Nixon's "New Economic Policy" Cannot Save United States From Financial And Economic Crises

This policy is to fleece the American working people at home and to shift the worsening U.S. financial and economic crises on to other countries. It shows U.S. imperialism's predicament, struggling desperately but unable to find a way out of its drastic decline. As soon as it was dished up, it was strongly opposed by the American workers and severely criticized by many capitalist countries.

U.S. President Nixon announced a so-called "new economic policy" on August 15. Its main points are: a temporary suspension by the United States of the convertibility of dollar holdings of foreign central banks into U.S. gold, an additional 10 per cent surcharge on imports, a 10 per cent cut in foreign economic aid and a 90-day freeze on wages, rents and prices in the country. According to Nixon, this policy is directed against "unemployment, inflation and international speculation." But in effect, the policy is meant to fleece the American working people at home and to shift the worsening U.S. financial and monetary as well as economic crises on to other countries.

As soon as the U.S. "new economic policy" was announced, it touched off acute contradictions both at home and abroad. The foreign exchange markets of major West European countries were closed and chaos immediately gripped the entire capitalist world. Many capitalist countries came out one after another to criticize the United States for having gone too far in shifting its own trouble on to others.

These unpopular measures of U.S. imperialism reflect the seriousness of the U.S. economic crisis and the decay and decline of the entire capitalist system. They mark the collapse of the capitalist monetary system with the U.S. dollar as its prop. At the same time they show that the U.S. monopoly capitalist clique is still trying to resort to power politics and extraordinary measures to maintain the declining position of the "Dollar Empire."

While announcing these economic measures, Nixon admitted that "in the past seven years, there has been an average of one international monetary crisis every year"; and especially in the recent storm of crisis, the dollar suffered violent attacks. Nixon said that he took these measures because "we must protect the dollar from the attacks." This fully shows the predicament of U.S. imperialism, struggling desperately and unable to find a way out of its drastic decline.

By saying that "we must protect the dollar," Nixon actually demands that other countries sacrifice their own interests to bolster up the privileged position of the dollar.

The dollar is the symbol of U.S. economic dominance in the capitalist world and the United States was once called the "Dollar Empire." During World War II, U.S. imperialism netted huge wealth from the war and hoarded large quantities of gold. In 1944, the year before the end of the war, the United States used its superior position of possessing the bulk of the gold reserves in the entire capitalist world to impose on other capitalist countries a capitalist international monetary system in which the dollar is linked to gold while the currencies of various countries are linked to the dollar, thereby turning the dollar into a means of reserve like gold in the capitalist world. In the past 20 years and more, with the protracted drain on the U.S. economy brought on by the U.S. imperialist policies of aggression and war and the daily decline of U.S. imperialist hegemony and economic strength, the U.S. gold reserves have greatly dropped and the dollar, in effect, has been greatly devalued. But successive U.S. governments continued to rely on power politics to maintain the increasingly shaky privileged position of the dollar. Now, owing to the deepening U.S. financial and monetary as well as economic crises, the U.S. gold reserves have dropped from 24,600 million dollars in the early postwar years to 9,700 million dollars, while the amount of U.S. short-term foreign debts has run to 50,000 million dollars, of which more than 30,000 million dollars are held by foreign central banks and subjected to conversion into U.S. gold at any time. Because of the weakness of the dollar, its credibility in the international market has greatly sunk. The slightest stir in the air would send people dumping dollars and rushing for gold and other currencies. Since the outbreak of the monetary crisis in the capitalist world last May, the selling of dollars and the rush for gold and other currencies in the Western monetary markets have never ceased. The price of the dollar keeps dropping while gold price sharply rises. Recently, some countries have converted their dollar holdings for U.S. gold one after another.

In these circumstances, the Nixon government had to announce a temporary suspension of the convertibility of dollar holdings of foreign central banks into U.S. gold, thereby cutting the link between the dollar and gold in an attempt to shut out tens of thousands of millions of inconvertible dollars and let them flood foreign countries. Even if this perfidious measure of shifting the burden on to others temporarily preserves the remaining U.S. gold reserves backing the dollar, it will inevitably bring unprecedented, destructive blows to confidence in the dollar, because this is tantamount to an open admission by the U.S. Government to the whole world that the value of the dollar has no guarantee whatsoever. A West European paper wrote sarcastically, "What the majority of people yesterday considered to be a dramatic prediction has taken place overnight. The dollar as a major currency has fallen flat." Nobody knows how much the paper dollar which had a fixed parity with gold yesterday is worth today. This has thrown into a panic those countries possessing several thousands of millions of dollars or even more than ten thousand million dollars. Major monetary markets in the West had to remain closed for several days running and international trade was hard hit. The capitalist monetary system with the dollar as its prop is cracking up.

Under the situation of the daily shrinking markets in the capitalist world and continuously sharpening competition in international trade, the unilateral U.S. action of raising tariffs by wide margins is a heavy blow to the other capitalist countries, particularly to Japan, West Germany and others which traditionally export heavily to the United States. Therefore, Nixon's announcement of this measure immediately drew unanimous and vehement attacks from the official and economic circles and the press of these countries. The reactionary nature of the Sato government of Japan, which has been consistently trailing behind U.S. imperialism, has been exposed more clearly. It is more isolated than ever from the Japanese people. The demand for a change in the Japanese Government's foreign policy is becoming louder and louder.

Domestically, the measure taken by Nixon is to tighten control. He had to admit that unemployment and inflation are serious in the United States. Inflation, he said, has become "one of the cruelest legacies" in the United States which "robs every American. The 20 million who are retired and living on fixed incomes are particularly hard hit. Homemakers find it harder than ever to balance the family budget. And 80 million wage earners have been on a treadmill; in the four war years between 1965 and 1969, their wage increases were completely eaten up by price increases . . . they were no better off." However, Nixon touched on only a phenomenon when he spoke of "the vicious circle of spiralling prices and costs"; he covered up the fact that such a phenomenon is the result of U.S. monopoly capitalism's policies of aggression and war abroad and the intensifying exploitation and profit-seeking it carries out at home. On the contrary, he attributed the inflation to wage increases and vigorously stressed the necessity of a freeze on prices and wages. He said threateningly that "the wage-price freeze will be backed by government sanction if necessary." Obviously, these measures of Nixon's, usually only adopted in time of war, can in no way check inflation but have aroused strong opposition and protests from the American workers. The striking American longshoremen, telephone workers and construction workers have denounced Nixon's wage-freeze and expressed their determination to persist in their struggle in spite of the authorities' threat. Workers of other trades are also preparing to strike.

In order to resist U.S. hegemony and protect their national currencies and economy, the governments of Western countries have held urgent meetings to seek counter-measures. The financial and economic ministers of the West European "Common Market" countries met urgently on August 19 to co-ordinate their positions. In their communique, they criticized the United States for creating "great difficulties for international trade" by the measures it took to save the dollar. The French Government, which has long been discontent with the United States for using the dollar to push hegemony, openly declared that it will make at an appropriate time an all-round study of the international monetary system with the dollar as its prop. Meanwhile, the United States is carrying on bilateral consultations with Japan and other countries in order to press them into accepting the American view. The bargaining is going on heatedly and the struggle is developing from the economic to the political field.

Far from saving U.S. imperialism from the difficulties besetting it at home and abroad, Nixon's "new economic policy" has sharpened the many contradictions at home and abroad, bringing about the gravest postwar crisis of the monetary system of the capitalist world. The crisis is still developing.