

ECONOMIC CRISIS IN AUSTRALIA

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ECONOMIC CRISIS IN AUSTRALIA

"Federal Cabinet will begin a two day meeting tomorrow in an atmosphere of impending economic crisis." So said the press on January 25.

There is a great outcry about the crisis in the economy. A great deal of talk occurs about inflation. Prices rise. Wages rise but still don't cope with rising prices. It is said there must be restraint in wage increases and that if there is restraint in wage increases and greater productivity by workers, all will be well.

Many, many other commentaries and suggestions for curing the crisis are made.

In the great economic crisis of the early thirties, there were endless remedies suggested. But they all centred on reducing wages and increasing production. Just the same, the economic crisis developed to the extent that 25% of Australian workers were unemployed and thousands and thousands of small businessmen and farmers were bankrupted. The cry of reduced wages and greater production did not cure the crisis.

Today an even greater crisis is gathering. The same cry is made louder than ever — peg wages, increase production. And some add, peg prices and profits.

None of these measures will avert economic crisis. There is economic crisis now. It will intensify. There is unemployment now and it will greatly increase. There are many small businesses and farmers very hard pressed and going bankrupt now. That will increase.

It is no good dodging unpalatable facts; they must be faced, analysed and a solution found to them.

The cause of the economic crisis at present demonstrated in inflation with rising prices, rising wages and yet falling prices in world markets for wool, wheat and other primary products lies in the social system of capitalism.

Capitalism is a social system which comprises two main classes — the capitalist class and the working class. The capitalist class maintains its position of wealth and power by exploiting the working class. In between the capitalist and working class lie the middle sections, small businessmen, professional people, small farmers, shopkeepers, salary earners. Their fate is bound up with the working class. The capitalist class, although it seeks the support of the middle sections, also exploits them, grinds them down and drives them into the ranks of the working class. The experience of many small business people and farmers at the moment confirms the truth of this. There are “experts” who say they’ve heard all that

before, that Marx has been proved wrong and so on. But we hold that no matter how much these experts may dislike it and how much they say Marx has been refuted, the explanation does lie in the social system of capitalism and that Marx was and is correct. One can say with certainty that these “experts” who deny the responsibility of capitalist society and attack Marx, have certainly been proved incorrect.

The “experts” simply want to throw dust in your eyes so as to protect the social system of capitalism and the big capitalists. They want to impose the burden of the economic crisis on the workers and working people. To this end they make ideological preparation, that is, they propagate the idea that the whole trouble is wage rises. Therefore the thing to do is keep wages down. They create a mystery about inflation. All sorts of terms are invented like “cost push”, “price inflation”, “overheated economy” and many others. They deal with everything except the real position.

CURRENCY INFLATION CAUSE OF HIGH PRICES

The present increase in prices and in wages comes from currency inflation. The origin of both price rises and wage rises is currency inflation. And currency inflation comes from capitalism and its crisis. Currency is the money we use in ordinary life. It is printed by the government of the day. The amount needed in the community is enough to maintain the circulation of goods and the money must bear a definite relation to what we call

value. Originally gold and silver constituted the money in circulation. Gold and silver were produced by men. Each coin reflected a given amount of labour. It was just like any other commodity in this one respect: they were both products of a given amount of labour. A gold pound or dollar would buy a definite quantity of goods. Cheap goods were those that were easily made in that they took not much labour time: expensive goods, those that took a lot of labour time. But the gold coin exchanged with the goods on the basis of the definite proportion calculated on the labour time involved in gathering the gold and in producing the goods. Only because they were durable metal and the labour time in their production didn't vary much, they became the universal commodity, money.

Then notes were substituted to do the same job as the coin. Notes were not now the product of definite labour like the gold, they were the product of a printing press. But they had to maintain a notional labour content because as bits of paper they were near enough to valueless. That notional content was based on gold. For years a note could be exchanged for its nominal value in gold. Not so today.

The notes in circulation took the place of gold and they maintain the circulation of commodities.

When the gold coins were used and for example, getting gold got cheaper, then prices rose because the gold represented less labour time against the given commodity, that is, it took more gold to work the exchange.

Conversely when gold got more difficult to mine, prices fell in terms of gold because less gold was required to exchange against a commodity.

Paper money, not exchangeable for gold, creates the possibility of manipulating the currency. Its volume can be increased without regard to its precise function as gold and it can be increased beyond the amount needed to maintain the circulation of goods. For example, in 1939 Australia had a population of some 6,000,000. The currency in circulation was some \$78,000,000 (£ 39,000,000). In 1970 the currency in circulation was some \$1,000,000,000 – a more than 10 fold increase yet the population has about doubled and perhaps the volume of commodities in circulation has increased 2-3 times. You can see therefore that the currency has been greatly inflated i.e. debased. The dollar today will buy much less than last year let alone the 10/- in 1939.

The real question is why this has all happened? The answer lies not in any mysterious cost inflation, price inflation, "costs push". It lies in the social system of capitalism.

CAPITALISM – UNPLANNED PRODUCTION FOR PROFIT.

This is the system under which we live. It is a system of unplanned production for private profit. The only thing that determines what commodities are produced and in what quantity, is private profit for a handful of monopolies. If it is profitable to produce hundreds

of thousands of motor cars, General Motors, Chryslers, Fords, will do that. If it is profitable to build great office buildings, motels, etc. etc. then that will happen. Thus it is for every single commodity.

The commodities we consume in ordinary life are bought by all the people but mainly the workers, working people, farmers, public servants, clerks, etc. That is the main market. The worker receives wages and wages are the price of this labour power. Its price is determined like everything else by how much labour time goes into producing what he and his family eat, clothe themselves with, etc. He is paid accordingly (give or take a bit of bargaining power above or below this). For his wages he is bound to work for his employer beyond that time needed to keep himself. That extra time is where profit arises. Thus the boss wants to keep down the wage component and increase the profit component.

But the wage component is also a very, very important component of the consumer market. The more the capitalist restricts wages, the more he reduces the workers' purchasing power to buy consumer goods. This process extends over all the working people in one way or another. The capitalist thus makes profit by selling consumer goods (we are concerned only with them for the moment) to all the people and his profit is increased the less he outlays on wages. But the less he outlays on wages, the more he restricts an important part of the market on which he relies for his profit. Other working people likewise cannot buy. It is an insoluble problem.

It has produced economic crisis from the very beginning of capitalism.

But in present times the whole thing is much more acute.

The system of imperialism means that the giants of imperialism like the U.S.A. invade every market in the world, they take raw materials from everywhere. There is not a country in the capitalist world without Coca Cola or some other such product. Imperialism is a system of great monopolies like that same General Motors, Fords, Chryslers, that we know so well in Australia. They and others are gigantic producers of goods. The demand for goods becomes more than satisfied on a market which after all is by its nature restricted. What to do? The goods cannot be disposed of at a profit. It increases competition, the bigger producers absorb, amalgamate with or ruin the smaller. So in Australia, big company mergers have occurred, and on the other hand many smaller businesses have been ruined. This is occurring all the time but recently it has intensified because the crisis of disposing of goods has got more intense.

IMPERIALISM MEANS WAR

Then the imperialist expansion, the struggle for markets leads to intensified competition among the imperialist countries. War results. The U.S. imperialists attack Vietnam to try to seize the market in that country, to try to seize its raw materials and to try to main-

tain a foothold in Asia to further its imperialist expansion. And because Australia is dominated by U.S. big business in the oil companies, the motor car companies, the food processing companies, the rubber companies, etc. etc. the Australian government follows suit. Australian soldiers are sent to Vietnam. There is a tremendous expansion in defence (war) expenditure. The Commonwealth (and States) can't make ends meet: revenue is far short of expenditure. Currency notes and their equivalent are printed to bridge the gap. This is inflation. The currency is debased. Prices rise. All this arises from Australia's own capitalist nature and the subservience of Australian governments (labor and liberal) to U.S. imperialism.

Then the big corporations have found that direct reduction of wages creates great resistance by workers. Therefore by and large, they do not directly reduce wages. But inflating the currency, producing more currency, has an exactly similar effect. It forces up prices, reduces the value of savings and has just the same effect as a wage cut. This too is what is going on. In its earlier stages, it does not yet seriously affect the real monopoly capitalist because that monopoly capitalist accumulates much more of the inflated currency, that is, he offsets the depreciation in value of the currency by an increase in the volume of it in his hands. Moreover his fixed assets appreciate in nominal value. In short, he suffers very little whereas the worker, working person, pensioner or other person with a fixed income or very nearly fixed, finds the real value of his income continu-

ally depreciates and whatever savings he has are greatly reduced in purchasing power.

The same goes for all fixed income earners or lower income earners. It is so for small businessmen, farmers, civil servants, bank and insurance clerks. Their income is greatly reduced in purchasing capacity: their savings are cut down in effective purchasing capacity.

Even for larger businesses the same process goes on. Ruin is the factor common to the whole process. All but the biggest monopolies suffer acutely.

In the end, it affects even the biggest monopolies. They will not produce without profit. Their market has been gravely contracted by the low wages they pay, further contracted by inflation and by monopoly prices. This market extends to all workers, working people, small businessmen and even bigger businessmen, farmers, middle groups of all kinds — in short, everyone except the very biggest. Ultimately it leads to reducing output, putting workers off, unemployment.

Thus the small and even bigger businessmen are bankrupted: they must find someone to work for. But the people who cause the bankruptcy, the big monopolies, are already putting workers off, so the whole thing snowballs. Ruin, unemployment, accumulate.

These very monopolies are the government. The executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie (Marx & Engels). They reap greater profits by enforcing

monopoly prices because they dominate production but by enforcing monopoly prices, they impoverish the people more. Thus in the end they reduce their own market. There is no way out for them.

There is a crisis of overproduction. More goods than can be disposed of are produced. Inflation of the currency ruins many people and limits still further the problem of how to dispose of goods. Monopoly prices do the same. War and the bankruptcy of the state add to the problem. The whole system staggers into crisis.

U.S. IMPERIALISM WORSENS CONDITIONS

On a world scale U.S. imperialism is the dominant power. All these economic factors operate in the U.S.A. It tries to get rid of its crisis conditions at the expense of its satellites like Australia. Thus it restricts imports from Australia, increases exports by dumping, demanding revision of tariff schedules etc. It intensifies exploitation of Australian workers in the Australian based U.S. factories. It demands more Australians for U.S. wars of expansion and aggression. Australia's crisis certainly lies in capitalism in Australia: it is intensified by U.S. domination of Australia. A simple example is U.S. insistence on Australia's participation in the Vietnamese war. This imposes a great burden on Australian people. One way of financing it is through printing currency. Another is by increasing taxation both direct and indirect. Indirect taxation is taxation on goods and that imposes a far greater burden on the workers and working people

than on the rich. It puts up the prices of ordinary commodities.

Pensioners are hard hit by all this. Their fixed rate of pension buys less and less. People suffer from malnutrition. Again it restricts the market for ordinary consumer goods. The pension will not be increased to any extent because already the state is bankrupt, that is, its expenditure far exceeds its income in taxation etc.

On a world scale primary products are overproduced. There is a surplus of wheat and wool, the staple products of Australia. Wheat and wool cannot be disposed of. The smaller and even some big producers are ruined. Wherever they turn the same problem faces them. Their ruination still further diminishes the market.

Therefore the picture is a gigantic means of production that can produce almost any quantity of goods, that production is geared and motivated only by private profit but the private profit cannot be realised because the capacity of the people to buy is greatly reduced. The fact that consumer goods cannot be disposed of at a profit leads to curtailment of production of the machines (producer goods) that produce those consumer goods. More factories put more workers off. The process thus extends throughout agriculture, production of commodities, production of machines. And every capitalist country is trying to solve the problem at the expense of the other. Hence big factories in Australia are curtailing production. Massey Ferguson put off hundreds,



crops are being reduced, there is a great crisis in the Tariff Board, emergency measures are demanded, etc.

PRICE CONTROL CANNOT SOLVE CRISIS

Some "experts" say prices ought to be controlled. This would be all right if it could be done. But it can't be done. Prices revolve around the cost of production, the main one of which is the time used in production of a commodity and then around supply and demand. If supply is short, prices rise: if excessive, they fall. But in the present situation they all tend to rise because the currency is inflated. And when you ask for price control, you are asking these very monopolies whose profits govern their activities, to control their profits: the government is these very monopolies. They will not control their profits and will not control their prices.

Some say control the production of currency. But the excess currency arises from capitalism itself. There is no real systematic control. The state is bankrupt and printing of currency is one way to bridge the gap.

The most popular fallacy hammered by the capitalists is that prices rise because wages rise. This is rubbish. Both rise for the same reason — currency inflation. They are both commodities; their value is determined in exactly the same way, by the labour time necessary for their production. If anything the reverse is true, that wages chase prices inflated by the depreciated currency.

The capitalist class has all the wealth and all the political power in its hands; it owns all the factories, the land, banks, insurance companies. It is the **RULING CLASS**.

FORCES OF STATE PROTECT CAPITALISTS

The capitalist class exploits the whole working people and to maintain its ruling position it creates a big armed force — army, navy, airforce, police, courts, prisons. These forces are the heart of the State. It makes people pay (taxes) for this huge force which sustains its dominant position. Millions are spent on so-called defence. There is no shortage of money to strengthen the forces on which the capitalist class relies to protect itself against the people.

Everything that is done by the capitalist class is directed at strengthening its ruling position, intensifying the exploitation of the working people and weakening its main opponent the working class. The cost of all this falls on to the shoulders of the people.

Class divisions in society widen. Class contradictions sharpen. We all see this. The struggle between the working class and capitalist class is the central issue. It is only by prosecuting this struggle and getting rid of exploitation (the system of capitalism) that the working people will win their economic emancipation. This requires the establishment of working class state power.

Thus the whole thing is a basic social problem, the problem of capitalist society. This is underwritten in Australia, guaranteed by U.S. imperialism. At the same time, to the U.S. imperialists Australia is expendable, so U.S. imperialism exports its own crisis to Australia. Australians are going to fight against all this; they must fight capitalism and its guarantor U.S. imperialism. Unemployment and ruin will gather. We say there is no doubt about that. The situation will get worse. Everyone must fight, increase their consciousness to overthrow U.S. imperialism and capitalism and when U.S. imperialism and its local hangers on use force and violence, Australians must meet that force and violence with their own force – violence.

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