

# Crisis-Ridden U. S. Economy

**T**HE economic situation in the United States rapidly worsened in 1969. The financial-monetary crisis grew ever more serious and a new "over-production" crisis is drawing nearer and nearer. Harsh reality has exploded all of U.S. imperialist chieftain Nixon's big talk when he took office early last year. This situation shows that U.S. imperialism, hard-pressed by its twin crises, is at the end of its rope.

## Intensified Financial-Monetary Crisis and Frequent "Over-Production" Crisis Alarms

What U.S. imperialist new chieftain Nixon took over from his predecessor Johnson in January last year was a rotten legacy bristling with internal and external difficulties. In the economic field, huge financial deficits had appeared year by year. Inflation kept getting worse. Prices had shot up for five successive years, and the dollar's international position continued to deteriorate. To wangle votes in these circumstances, Nixon boasted before he took office that he would "check" inflation within six months. After entering the White House, he made a series of empty promises about "defending the dollar." Last June 19, he bragged that the measures he had adopted to "check" inflation "will begin to have effect within a matter of two to three months."

His "two to three months" and six months have long passed but inflation, instead of being "checked," continues to grow. A most striking illustration of this is that price increases last year were sharper than in any previous year. Consumer goods prices in November 1969 were 5.8 per cent higher than in the same month in 1968, reaching an all-time high for the past 18 years. Especially food and clothing prices, rent and medical costs, which affect people's standard of living, went up even more sharply.

The international payments situation has also drastically deteriorated. The U.S. export trade showed deficits in the first two quarters of last year in succession, an unprecedented occurrence in the past 20 years. The total international payments deficit for the first three quarters of 1969 stood at 8,050 million dollars, two and a half times the 1961 deficit, the highest in U.S. history. By the end of August 1969, short-term dollar bonds in the hands of other capitalist countries had risen to 41,500 million dollars, a sharp increase of 8,000 million dollars over the same period in 1968. At present, all of the U.S. Government's gold reserves have shrunk to a total of just over 11,100 million dollars,

insufficient to pay off one-third of the foreign claims against it. All this has greatly weakened the position of the dollar.

What, after all, are the devices that Nixon boasted were capable of "checking" inflation? They are nothing more than such worn-out tricks as tax increases, higher interest rates and tight credit. But the result of Nixon's devices is that inflationary trends have not been stopped and the financial crisis is deepening. At the same time, the ensuing difficulty in obtaining credits and in capital turnover and the shrinking of purchasing power have made a new "over-production" crisis imminent.

In the first ten months of last year, it was reported, sales on the U.S. domestic market dropped three per cent compared with 1968, and inventories of enterprises piled up quarter by quarter. Orders dropped markedly in all industries in the fourth quarter except the war industries. Beginning from August, last year, industrial production declined for four consecutive months and, by November, to its lowest in the past five years. Affected industries included manufacturing, mining, building and oil, as well as textiles. In fact, signs of weakness were evident in many industrial branches last year. The auto and construction industries, which rely on "instalment payments," "mortgage loans" and other measures for drawing on purchasing power in advance to keep up their sales, were particularly worse off. Confronted with the storm of a new "over-production" crisis, Wall Street stock prices began tumbling in mid November and by mid December had dropped to the lowest level in the past three years. This fully reflects the consternation of the U.S. monopoly capitalist class. The *International Herald Tribune* raised an alarm in an article on December 1: "The evidence is growing that the country is in the early stages of recession." Some "economists" for the U.S. monopoly capitalist class said in dismay that "we're going to get the greatest economic shock of our lives in the first four months of 1970," and predicted "a very severe economic slowdown."

## Bogged Down Deeper and Deeper in Political-Economic Crisis, U.S. Imperialism Cannot Be Saved by Exploitation at Home And Aggression Abroad

The "over-production" crisis is a product inherent in the capitalist system. The great leader Chairman Mao pointed out in 1947: "The economic power of

**U.S. imperialism, which grew during World War II, is confronted with unstable and daily shrinking domestic and foreign markets. The further shrinking of these markets will cause economic crises to break out.** The United States has gone through four fairly large "over-production" crises in the years between the end of World War II and 1960.

U.S. imperialism has always relied on **ruthless exploitation of the people at home, a feverish arms drive and economic expansion abroad to "stimulate" its weakened economy, put off the outbreak of an "over-production" crisis and mitigate the effects of such a crisis.** In the more than 20 post-war years, U.S. military expenditures totalled 1,100,000 million dollars, with the result that the United States registered huge budgetary deficits in 17 of the fiscal years during this period. To make up these deficits, reactionary U.S. ruling circles resorted to unrestricted issuance of paper money and other methods to squeeze the people mercilessly, and this gave rise to a vicious inflation. U.S. imperialist wars of aggression and economic expansion abroad have resulted in annual overseas spending of huge sums of dollars, while the fierce scramble among the imperialist powers for commodity markets greatly affected its foreign trade earnings. This has brought about huge deficits in the U.S. balance of international payments for many years in succession. Inflation and international payments deficits have led to an increasingly weakened position of the dollar. All this has made the U.S. financial-monetary crisis more and more serious.

At the same time, climbing prices brought on by inflation and numerous exorbitant taxes and levies have further diminished the purchasing power of the working people and aggravated the sharp contradiction between production and marketing, which is the cause of an "over-production" crisis. Credit sales and other measures adopted by the monopoly capitalist class to draw on the people's purchasing power in advance and to strengthen exploitation actually deepens this contradiction. Thus an even greater and deeper "over-production" crisis is in the making. U.S. imperialism is in this way inextricably sinking deeper and deeper in the whirlpool of a vicious circle of "over-production" crisis and financial-monetary crisis.

Threatened by the serious financial-monetary crisis, Nixon had to adopt a "tightening up" policy after coming to power. However, this can in no way provide a fundamental solution to an "over-production" crisis and the financial-monetary crisis. Nixon is still taking the beaten track of arms expansion and war preparations, of aggressive wars and economic expansion abroad and oppression of the people at home.

While chanting his "peace hymn," Nixon is actually making great efforts to intensify the arms drive for

war and wantonly carrying out wars of aggression. U.S. defence expenditures in fiscal 1970 will exceed 70,000 million dollars, of which military spending for its war of aggression in Viet Nam still accounts for 23,500 million dollars, and funds for purchasing nuclear weapons and missiles will reach more than 20,000 million dollars. The U.S. economy is lopsidedly developing towards a war economy. By the first half of last year, the number of personnel engaged in military industrial production had reached 5.38 million. All this shows that U.S. imperialism will never change its policies of aggression and war.

U.S. monopoly capitalist groups are stepping up their economic expansion abroad in an attempt to shift their domestic economic difficulties on to others. U.S. imperialist overseas investments were over 60,000 million dollars in 1968 and are still rising. So-called foreign economic "aid" to be extended by the Nixon government in fiscal 1970 will remain well over 2,000 million dollars.

The Nixon government is intensifying its attack on the broad masses of the labouring people at home. In effect, his so-called "tightening up" measures are ones that force the American labouring people to tighten their belts. It was reported that Nixon will propose for the next fiscal year a budget of more than 200,000 million dollars without indication of any "tightening up." Revenues from exorbitant taxes and levies to be imposed by the government at all levels in fiscal 1970 under the pretext of "checking inflation," will be as much as 300,000 million dollars, that is, each American will have to pay an average of 1,500 dollars in taxes.

The U.S. imperialist onslaught against the people at home has brought about a rapid upsurge in the American people's struggle. The number of workers' strikes in the first 10 months of last year topped the 1968 record of 5,000. Five million workers in many trades are planning strikes in 1970. The Afro-American struggle and the student movement are billowing wave upon wave. Class contradictions in the country are becoming sharper and reactionary U.S. ruling circles are up to their necks in a political crisis. U.S. imperialist aggression against and plunder of the world's people have in turn promoted their increased awakening. The revolutionary storm against U.S. imperialism is raging with growing fierceness.

The great teacher Chairman Mao has taught us: **"The U.S. imperialists and all other such vermin have already created their own grave-diggers; the day of their burial is not far off."** More and more awakened people all over the world, including the American people, are the grave-diggers of U.S. imperialism, which has committed all kinds of evil, and they will eventually send it to its grave.