

The World Economic Crisis By Richard Kern

Signs of Recovery Developed During the Year Just Past, Point to the Beginning of a New Economic Era, But Political Tensions Remain Obstacles to Progress---Democratic Countries Lead in Revival with Dictatorships Facing Another Collapse.

(The signature over this article is the pseudonym of a distinguished American Socialist economist now residing in a foreign country for reasons beyond his control.)

The Nature of the Crisis

Indications are not misleading, 1935 will be recorded in economic annals as the year when the most severe crisis in the history of capitalism experienced by great and determining forces of the capitalist world had come to a standstill, marked by clear signs of recovery.

Two errors have been committed from the very beginning in evaluating the crisis. Some perceived in it only a typical, though more acute and more widespread, cyclical crisis of capitalism, of the type occurring periodically every eight to eleven years. Others, pretending to possess a Marxian point of view, have interpreted the crisis as a permanent one, as the last crisis of a dying capitalism now entering upon its final phase. Unprecedented unemployment, increasing impoverishment of the masses, stagnation of production have been cited as the characteristics of the period. Only a fascist regime, we have been told, can be strong enough to lay down the discontent and fermentation of the masses and save capitalism from utter destruction. At the same time we have been informed that the collapse of capitalist economy offers at least a "chance" to the working class, a chance to seize power as the only means of instilling new life into the world economic structure.

Both points of view—the vulgar capitalist and the vulgar revolutionary—fail to perceive the specific character of the epoch begun with the World War. It was the war, with its super-economic and economically incalculable consequences, which determined essentially the economic character of our period. The violent effects inherent in the war as it affected the economic life of nations had for a long time been underestimated. Another factor of great importance, which continued to make itself felt after the war, has been the far-reaching intervention of the state seeking to regulate and modify economic development. This intervention has had a profound effect upon the course of events.

State Regulation

The extraordinary accentuation of the power of the state and its assumption of relative independence with respect to society and individual classes and elements constitute the surprising phenomenon in recent historical development. The process began in the early thirties, in the period of imperialist momentum during the war. The economic structure was impressed into the service of the state. The state regulated production and distribution, putting an end to the free play of economic forces. The conclusion of the war did not eliminate the growing consciousness of the possibility of government intervention into economic life, while the tremendous economic difficulties inherited from the war compelled ever new intrusions on the part of the state. The state's autonomy and independence of economic life, earmarks of the liberal era, were ended; politics began to determine the destiny of economics, and it seemed as if the power to alter the play of economic laws.

To be sure, this new political role in a vacuum, within a social framework in which the classes are fighting out their struggles and pursuing the protection of their interests, is not new, and in the final analysis, the state itself has developed into an apparatus precisely because of its close association with economic life and the efforts to fit it to its purposes. These purposes assume, in part, an independent character and seek to protect themselves even at points where they come into conflict with the interests of the respective classes. The independence of the state has assumed strongest expression where the conflict of classes has resulted in an attempt to deprive them of any direct influence on politics and the transformation of the state into a dictatorship, subject only to the indirect and feeble influence of social forces or any component elements thereof.

A Liquidation Crisis

The effects of the war and increasing government intervention into the play of economic laws have, therefore, been recognized as of essential importance if we are to grasp the true significance of the economic situation. The analysis based upon purely economic considerations must be incomplete and inadequate. The fact is that the crisis

which began in 1928-29 has been essentially a liquidation crisis of the war; its most striking characteristics cannot possibly be understood without taking into consideration the war and its effects.

The Effects of Economic Nationalism

The severity of the crisis has been accentuated by the fact that its impact has been felt simultaneously in the domains of agriculture and production of raw materials as well as of industry. The agricultural crisis, however, is by no means a phenomenon inherent in capitalist economy. Previously, there has been only one prolonged agrarian crisis of severe intensity

of conservative peasant masses.

This entire process of dislocation came about at a time when industry had not only been greatly undermined by the war but had gone through radical changes in structure to which it could adapt itself only gradually and not without perturbation. Without going into detail, we need point only to the speedy industrialization of the hitherto backward countries, the dislocation of old regional economic networks, the rise of new states and the disproportion, developed during the war, between the various branches of economic life—overexpansion of the war industry on one side and retardation of all other branches, particularly the consumption industries.

economic obstacles impeding international trade were added political barriers in the form of the accentuation of protectionism and subsidization of various sorely-hit branches of industry which had failed to adapt themselves to the new situation or were hindering the process of adaptation.

In short, there came the rise of that nationalist economy which dislocated still more the international economic structure, resulting in an increase of cost of production and impeding the task of restoring the production balance necessitated by disarrangement of the price mechanism.

Small wonder, therefore, that many had come to regard the crisis as permanent. The developments of 1935 have demonstrated, however, that despite all obstacles a revival and normalization of industry are finally beginning to make themselves felt in large portions of the world. To be sure, the process is proceeding with many variations, which is to be explained by the varied effects of the war upon the respective countries and the wide differentiations in their post-war policies. In this connection, it must be emphasized that the dislocations of economic life in the post-war period have been entirely unprecedented, which, in turn, made more difficult any systematic approach to the problem of readjustment.

III

Recovery

The process of recovery is to be observed at its strongest in England, the British dominions and the countries of the sterling bloc, which include Scandinavia, Finland, Portugal, Argentina, Egypt and Persia. When England abandoned the gold standard in 1931, under the impact of the German credit crisis and the flight of foreign capital, the crisis was at its height. Foodstuff prices and prices of raw materials continued to fall, the decline contrasting with the rise in prices in the great region of the sterling bloc, thus increasing the export possibilities of British industry able to pay wages in a declining currency.

At the same time, the transition from free trade to protection within the empire through the agreements concluded at the imperial conference in Ottawa added to the advantages of British industry. Employment rose slowly at the beginning but gradually gained momentum, affecting first the manufacturing industries and extending in increasing measure to the consumption industries. Today, the British iron and steel industry is working full blast and is beginning to attract large investments for the rationalization and extension of plants. The machine industry is in process of rapid development, and even the textile industry, so badly hit by the loss of markets suffered during the war, as well as the coal industry, are showing marked improvement. Because of low taxation, the construction industry is developing lively activity, 90% of new homes having been built without any government aid.

World Economic Revival

The automobile industry is having a remarkable revival, particularly in the production of small cars. In sharp contrast with Ger-

many, the increase of industrial employment is marked by an increase in mass consumption. The average wage of the workers is still about 4% below 1929, but with rents unchanged and a fall of approximately 19% in the cost of living, real wages have risen. Retail trade, particularly foodstuffs, is experiencing a steady upward movement. The number of factory employees bids fair to exceed soon that of 1929. Foreign trade has improved considerably in the last few months.

A marked revival is taking place also in Sweden, where unemployment has practically disappeared, and in the other Scandinavian countries, as well as in Finland.

from currency deflation by the countries of the sterling bloc and the United States, and they have sought to maintain their high price level by a policy of subsidies. But the gradual rise of the world price level is slowly equalizing the various national levels, and there are certain indications that the crisis is abating in the gold bloc countries as well. Indications of improvement are to be observed also in Czechoslovakia and Austria, while the sorely-hit agrarian countries of Southeastern Europe are likewise beginning to feel a measure of revival as a result of the gradual abatement of the agrarian crisis.

While the acceleration of the



"WE WANT WORK" a common cry under the New Deal in every city

Similar, though different in detail, is the development in the United States. The index of industrial production rose from 74 in October 1934 to 94 in October 1935. Factory employment has gone up from 76.8 to 83.7 and payrolls have increased from 61 to 75.1. Leading in the recovery is the automobile industry, where production is now twice that of 1931. Investments are increasing. Production in the steel industry has doubled. The machine industry is showing similar progress. Construction is increasing and the general wage level is likewise on the ascendant.

The Gold Bloc Nations

The recovery under way in the most important industrial countries of the world is paralleled by a similar process in agricultural and raw material countries. Accumulated surpluses, held in part by government, which constituted an obstacle to improvement, have been markedly reduced. This applies not only to metals but also to wheat, corn and textiles. Australia, New Zealand and South Africa have benefited from the rise in wool prices, and the prices of cattle and dairy products. Employment is increasing in Canada and South Africa.

Lagging in the recovery process are France, Holland and Switzerland, the countries of the so-called gold bloc. Their exports have suffered from the advantages enjoyed

armament industry has played some part in the situation, its importance must not be overestimated. The purely economic forces at work are much more significant, and neither in the sterling bloc countries nor in the United States have increased armaments been an essential factor in recovery.

Reemployment Lagging

Despite the undeniable recovery to be observed in the greater portion of the world, certain difficult manifestations of the depression remain to be overcome. These can be conquered only gradually. Among them is the return of the unemployed to industry. In England, for example, industrial production in the first six months of 1935 showed an increase of 21% as compared with the corresponding period for 1924, but employment increased only 7 1/2%. In the United States, too, employment is lagging far behind the general process of recovery. The war and post-war years constituted a period of tempestuous technological development, which led inevitably to the swelling of the industrial reserve army. Any appreciable reduction in unemployment will depend upon the duration and intensity of the present recovery.

It must also be noted that the amelioration of the agricultural crisis has been due, in part, to costly government intervention, particularly overseas, continuation of which over a long period is hardly possible, and to two successive poor harvests in overseas countries. Added to the remaining difficulties are the continued troubles being experienced by the transportation industry due to competition suffered by the railways from the automobile, and the losses incurred by the shipping industry through the decline in foreign trade.

The Misery of the Dictatorial Countries

IN sharp contrast to the economic development in other countries is the situation in Germany, Italy and, to a certain extent, in Russia. We need not dwell here in detail upon the situation in Germany, for we have repeatedly pointed out in what great measure it is determined by purely political factors. The German dictatorship has created a purely war economy. It has brought about an extraordinary accumulation in the war industry at the expense of the standard of living of the masses. The hazardous development of the armament industries has taken place exclusively at the expense of the consumption industries. The German dictatorship is thus aggravating to the extreme the disproportion between the various branches of economic life. It is curtailing production for social purposes and is thus making it increasingly more difficult for German industry to bear the heavy armor of armament. It will be compelled to resort to inflation as a means of financing its program, which, in turn, will lead to new difficulties in international exchange relations and to ever-increasing obstacles in the supply of raw materials and foodstuffs for

Germany. The increase of employment in the German armament industry adds nothing, therefore, to the standard of living but, on the contrary, rendered possible only by further decline in the standard of living.

While the rest of the world is beginning to emerge from the depression, Germany and Italy are moving inevitably to another crisis because of the stupidity of their economic policies.

The developments of 1935 have thus widened in extraordinary manner the disparity, the inequality in the economic condition of the world. What is to follow will depend primarily upon the course of the political situation. The threat of war continues to hang over the capitalist world. In ever increasing measure are the nations being compelled to harness their productive powers and economic resources for purposes of armament—some because they regard war as the last, determining instrument of policy, and others as a means of self-defense against the growing danger. The further course of the recovery process will, therefore, depend essentially upon the removal of the political tensions which continue to disturb the world.

Sweden Thrives Under Socialists

(Continued from Page One) expenditure on national defense by 5.1 million kronor, while expenditure on education is to be increased by 8.3 million kronor. The latter figure includes an increase in teachers' salaries.

The most considerable increase is shown in the estimated expenditure of the Ministry of Social Affairs, which is 217.8 million kronor as against 193.5 million last year, an increase of 24.3 million. Most of this increase is to be spent on improved pensions and insurance schemes.

After all factors have been taken into account there is a total estimated expenditure of 981.3 million kronor, which, when compared with the total estimated revenue of 1,020.3 million, gives a surplus of 39 million.

This surplus is to be mainly devoted to an all-round reduction in the income tax of 12 per cent. Other taxation, including super-taxes and other extra taxes on high incomes and property, is to remain unchanged.

Sweden's budget provides the effective answer to the scare-mongers and prophets of "spend-thrift Socialism." In a time of extreme economic stress, when capitalist governments are making desperate efforts to weather the storm and fascist dictatorships are faced with economic collapse, a Social Democratic government produces a sound and balanced budget which bears witness, not only of social imagination, but of businesslike administrative ability.

The proof of the pudding is in the eating!

Tampa Police Chief Indicted for Flogging

(Continued from Page One) and there with intent aforesaid, maintain, assist and otherwise aid (them)."

The indictment, charging accessory after the fact in kidnapping, follows the same language.

TAMPA.—The nine men, including six Tampa policemen and three Orlando Klansmen, who have been indicted for second degree murder by the Hillsborough County Grand Jury, will be tried in the February term of Criminal Court before Judge Raleigh W. Petteway, who is an avowed candidate for governor.

The Grand Jury has not yet finished its probe, and other and more sensational arrests are expected shortly. It is known that the authorities have the entire roster of the flogging crew, which consisted of thirty-six men, and it is said that one or two of the indicted men have broken down and told the entire story.

An angle of the flogging situation not hitherto known is the fact that on the night of the outrage Frank Henderson, A. F. of L. organizer who has been working with considerable success among the longshoremen, was arrested in his hotel room and taken to police headquarters for questioning. Henderson, Rogers, Poulot and the others were questioned. They did not know him and thought he was just another policeman, but he has since identified himself to the Socialists and says he will do everything to help in the development of the case.

Funds are still desperately needed to keep public interest in the case hot, and should be sent to Charles E. Jensen, 7303 Nebraska Ave., Tampa.

How the News Reels

By Joseph T. Shipley

THE resignation of Elmer Rice, regional head of the theatre arts project of the W.P.A., gives prominence once more to the age-old question of censorship. Hallie Flanagan, who has done excellent, radical theatre work at Vassar, is national head of the Federal Theatre Project. Elmer Rice, well known to friends of the Rand School, exhibits in his plays and in his life a keen social awareness and a fine integrity. They had definite assurance that no censorship would apply to their work. Yet the first of the F.T.P. ventures to reach the brink of production, through "The Living Newspaper," is ordered withdrawn.

Censorship has been applied for many reasons; religion, moral codes and conventions, political attitudes, the existing order and its safe preservation in its rulers' behalf: all have enlisted the suppressive hand of the censor. The present order stifling the theatre project seems, for the moment, purely a gesture of international politics. The first of the living newspaper dramatizations is "Ethiopia." Seen in rehearsal, it was a well-balanced presentation of the background of the conflict, with its repercussions throughout the world. Naturally, it presented the League of Nations' point of

view, marking Italy as the aggressor, and stressing the sanctions. But behold! we are a neutral nation, and may still sell oil to Mussolini. The government is paying for the living newspaper; it goes out goes the indignation Mr. Rice. And, like an electric bulb smashed by a snowball, out go the hopes of any who had been deluded enough to imagine there'd be freedom for artistic expression and significant thought in a theatre project sponsored by the New Dealers.

But if the Living Newspaper must not say this, or that, how much more must we beware of what it will finally show us! And with how many grains of salt must we take the items that are passed out to us, as though they were events of the world, in the privately controlled News-reels! What you see with your own eyes must be true? Perhaps; but aside from any tricks the camera can play, who selects the scenes that are to be shown? And when you watch, on the film, a man that's making a speech, who chooses which man, and which side of the question, you shall hear? And how much of either side?

One recent news-reel trick reminds me of the old atheist's argument. "Why," he exclaimed,

"the Bible itself says 'there is no God.' Those very words are in the Bible!" They are. But they are preceded by a few others: "The fool hath said in his heart, 'There is no God.'" Only we can all get to the Bible and check up on this atheist; but we can't all get to Russia or Africa to see what the news-reel has left out. Or even to Georgia. The news-reels (you may have seen them and felt thrilled!) showed Governor Talmadge meeting the strikebreakers Demon Bergoff had sent down from New York, and shipping them back on the next train. "Damn decent of the Governor!" many a man remarked. But here's the other part of his thought: "We don't need you outsiders to teach us how to break strikes. We can break our own strikes very well, thank you." And as soon as Bergoff's bullies were gone, the Governor put the State militia on the job—and a thorough job of strike-breaking, Southern style, they made of it.

Censorship of the theatre, of the news? Government controlled, or privately controlled? It matters little, as long as the government is privately controlled. Oppression involves suppression, whether by one or by a group. It is only when the resources and forces of living are controlled by the whole people, that we can have the whole truth.