

U. S. HEADING FOR A NEW ECONOMIC CRISIS

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The conditions leading to an economic crisis in the United States are not only maturing, but are serious in character.

The question of whether there will be continued prosperity or a new crisis is worthy of close attention. If all aspects of the situation in the United States are taken into account, one should say that conditions are ripening for a new economic crisis, and that once it breaks out it could be more severe than any of the previous post-World War II crises.

A serious excess in U. S. productive capacity manifested itself during the 1957-58 crisis. Since 1958, and especially in recent years, productive capacity has registered another striking increase. Between 1961 and 1964 investment in plant and equipment reached \$ 155, 560 million, the highest on record for any postwar boom.¹⁾

These heavy investments greatly expanded the production of capital goods in 1961-64 and temporarily expanded as well the market for means of production. Yet U. S. monopoly capital continues to make these large investments because there is a huge surplus of capital which cannot find many profitable fields of investment. The monopoly capitalist groups find it necessary to invest heavily and re-equip their plants with the most up-to-date technology in order to strengthen their competitive position in a shrinking home and world market.

As regards the production of consumer goods, residential construction and the production of household appliances and durable goods such as automobiles also registered a fairly large gain in the 1961-64 period.

But there is a great contradiction between rising

production and shrinking markets. Official U. S. statistics give the number of unemployed in the United States as more than 4 million. The actual number, however, is anywhere from 70 to 100 per cent greater. The number of semi-employed who work 15-34 hours a week is over 8 million.²⁾ The former economic adviser to the President L. Keyserling, has estimated that 77 million, or more than two-fifths of the population, are living in poverty and deprivation, while the conditions of the Negro people are the worst of all.

Today, 80 per cent of the houses and 70 per cent of the cars are bought through instalment payments. 70 per cent of American families are in debt and their payments of both principal and interest account for 21 per cent of their income after tax.³⁾ The growth in production of durable consumer goods rests mainly on the expansion of consumer credit.

Present-day military production is devoted mainly to the manufacture of ultra-modern weapons and has stimulated the development of such related industries as electronics, high grade alloys, chemicals, precision instruments. But it no longer acts as a general stimulus to basic industries such as steel and machine tools.

The militarization of the U. S. economy in the 25 years from 1939 to 1964 has had extremely serious consequences, not only economically but also financially. In fiscal year 1963, the tax revenues of the U.S. Government at all levels totalled \$ 150, 200 million, an average of \$ 834 per head. The tremendous increase in government spending has correspondingly reduced the purchasing power of the people.

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1) U. S. Government Printing Office, *Economic Report of the President*, 1965 edition, p. 236.

2) Bureau of Labor Statistics, *Monthly Labor Review*, April 1965, p. 458.

3) *Wall Street Journal*, June 17, 1965.

4) Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*, April 1965, p. 576.

The Federal Government is deeply in debt, totalling \$ 318,400 million.⁴⁾ It has to issue \$ 100,000 million of government bonds annually to refund the old ones falling due. Although heavy arms expenditures constitute a constant and indispensable factor in the U. S. economy, they are no longer a powerful factor for boosting production.

One major factor contributing to the present growth of production is credit inflation. U. S. indebtedness, both private and public, totals as much as \$ 1,346,400 million, about 2.9 times the 1945 level and twice as much as the present gross national product.⁵⁾ The United States is now the country with the biggest debts in the capitalist world.

The volume of U. S. currency increased by 15 per cent in the four years between 1960 and 1963, and rose by another 4.2 per cent in 1964. The Magazine of Wall Street last November noted that the annual rate of increase in the velocity of circulation of money was already equivalent to that in 1928 (25 per cent), on the eve of the 1929 crises. Bank reserves are very weak and are approaching the situation existing on the eve of the crisis of 1929.

Once a severe economic crisis breaks out in the United States, the high degree of credit inflation will have grave effects. The ability to repay the huge individual debts (including home mortgages and consumer credit) and corporate debts will have necessarily by subjected to a serious test in time of crisis. The U. S. Government, in addition to its Federal Reserve banks, has also set up various financial agencies engaged in guaranteeing business. The Federal Deposits and Insurance Corporation has guaranteed debts to the tune of \$ 192,000 million, while its reserves amount to only \$ 1,200 million. The Federal Saving and Loan Insurance Corporation's guaranteed debts total \$ 88,000 million and its reserves only \$ 1,100 million. *U.S. News & World Report* last December pointed out that defaults would rapidly increase in

a depression, and that the government would be called on to meet billions of dollars in payments.⁶⁾ This would pose a very serious problem for the simple reason that the Federal Government, besides being responsible for over \$ 300,000 million of the debts of monopoly capitalist enterprises, is itself in debt to the extent of another \$ 300,000 million in the form of government bonds.

It is well known that the United States is in a predicament over its international payments. Beginning from the fifties, the United States has had an unfavourable balance of international payments every year except in 1957; the gold outflow and short-term liabilities to foreigners have constantly increased. Before the war, in 1938, the U.S. gold reserves were 7.3 times its short-term foreign liabilities. In 1959 gold reserves were \$ 19,500 million and short-term liabilities \$ 19,400 million. Its gold reserves have dropped from \$ 17,800 million in 1960 to the present figure of \$ 14,300 million; in contrast, short-term liabilities to foreigners have gone up from \$ 21,300 million to \$ 28,856 million.⁷⁾ The sterling crisis of last November that shook the financial markets of the capitalist world, and France's decision to withdraw from the gold exchange standard system also pushed the dollar to the brink of another crisis.

There are two forms of monetary crisis. One form takes place in the course of an industrial and commercial crisis: because of the lack of means of payment and the great amount of unsaleable goods in stock, there are a large number of failures in industry and commerce; money is extremely tight and commodities cannot be transformed into money. The other form of monetary crisis is not directly connected with the process of reproduction, and manifests itself as, e. g., a stock exchange crisis, a dollar crisis or sterling crisis resulting from an unfavourable balance of international payment; such crises react indirectly in industry and commerce. Conditions for the outbreak of the first form of monetary crisis are ripening in the United States today. As for the second form of monetary crisis, it

5) Department of Commerce, *Survey of Current Business*, May 1965, p. 10 and *Statistical Abstract of the U. S.*, 1963 edition, p. 402.

6) *U. S. News and World Report*, Dec. 4, 1964, p. 102.

7) Board of Governor of the Federal Research System, *Federal Reserve Bulletin*, April 1965, p. 626.

has occurred before (for example, the 1960 gold and dollar crisis and the 1962 stock exchange crisis) and may occur again and more acutely before long.

How serious such a crisis will be, however, is not only determined by the domestic situation within the United States, but by the general economic situation in the capitalist world. The outbreak of an economic crisis in the United States will have profound effects on the entire capitalist world. But an economic crisis in the United States could not be a grave one, unless conditions were also ripe for a world economic crisis. Today, in the light of the situation both in the principal capitalist countries and in countries exporting primary commodities, such conditions are ripening. The recent fall of primary commodity prices is a signal.

If economic crises break out one after another in Western Europe, Japan and the United States within the same period, they will form an economic crisis embracing the capitalist world. Judging from the general trend of postwar economic development in the capitalist world, it is likely that following the world crisis of 1957-58, another capitalist world crisis may break out in the latter half of the 1960s. It may

be more serious than that of 1957-58, and probably may be a major economic crisis like that of 1929-33.

However, the crisis may be delayed under the following conditions: One, if the factors contributing to the upswing remain effective, the outbreak of a crisis might be put off for a short period, say, for one year, but the more its onset is delayed, the more severe the crisis will be when it does come. Two, if Washington creates a serious international incident, such as expanding the war in South Vietnam, this might also delay the outbreak of a crisis. In that event, the United States would have to face a crisis far more serious than an economic one alone.

In seeking a way out of a crisis, monopoly capital always intensifies its attacks on the working class at home, steps up expansion abroad and prepares for war adventures. In the face of such a situation, it is of great importance to be vigilant against fascism, aggression and war.

A severe capitalist world economic crisis will most probably bring about a new revolutionary upsurge in the capitalist world, and especially in Asia, Africa and Latin America.