of high technique but which were built with dear materials when profits and prices were highest, now also find themselves in trouble with fixed charges, interest on capital borrowed for expansion and construction so high that the lower prices no longer cover even operating costs. New plants could now be built much more cheaply, and the value of the recently finished plants begins to depreciate.

As the markets contract further, the most favorably situated plants, technically and economically, try to make up for falling profits by seizing greater and greater portions of the shrinking market, and cut prices further, till the market becomes so contracted that the few best plants, running part time, can satisfy it and all the rest are idle and, for the most part, bankrupt.

Thus we see that the influence of improving technique and of value thru price of production upon market price is not a direct and harmonious and continuous one, but like all laws of capitalist economy expresses itself cyclically, spasmodically, violently, in cyclical price fluctuations and cyclical overproduction and market contraction.

V. The Fall of the Rate of Profit.

A. A falling rate of profit is a general tendency of capitalism.

1. It is an expression of the progressive aspect of capitalism, namely the continuous improvement in technique, increase in the productivity of labor, increase in the mass of machinery and raw materials that a given number of laborers can handle, of the cheapening and increasing of the quantity of goods, of the development of labor-saving devices.
2. All these involve an ever higher proportion of constant capital to variable, of machinery and materials to living labor. The fraction $\frac{C}{V}$ becomes an ever larger one.
3. But only living labor yields surplus value. Therefore Marx calls it variable capital. (It yields more than its cost, comes out of each turnover enlarged.) Constant capital is so-called because its value is constant, because it imparts its value unincreased and undiminished, to the commodities into the making of which it enters.
4. As the proportion of variable capital to the total social capital becomes less, the proportion of surplus value to total social capital becomes less. The denominator of the fraction $\frac{S}{C+V}$ becomes larger.

$\frac{S}{C+V}$ determines the average rate of profit.

5. This tendency like all others in capitalist society does not express itself in an even, continuous harmonious manner but spasmodically, violently, cyclically.

B. Offsets to the falling rate of profit.

1. Increased exploitation. Increase of proportion of S/V , of surplus value to variable capital invested.

a. By intensification of labor.

x. Watching more machines (stretch-out).

Here more S from given quantity of V but more C (machinery and raw materials). Therefore, average rate of profit falls.

y. Speeding up the machine. Here more wear and tear, more auxiliary materials, more raw materials.

In general: most such methods of increasing relative surplus value involve a decrease in the number of laborers for a given mass of capital, therefore a fall in mass of surplus value for given mass of capital or fall in rate of profit.

Marx: "If one laborer is compelled to perform as much as would rationally be performed by two, and if this is done under circumstances in which this one laborer can replace three, then this one will produce as much surplus value as was formerly produced by two, and to that extent the rate of surplus value will have risen. But this one will not produce as much as three did formerly, and to that extent the mass of surplus value will have decreased. But this reduction in mass will be compensated or limited, by the rise in the rate of surplus value....If the entire population is employed at the higher rate of S , the mass of S will increase, altho the population remains the same. It will increase still more, if the population increases at the same time. And altho this goes hand in hand with a relative reduction of the number of laborers employed in proportion to the magnitude of the total capital, yet this reduction is checked or moderated by the rise in the rate of S .

For further discussion of this problem see outline of preceding course, Wolfe: "Economics of Present Day Capitalism", Lesson III, New Workers School, 25%.

C. Concrete illustration of tendency of rate of profit to fall despite rise in mass of profit (i.e. despite expansion of industry and increase in working population).

Case I. Assume: capital doubles every ten years.

1910	100	constant	70	variable	30
1920	200	"	160	"	40

V has grown.

Mass of S (assuming same rate of exploitation) has also. $S/V = 100\%$

But rate of profit has shrunk.

1910	30/100	30%
1920	40/200	20%

Case II. As above with increase in rate of exploitation from 100% to 125%:

1910	100	70/30	$S/V = 100\%$	$S = 30$
1920	200	160/40	$S/V = 125\%$	$S = 50$
1910	p'	30/100	30%	
1920	p'	50/200	25%	

Only if S/V rises to 150% would the tendency to falling rate of profit be offset by rising rate of exploitation.

D. The rate of profit rises in each period of ascent and boom. This is true despite rising wages and rising share of surplus value going to rent, interest, etc., so long as supply lags so behind the demand as to cause the price of the plant of lowest technique to determine the market price.

E. But as soon as expansion slows up the rate of profit begins to fall.

1. This is intensified by the wage, interest, rent, etc. costs indicated in C.

2. And by a slowing up of the rate of turnover of capital thru quest for more distant markets and slower sales.

3. And the rising prices of constant capital, especially raw materials. F. Meanwhile the new machinery has increased the proportion of C to V and when the best plants can supply the market the rate of profit drops terrifically. And the depreciation of the value of fixed capital sets in.

VI. The liquidation of a crisis.

A. The crisis and depression cause a fall in production.

1. Thru shut downs.
2. Part time operation.
3. Bankruptcies.

B. Reproduction of fixed capital, machinery, etc. comes to a standstill altho each year more of the older machinery wears out.

C. Constant capital drops in value.

1. Thru fall in price of raw materials.
2. Fall in reproduction cost of already existing machinery.
3. Depreciation and disuse of machinery.
4. Bankruptcy sales of existing plants and elimination of fixed charges by bankruptcies.

D. The stopping of reproduction, the total destruction of much capital, the sale and repurchase of the much of the rest at bankruptcy prices enormously lowers the total value of constant capital, hence raises the rate of profit and creates a demand for means of production for reproduction purposes. The mass of profit still remains low, gradually the rate of profit rises. Thus the depression gradually "cures" by destruction, depreciation, and cessation of production:

1. The overproduction
2. The fall in the rate of profit
3. The burden of debts, rents, interest rate, other fixed charges.

E. The market begins to expand because of

1. Shortage of stocks
2. Lowered prices
3. Shortage of fixed capital thru prolonged cessation of reproduction and shut down.
4. In previous epochs, thru development of new industries, opening of new markets, etc.
5. The using up of surplus stocks by those layers of society which continue to consume.

6. Actual physical destruction of stocks and physical depreciation.

F. The introduction of new inventions destroys the value of much of the rest of the fixed capital and a renewal of means of production begins. This in turn extends the market and the rise is resumed.

1. Lowered salaries, contrary to general belief (see Strachey, for example) while they raise the rate of profit, check the tendency to replace men by machines and hence check the demand for machinery essential to any real recovery.

The length of the depression is largely determined by the slowness of depreciation of fixed capital and delay in its renewal. The resumption of a rise, even without the opening of new markets, is largely due to the renewal of demand in the means of production industries. As the new markets become less and less plentiful due to the development of capitalism everywhere, only this factor remains to develop ever more difficult recoveries.

Summary by J. Duret in Le Marxisme et les Crises of the Marxian theory of crises.

"A crisis of overproduction occurs at the point when the sale of commodities no longer yields a substantial profit to the capitals invested. It is the result of the superabundance of commodities and the hypertrophy (overdevelopment) of the productive apparatus, as well as the rupture of the equilibrium between different elements of the social capital, which equilibrium is necessary for the smooth functioning of economy."

Such factors as the rising cost of labor, rising rate of interest and certain categories of rent, slowing up of the circulation of capitals, rising price of raw materials, etc., all deriving from the above-mentioned causes--precipitate the fall in the rate of profit and contribute to the coming of the crisis.

The gap between supply and demand in the period prior to the crisis is an important factor in the subsequent overproduction as well as in the rupture of equilibrium.

The considerable profits realized by industry thanks to the excess of demand over supply, realized especially by that branch of industry which produces fixed capital, leads finally to an excess production, a prolonged overexpansion of the productive apparatus.

The prices of commodities which, during the period of prosperity or boom, are determined by the price of production of the enterprises operating under the least favorable conditions, once the market is satisfied and overproduction becomes evident are now determined by the price of production of the commodities produced under the most favorable conditions.

From this there results a very rapid fall in prices.

Consumption can not develop at the same speed as production for it is limited by the antagonistic character of capitalist society.

The consumption of the workers is limited by the necessity of producing surplus value. The consumption of the capitalists is limited by the necessity and the desire to accumulate. The concentration and accumulation of capital proletarianize the middle strata. An equilibrium of social capital is inconceivable without an equilibrium between social production and social consumption.

A crisis is the expression of an overproduction at the same time as a rupture of equilibrium.

Recovery is brought about by the liquidation of the overproduction and the return to an approximate equilibrium.

The weak enterprises perish in the storm. The crisis and the restriction of economic activity are the strongest in those branches where the overdevelopment was most marked. The fall of prices enlarges the circle of purchasers.

The depreciation of capitals brings about a rise in the rate of profit; the reduction of wages, the fall in the rate of interest, etc., act in the same direction.

Acute competition accelerates "moral obsolescence" and hence also the renewal of fixed capital. That renewal which largely contributes to the liquidation of the crisis, serves as a material basis for the cyclical movements of production.

Disturbances in the domain of credit, speculation, circulation, etc. exercise a great influence on cyclical movements, but contrary to the opinion of certain authors, they are derivative phenomena and not primary ones.

The existence of non-capitalist sectors constitutes, in a certain sense, the safety valve of capitalist economy. The surplus of commodities thus can be drained off more easily, and the equilibrium of the social capital can be less exact.

With the gradual disappearance of such non-capitalist sectors, the crises become more and more difficult to overcome." pp. 131, 2.

Lesson VII

Imperialism and Crises

I. Crises in the period of imperialism.

- A. Monopoly-imperialist capitalism is still capitalism, but with important structural changes. From the standpoint of crises some of the most important are:
1. The expansion of capitalism on a world scale--production for the world market.
 2. The rapid absorption and disappearance of non-capitalist regions and sectors.
 3. The growing importance of capitalist industry as the main purveyor to the needs of society.
 4. The growing importance of large-scale production, highly mechanized industry with large element of fixed capital--the importance of iron, steel, etc.
 5. The dragging of agriculture (regions and lands) into the train of industry.
 - a. By production for industrial population, e.g. wheat, coffee, etc.
 - b. By production of raw materials for industry, e.g. cotton, wool, rubber, etc.
 - c. By imperialist domination and industrialization of backward regions.
 6. The development of monopolies, monopoly price, monopoly profit.
 7. The growing importance of banks, finance capital, and speculation.
 8. The difficulty of investment for small capitals and their entrance into ever more unsound and speculative enterprises.
 9. The disequilibrium between industry and agriculture and between monopolized and non-monopolized industry.
 10. The gigantic scope of competition between monopolized industries.
 11. The development of "Political Economy" into "Economic Politics".
 12. The abandonment of the last vestiges of laissez faire. The open fusion of government and business. The development of state capitalism.
 13. The terrific tax and armament burden and the scope of modern wars.
 14. The exportation of capitals.
 15. The rise in the rate of profit due to the imperialist super-profits, followed by the exhaustion of the sources of these superprofits:
 - a. By industrialization of the backward region.
 - b. By resistance and revolt.
 16. The expansion of credit.
 17. The slowing up of the rotation of capital.

II. Effect of these features on crises in the epoch of imperialism.

- A. The first effect was to soften crises and promote the illusion of their gradual disappearance.
1. The opening up of new lands provided a safety valve for over-production. When the old lands were in crisis they could still drain off capital and goods to the non-capitalist regions.
 2. When the home market for means of production was saturated, the capital goods industries could still keep their production geared up by exporting capital goods overseas. The rapid industrialization of non-industrial regions provided a prolonged market for capital goods and stimulus to the expansion of the capital goods industries.
 3. The superprofits derived from backward regions (with a lower technique, lower technical composition of capital, lower wage scale and higher cost of production) helped to offset and raise the falling rate of profit in the older lands.
 4. The armament demands provided a powerful stimulus to basic industries.
 5. Monopoly price and monopoly profit provided a powerful stimulus to these industries altho at the expense of the less organized industries (petty-bourgeoisie), less organized regions (agriculture) and countries (countries of backward technique) and the rate of profit for non-monopoly capital.

6. The development of mass production with a consequent cheapening of the cost of production and prices and a consequent, altho limited, expansion of the consumers' market.

7. The raising of the rate of exploitation by speed up, rationalization, etc. Out of these phenomena, plus the corruption of certain sections of the skilled workers in privileged countries, developed the socialist revisionist conception of the disappearing crisis, crisisless capitalism growing into socialism, etc.

Sombart: (Bourgeois) "The crisis of 1857 was the last catastrophe on a big scale. And since then there is the clear tendency in European economy to level and soften the antagonisms and bring about their disappearance."

Lescure: (Bourgeois) "If we are to judge of the future in accordance with the experience of the U.S.A. we will come to the conclusion that economies which are organized in trusts or trust associations are immune from crises." (1907)

Cassel: (Bourgeois) "The old proposition that crises will become ever more devastating, is, at all events, already very obsolete. The facts lead to the conclusion of a weakening of the crises in the most advanced and economically best schooled countries."

See also Hoover Commission on Economic Changes, American Jazz Economists, Brain Trusters, etc.

Hilferding (Socialist) Capitalism has entered into a new era of "organized capitalism...which means the substitution of the capitalist principle of free competition by the socialist principle of production according to plan." (1927)

Kautsky (Socialist) "....While crises arose up to the world war in purely economic circumstances.... which could be little influenced by capitalist politics, we have since then reached an age of crises which are, in their greatest part, a product of the policy of the governments, which may therefore be avoided even with the continuation of capitalist economy if the policy of governments were determined a little less by militarist and monopolist considerations and a little more by those of an insight into the economic needs of the process of circulation. (1926 in an introduction to the "Peoples Edition" of Vol. II of Capital!)

B. The longer run effect of imperialism has been to immeasurably sharpen cyclical crises on the general background of capitalist decline, i.e. of imperialist capitalism itself.

1. The industrialization of backward regions has rapidly exhausted the existence of non-capitalist regions or safety-valve areas.
2. And ended the possibility of super-profits thus causes the rate of profit after a brief rise in the early period of imperialism to drop more sharply than ever.
3. The industrialization of the backward regions enormously over-expanded the means of production industries in the advanced countries.
4. The world war did this in hectic fashion for it created for a time an insatiable market that swallowed everything regardless of quantity or quality that had anything to do with war, and like a period of expansion, caused the supply to lag far behind the demand.
5. Monopoly price acts as a brake on the deflation necessary to recovery and hence prolongs crises and weakens recoveries.
6. Monopoly profits lower the general rate of profit in non-monopoly industries and regions and in agriculture still further.
7. Mass production develops its own rhythm regardless of the absorptive capacities of the market and seeks to meet the problem of the market by:
 - a. Expansion of credit, e.g. instalment selling.
 - b. Heavy advertising and selling costs.
 - c. Winning at the expense of some other industry.
 - d. Dumping.
 - e. Government intervention.
 - f. Still further expansion.
 - g. And its opposite, closing of rivals, curtailing of production, etc.
8. The gap between cheapening production costs and retail prices maintained by

monopoly means that the consumers market expands but slightly.

a. When new regions are industrialized the workers in the older regions are partially disemployed and the lower wage in the new region actually lowers the consumers market.

b. High tariffs and the agrarian scissors have a similar effect.

9. Rationalization while it increases the mass of surplus value, increases the mass of constant capital much faster and lowers the rate of profit. It finally even reduces the number of employed absolutely as well as relatively.

10. The first effect of wide-spread industrialization on crises was to make them less complete, because non-capitalist industry is no longer able to supply the needs of consumption. In times of crises, therefore capitalist industry no longer shuts down as completely as it did in the earliest crises. In the first crises capitalist machine industry became completely prostrate.

However, this is more than offset today by the spread of modern industry and capitalist relations in all lands and fields, including agriculture, so that the present crisis is the first truly world-wide one.

11. Imperialism promotes further the rupture of equilibrium between various departments and industries which is one of the basic causes of capitalist crises.

a. Between means of production, basic and heavy industry on the one hand, and the consumer market on the other. Basic industry develops its own inner laws (mass production) and cuts loose altogether from the market (until each crisis calls it sharply to order).

b. Between heavily trustified (generally basic) industry on the one hand and consumer goods and retail trade industries poorly trustified on the other.

c. Between industry and agriculture.

d. Between industrial and raw material producing industries.

e. By development of new industries with consequent stagnation and decay and dislocation in old industries.

e.g. oil and electricity and gasoline in place of coal, artificial silk,

new building materials for lumber trucks, autos and planes with a consequent cessation of new investments in railroads, once the chief means of expansion of fixed capital in the course of a recovery.

Hence there are sick industries such as coal, textiles, railroads even in times of prosperity.

12. The role of the state in preventing the necessary deflation for prompt and "sound" recovery.

13. The territorial changes due to imperialist war break the equilibrium between certain industrial regions and their hinterlands.

a. The cutting off of the Russian economy from capitalism.

b. The anti-imperialist movement weakens the Chinese, Latin American, Indian and other markets.

c. The separations of Alsace from the Ruhr, the creation of Czechoslovakia, Vienna an industry without a hinterland, Germany loses its overseas markets, etc.

14. The disequilibrium caused by the unequal development of capitalism is enormously accelerated.

a. England stagnates and declines.

b. U.S., France, Japan develop at a dizzy pace. -- Japan changes from an object of exploitation to a competitor.

c. Germany collapses, revives and now.....

15. New devices like currency manipulation, prohibitive tariffs, subsidies, quotas, embargoes, etc., disorganize the world market completely.

16. Armament becomes a decisive competitive device.

All these are expressions of a general non-cyclical crisis of capitalism and cause basic structural changes in the cyclical crisis.

LESSON VIII

The Present Crisis (1929 - ?)

- I. The present crisis is no ordinary cyclical crisis. It is a cyclical crisis occurring in the period of imperialism, on the background of a general crisis of capitalism.
 - A. Not a crisis in the period of capitalist expansion, but a crisis in the period of capitalist decay.
 - B. The falling rate of profit has made itself felt on an unheard of scale.
 - C. The offsetting and safety valve factors, the long-time factors of capitalist expansion, have lost their efficacy, and are largely exhausted.
 - D. Disproportion between sections of capitalist economy and between productive capacity and capitalist market relations have reached new levels.
 - E. All the contradictions of capitalism of which crises are the expression have sharpened enormously.
 - F. While the long time trend (systematic or "secular" trend) was upward the down wave was counteracted, cushioned, shortened, overcome by a general up-curve. Now we have a downwave in the beginnings of a general downcurve. In place of counteracting each other they reinforce each other. The crisis is intensified, prolonged, made harder to overcome, by a general systematic downward trend. And in turn the cyclical crisis intensifies and further develops the general crisis of capitalism.

The above points explain

 - a. The depth
 - b. The extent
 - c. The length
 - d. The peculiar features and structurally or qualitatively new elements in the present crisis
- II. What is the general crisis of capitalism?
 - A. Certain tendencies of capitalist development, inherent in the system, have reached such a stage that they represent structural changes in the system. There has been a dialectic development of "quantitative change into qualitative".
 - B. Capitalist thought has been obliged to recognize this:
 1. By discussion of a "crisis in the system".
 2. By belated and left-handed tributes to Marxism.

c.g. Paul M. Sweezy, Instructor in Economics at Harvard, writing in Economic Forum, III, No I, Spring 1935, p. 71 ff., "Economics and the Crisis of Capitalism".

"Orthodox economists have always shown how well the system works in theory and have always been chagrined to observe how badly it works in practice. Such unwelcome and disturbing phenomena as tariffs, monopolies, strikes, crises and depressions, wars, etc. etc. are treated in one of three ways by orthodox economists. They are either (1) ignored or flatly denied, (2) ascribed to the stupidity and chicanery of governments, or, finally, (3) treated as extra-economic phenomena, the study of which belongs to the historian, sociologist, political scientist, and psychologist rather than to the economist.

"The Marxists, on the other hand, have given us, and on the whole with surprising success, a view of economic development which offers a theoretical explanation of the various phenomena and deduces a certain 'nec-essary' line of development of the future... That Marx was actually successful in achieving to a very large extent this difficult aim is evidenced by the cold facts of economic life since his day."
 3. By "the sincerest flattery", imitation, of some of the aspects of socialism, in grotesque caricature.
 - a. Planning
 - b. State capitalism.

- c. Talk of social reorganization, "new deals", etc.
- 4. By talk of the "long time factors" of crisis as opposed to the cyclical factors. This is a distorted recognition of only one long-time cycle, the cycle of the rise and fall of a system.
- 5. By eager attempts to find "a precedent" for the present crisis.
- 6. By a belated attempt to develop a theory of crises.

C. Some of the main features of the general crisis of the system are:

- 1. The development of trustification and monopoly as the dominant form of enterprise.
 - a. Curbing and distorting free competition and free trade.
 - b. Developing an aggravated form of competition between
 - x. Monopolized and non-monopolized sectors.
 - y. Monopoly and monopoly.
 - z. Between country and country.

When monopolies compete the earth is the chessboard, state departments the hands, armies the pawns and mankind the stakes.

- c. Monopoly makes its profits not merely by cheapening and improving and underselling. It introduces a new principle, profit by restricting supply, destroying competitors and even sterilizing inventions.
- d. It pushes the contradiction between socialized production and individual appropriation to new levels. It aggravates the falling rate of profit in non-monopoly industry, slows up deflation for recovery, increases disproportion between sector and sector, extends the scope and uncertainty of the market, widens the gap between productive capacity and the limitations of the capitalist market.
- 2. The development of imperialism and the period of world wars.

The first world war did not eliminate any of the forces that brought it about. It initiated a period of world wars which will continue till the end of the system. It enormously accelerated all the trends that brought about the general crisis of capitalism. Among others:

 - a. It caused a hot house development of the forces of production of all war industries including agriculture, clothing, etc. as well as basic industries.

Supply lagged so far behind demand which for all practical purposes became absolute, that productive capacity enlarged without regard to present or future consumption capacity of capitalist market.
 - b. At the same time, it actually cut that consuming capacity thru destruction, impoverishment, terrific debt, reparations and tax burdens, new armament costs, disruption of relations between regions (e.g. Ruhr, Saar and Alsace) etc.
 - c. It hastened the exhaustion of "safety valve" regions by fomenting the industrialization of colonies.
 - d. And developed costly industries in ill-adapted regions out of war necessity.
 - e. And high fixed charges and industrial debts.
 - f. And sub-marginal agriculture for war purposes.
 - g. These and other factors of disequilibrium continue in altered, often aggravated forms, because of the preparations for the second world war.
- 3. The development of finance capital as dominant capital.
 - a. This promotes the export of capital and hastens the exhaustion of "long-time factors" for capitalist expansion.
 - b. Promotes speculation; the big winnings are no longer for the "captains of industry" but for the "moneykings", merger-masters, stock market manipulators etc.
- 4. Development of colonial revolt.
 - a. This curtails the capitalist market, destroys super-profits, and increases the effect of surplus productive capacity for mass production industry.
- 5. The development of social-economic reaction.
 - a. Free competition into monopoly.

- b. Disruption of world market by prohibitive tariffs, subsidies, embargoes, licensing, currency manipulation.
 - c. Decline of free-money economy.
 - d. Abandonment of "laissez faire" for state-capitalism and state interference with price-level, etc.
 - e. Systematic development of unsound enterprises (for war purposes--autarchy).
 - f. And of restriction, curtailment, destruction. AAA and European analogs.
 - g. Political reaction. End of parliamentarism, civil liberties and other devices for concealed bourgeois dictatorship and recourse to "last resort" of open force--fascism.
 - h. Ideological reaction. Crisis in sociology. Crisis in science--mysticism, god-seeking, recrudescence of idealism, proposal of moratorium in science, indeterminism, absolute relativism, etc.
6. Break in the capitalist system. One-sixth of the world has withdrawn from capitalist economy, thereby disrupting it, and is developing a new and superior economy, thereby undermining capitalism by the power of example. Even in the difficulties of its early transition, and at that in a backward region, it is demonstrating:
- a. That crises are unnecessary except under capitalism.
 - b. That planned economy is possible.
 - c. That socialism is a superior economic and social system both in productivity and in the welfare of the mass of mankind.

All these things apply both to the prosperity and depression phases of the present period. They represent the general crisis of a social system. Capitalism is in the beginning of its death agony. Socialism is in its birth pangs. The present period is comparable only to such periods as that of the centuries from the Peasants Wars to the French Revolution or the centuries of the decline of the ancient world and the origins of feudal christian system. It is not destined to be as long as those periods--a characteristic of capitalism is a faster tempo of development--but even a comparatively short period (several generations of death agony of capitalism and birth-travail of socialism) would endanger the economic foundations of production in general. It is on the background of this general crisis that the present cyclical crisis has developed.

III. Peculiar features of present cyclical crisis.

- A. The most widespread in history.
 - 1. Entire capitalist world, all colonial and semi-colonial lands. (All but the Soviet Union and even that has felt effects in drop of prices on world market in things it exports in exchange for machinery; and in necessity of diversion of energies for armament.)
 - 2. Every branch of industry--except war industries.
 - 3. Agriculture included both in advanced and backward countries.
- B. The deepest crisis in history.
 - 1. Measured by price drop.
 - a. The greater the disparity between production and consumption and the the greater the previous over-expansion, the deeper the price drop.
 - b. The factors (monopoly, government intervention, high fixed costs) which retard the price drop prolong the depression.
 - c. The crisis of 1921, for the first time in history, failed to liquidate fully the abnormal price level inherited from the war.

During the war the demand for all categories was more than the supply. From 1915-20, discounting monetary inflation, the price level more than doubled. Prices were so high above values and fixed charges, government intervention, monopoly and other retarding factors so powerful that a single crisis was insufficient to

deflate them, thus leaving the subsequent period sick.

1913 100 (a normal year with prices roughly equivalent to values).

1920 U.S. wholesale prices 226

1921 (after depression drop) 147 !

Even this drop curtailed production so sharply that it soon brought itself to a standstill. All costs were inflated (debts, interest, amortization on fixed capital, ground rents, tax rates, freight rates, effort to pay dividends on "water" etc.)

These are all evidences of an unhealthy gap between price and value. They help to explain why agriculture became unprofitable while prices were still above values, and did not succeed in climbing out of the depression of 1920 in the subsequent prosperity period.

- d. Therefore the prices of goods actually continued to sag during the prosperity period in place of rising as in previous prosperity periods--another factor in "sick prosperity".

But inequality in price drop means constant dislocation and disproportion. And long duration of price drop, especially if sharp, means that every turnover reduces the value of capital--hence bankruptcies. The bankruptcies in agriculture were so marked that there were even large numbers of rural bank failures during the last prosperity period.

- e. During present depression.

First, raw materials dropped fastest and deepest.

Hence products were worth less when finished than when started.

Raw material regions and countries were ruined, and ceased to be markets for advanced countries, and ceased to pay debts to creditor lands.

Second, retail price drop lagged behind wholesale.

Which increased gap between price and value. Exploited whole classes, worker, farmer, fixed income groups.

Third, increased weight of indebtedness resulted from price drop. Thus in the first year of the crisis Germany's indebtedness as measured in goods increased 20%.

2. Deepest crisis in history as measured by drop in production and excess productive capacity.

In 1932 on a world scale all industries were running at about 40% of capacity. (Excluding the Soviet Union which was running at full capacity and straining every nerve to increase productive capacity.)

Even in the previous prosperity period basic industries were not running at capacity.

For the first time the peak of a boom showed the crisis phenomena of excess productive capacity, unemployed capital, super-abundant credit, and unemployed workers.

3. Deepest crisis as measured by bankruptcies.

1. Bank failures.

Since 1921 almost 10,000 bank failures in U.S. including over 1500 Federal Reserve members, in a decade.

1930 - 1932 number of banks diminished by 6,064 of which 4,738 by suspensions.

In 1931 -- $10\frac{1}{2}\%$ of all banks failed as compared with $1\frac{1}{2}\%$ of all other enterprises. The bank holiday was the culmination of the bank closing epidemic.

2. Failure of industrial giants.

Insull, involving control of 4 billion in share values.

Kreuger

Danaher bank

Austrian banking system

3. Bankruptcies of whole countries. Breakdown of debt and reparations payments. Most of world defaults and goes off gold, many for second time since world war. U.S. alters gold content of dollar for first time in a century.

4. Deepest crisis as measured by unemployment.

Widest in history.

Greatest of all in strongest capitalist country, U.S., which today (1935) and for several years previously, has more than half the world total.

Even in the preceding prosperity period there were several million unemployed in the U.S. - (disemployment; structural or technological unemployment)

C. Longest Crisis.

1. Steadily downward till mid 1932.

2. Then prolonged depression with new crisis phases.

3. Unusually long delay before credit crisis broke out.

Previously, generally at beginning. Hence Marx killers declared there would be none. Varga even saw in "absence" of credit crisis changed nature of crisis.

Actually delayed two years and more by structural changes and then longer and deeper than in previous crises.

Prolonging and aggravating depression by credit, bank, monetary and budgetary crisis.

Marx: "The balance of payment is in times of general crisis against every nation, at least against every commercially developed nation, but always the one succeeding the other, like firing in squads as soon as the turn for each comes for making payments.... It then becomes evident that all these nations have simultaneously overexported (and overproduced) and overimported (and overtraded), that prices are inflated in all of them, and credit overdrawn... The phenomenon of gold exports then shows itself successively in all of them, and proves by this very generality, 1) that the gold exports are but an evidence of a crisis, not its cause; 2) that the succession in which the gold exports take place in different countries, indicates only the time when their turn has come to settle their affairs, the time when the crisis seizes them and causes an eruption of its latent forces....when the cry of distress over the exports of gold is raised in their country today (England), it is taken up in America tomorrow and in Germany and France the day after." (Volume III, pp. 578, 9).

D. A new feature of the present period is the weakness of the upswings and unsoundness of the prosperity periods.

1. Upswing preceding present crisis was not world-wide. Since 1920 England and Germany have been stagnating in semi-crisis.

Germany: Production level (1913=100)

1927 - 100 1928 - 102 1929 - 101

England: Unemployed in millions since world war. Textiles and heavy industry (e.g. shipbuilding) in steady crisis.

2. Even in most prosperous lands, upswing showed new weakness features:

a. Not general for all industries.

Sick industries -- coal, textile, ship, P.R. equipment, railroads and RR construction, agriculture, etc.

Agriculture in steady crisis thruout world since war but in America so injured that no prospect of recovery on old basis (cotton, wheat, etc.)

3. Rate of industrial expansion slower than pre-war. Excess productive capacity even in boom e.g. 1922 - 8 average for steel 70% of conservatively calculated capacity (figures of Iron and Steel Institute).

4. Rate of productivity of labor outstripped expansion of industry.

Hoover commission Report: Since 1922 unemployment in U.S. never less than $1\frac{1}{2}$ to 3 millions. Other estimates higher.

5. Crises no longer "cure", i.e. remove effects, of contradictions that bring them on.

Didn't lower price level to value or below. Didn't eliminate superfluous plant. Didn't squeeze out water, fixed charges, inflated capital values of plant (constant capital).

Become patently inadequate as offsets to falling rate of profit.

6. Prosperity exhibits frequent flurries.

U.S. 1924 - 23.4% drop in production

1927 - 11.6% " " "

7. Highly speculative nature of prosperity.

Marx: "If the rate of profit falls, there follows on one hand an exertion of capital, in order that the capitalist may be enabled to depress the individual value of his commodities below the social average level (technological improvement, rationalization, etc. - BDW) and thereby realize an extra profit at the prevailing market prices. On the other hand, there follows swindle and a general promotion of swindle by frenzied attempts at new methods of production, new investments of capital, new adventures, for the sake of securing some shred of extra profit, which shall be independent of the general average and above it." (Vol. III, p. 304.)

8. Capital plethora.

The fall in the rate of profit is further offset by growing concentration and centralization. But this makes it harder for new increments of capital, and small capitals to find spheres of normal operation. This leads to a plethora of unemployed capital, ready for any speculative venture.

Marx: "The mass of the small divided capitals is thereby pushed into adventurous channels, speculation, fraudulent credit, fraudulent stocks, crises. The so-called plethora of capital refers always essentially to a plethora of that class of capital which finds no compensation in its mass for the fall in the rate of profit--and this applies always to the newly formed sprouts of capital--or to a plethora of capitals incapable of self-dependent action and placed at the disposal of the managers of large lines of industry in the form of credit. This plethora of capital proceeds from the same causes which call forth a relative overpopulation....unemployed capital on the one hand, and unemployed laboring population on the other." III, 294.

9. Decline of the World Market.

a. Soviet Union--a breach in capitalist economy--its struggle for economic self-dependence.

b. Colonial countries--unrest and revolt diminish their market--capital export and the world war hastened their industrialization--imperialist policy, like early mercantilism seeks to close their market to all but the "mother" country--even it loses ground.

c. Barricades against world trade.

Institut fur Konjunkturforschung gave a list of measures adopted during nine months, Dec. 1931 to Sept. 1932, to hamper the free movement of world trade.

Took 10 closely printed pages just to enumerate them. In:

9 countries - import of various commodities prohibited

7 countries - state import monopoly of 12 commodities

10 countries - state approval required for various commodities

21 countries - quotas on 70 commodities

10 countries - obligatory use of various commodities in domestic production

52 countries (almost all) made 200 rises in tariff during same period.

England, classic land of free trade, has abandoned it.

Since then, development of "autarchy" movement still more rapid, and weapons of subsidy, bounty, currency manipulation, preferential treaties, etc. used to further demoralize world market.

The development of capitalism was synonymous with the development of the world market.

The decline of capitalism is clearly revealed by the decline of the world market.

10. Development toward further world wars. The last war did not end but began an epoch of world wars.

11. Increasing mass impoverishment. Increased productive powers meet relatively and even absolutely diminishing market.

- a. Aristocracy of labor undermined -- economic basis of conservatism removed.
- b. Government employees cut in wages on world scale and in U.S. for first time.
- c. Social services cut.
 Social insurance undermined everywhere, except in U.S. (some more exceptionalism) where during present depression just being introduced.
 Free education undermined everywhere. Public recreation ditto.
 Bread and circuses diminish.
 Tax burden on masses grows--devices like sales tax introduced on world scale.
 Growing development of a world pauperism in industry, in agriculture, and among permanently unemployed.
 Communist Manifesto:
 "...the modern worker, instead of rising as industry develops, sinks ever lower in the scale, and even falls into conditions of existence below those proper to his own class. The worker is becoming a pauper, and pauperism is increasing even more rapidly than population and wealth. This plainly shows that the bourgeoisie is no longer fitted to be the ruling class in society or to impose its own social system as supreme law for society at large. It is unfit to rule because it is incompetent to provide security for its slaves even within the confines of their slavish existence; because it has no option but to let them lapse into a condition in which it has to feed them instead of being fed by them.... This means that the life of the bourgeoisie has become incompatible with the life of society."

IV. Conclusion and Perspectives.

A. The present crisis is a cyclical crisis on the background of the general crisis of capitalism.

The fact of rise and fall in brief cycles is far less fundamental than the general trend of the capitalist system, the growth or decline of the forces of production as a whole.

During the ascending period of the capitalist system that ascent was not straight-line, uniform or continuous. It occurs in ups and downs with the general trend up. The depressions are superficial, the upward trend fundamental. It lessens the depressions, tends to shorten them and overcome them swiftly. It reinforces the booms.

During the decline of capitalism cycles of ups and downs continue. The decay is not continuous or uniform but thru all ups and downs the general trend continues. It reinforces the depressions and weakens the recoveries and the depressions in turn reinforce the general trend, so that depression tends to become more chronic, recoveries more superficial. The disappearance of the reservoir or safety-valve regions and possibilities for expansion is another factor making for chronic depression and decline.

However, from crisis insofar as it is cyclical, recovery is possible, and so long as the system endures, inevitable, weaker and weaker recoveries, deeper and deeper crises, so long as the system continues.

But from the general crisis of capitalism, no recovery is possible.

B. Immediate prognosis: (Summer 1935).

1. The low point in the depression was reached in middle of 1932.
2. The successive ascending curves each of a few months' duration, are not as the Daily Worker maintains (July 3, 1935) so many cycles of recoveries and depressions, but zig-zags in a prolonged depression which promises to continue for some time before a marked recovery occurs.
3. There is no immediate prospect of such recovery. Even on the basis of the recovery, the general decline of capitalism continues.
4. The prospects of recovery depend on:

- a. Depletion of raw material stocks and supply. There is still over-production in most fields.
- b. Monetary stabilization. -- The outlook is for further financial crisis--the franc and guilder will probably devalue--there are huge budgetary deficits in most lands and the "recovery" measures of state subsidies, public works, war preparations, all increase these deficits.
- c. Price sag continues in certain lands and there is no substantial price recovery.
- d. Trade war sharpens and world market is further disrupted by autarchy and other "recovery" measures.
- e. Colonial unrest growing.
- f. Wage cuts and tax burdens continue to cut purchasing power of masses.
- g. Recovery in the war industries is actually a sign of the further development of the general crisis of capitalism.
- h. The only favorable force for recovery is the long-postponed renewal of fixed capital or plant which is suffering from both physical and moral obsolescence. But the capital goods industries are so expanded that they can easily begin to overproduce again. Still, this failure to renew plant will sooner or later make itself felt, as at least a brief stimulus to recovery.

The measures for renewing plant will carry with them a further increase in the technical composition of capital with a consequent intensification in the tendency to structural unemployment and the general falling trend in the rate of profit.

- i. The measures of the governments to prevent bankruptcies, give state support to industry and agriculture, prevent debt deflation, prevent price drops etc. are actually brakes upon the development of the prerequisites for an upswing. At the same time the trend to state capitalism is itself a manifestation of the general crisis of capitalism.
- j. There is slowly increasing resistance of the working class and growing solidarity.

Rapid development toward a new world war.

Wide spread of fascism.

All three of these are in diverse ways manifestations of the general crisis of capitalism. The first is a positive force for a non-capitalist solution of the general crisis.

5. "Recovery" when it comes may be

- a. War "recovery" -- terrifically deepening the general crisis.
- b. A weak and partial recovery which will not affect all industries or lands nor reabsorb the entire working class, and will prepare the way for a next crisis sooner and deeper than in classic capitalism. In the very recovery itself features of the general crisis of the system will develop further.

6. The prospect is for growing degeneration, increasing misery, expanding crises, and fresh wars, till the working class, supported by its allies, finds a non-capitalist way out. Capitalism cannot restore its lost youth. Its measures in that direction only hasten its senile decay.