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CAPITALISM WILL SURELY PERISH,  
SOCIALISM WILL SURELY PROSPER

Sharp Contrast Between Two Kinds of Finance  
and Currency Under Two Social Systems\*

Commenting on the general features of the international situation near the end of the fifties, the great leader Chairman Mao pointed out: "The enemy is rotting away day by day, while we get better and better day by day." The unfolding of history eloquently proves Chairman Mao's brilliant conclusion.

In the past ten years or more, economic crises and financial-monetary crises have broken out again and again in imperialist countries, headed by the United States, and the capitalist system is more and more seriously ill. But in socialist China, led by the great leader Chairman Mao, the national economy is developing vigorously, finance and the currency have been stable for a long time, and the picture is one of booming prosperity. The different fates of the two kinds of finance and currency under two social systems form a sharp contrast.

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\*Yin Hang, "Tzu-pen-chu-i chüeh-jan ssu-mieh, she-hui-chu-i chüeh-jan hsing-sheng — liang-chung she-hui chih-tu hsia liang-chung chin-yung huo-pi ti hsien-ming tui-pi." Jen-min jih-pao.

Financial-Monetary Crises That  
Shook the Capitalist World

The most prominent, most important change in the realm of capitalist finance and currency is the drastic decline of the American dollar from its predominant position. This fully exposes the debilitated nature of U.S. imperialism, which outwardly appears strong but is drying up at the core. It also shows that the capitalist system has already entered a state of extremely deep general crisis.

Utilizing its economic strength, which had grown during the war, U.S. imperialism equated the American dollar to gold after World War II and forced the other capitalist countries to maintain their currencies at a fixed parity to the American dollar, thus forming a capitalist monetary system with the American dollar as the kingpin and intensifying its control over and plundering of other countries. At the end of 1949, the gold collected by U.S. imperialism reached U.S.\$24,600 million, about 70 percent of the total gold reserves of the capitalist world at the time.

The great leader Chairman Mao pointed out as early as 1947: "The war boom in the United States is only a transitory phenomenon. Its great power is only superficial and temporary." Owing to U.S. imperialism's frenzied expansion of armaments and continual launching of wars of aggression after the war, its balance of payments began to show a deficit from 1950 onward, and by the end of 1959, its gold reserves had already dwindled to \$19.5 billion. In the sixties, the U.S. position in the international balance of payments deteriorated further; gold flowed out in a steady stream and the creditability of the American dollar fell drastically. Western European countries, represented by France, whose economic strength was growing by comparison, rose to resist U.S. imperialist domination, openly challenging the hegemonic position of the American dollar. They repeatedly exchanged the large amounts of American dollars they had accumulated for gold in the United States, whipping up a crisis of gold rush and exacerbating the precarious

position of the American dollar. By the end of 1970, American gold reserves were reduced to \$11.070 billion, or only a little over one-fourth of the total gold reserves of the capitalist world, while American dollar deposits owned by foreign countries (i.e., short-term external debts owed by the USA) rose sharply to \$49 billion from \$19.4 billion in 1959. In other words, the existing gold reserves of the United States are not sufficient to pay off one-fourth of the short-term external debts it owes. The so-called Gold Dollar Empire has become a hollow tree. Following the drastic decline of the American dollar, the whole capitalist monetary system is steadily disintegrating.

Another remarkable sign of the capitalist financial-monetary crisis is the malignant development of inflation in imperialist countries, headed by the United States.

In the principal capitalist countries, prices have been rising ever more sharply in recent years. According to officially released and greatly deflated figures in the United States, the general price index of consumer goods has risen 26 percent in the sixties. In the five years preceding the widening of the war of aggression against Vietnam, the average annual increase was 1.3 percent. In the four years from 1965, when U.S. imperialist chief Johnson widened the war of aggression, to early 1969, when he stepped down, it rose by 12 percent, with the average annual increase at 3 percent.

When Nixon assumed office in January 1969, he energetically made it known that he would regard the "arresting" of inflation as "top priority." He also repeatedly boasted that through increasing taxes, raising interest rates, and carrying out other so-called economic contractionary measures, continued inflation would be checked within a few months. However, in the two years after he assumed office, the price of consumer goods in the United States rose sharply by almost 12 percent, averaging almost 6 percent a year. The purchasing power of an American dollar at home has now fallen to the equivalent of \$0.73 in 1959, or the equivalent of \$0.35 before the war in 1939.

The situation in other capitalist countries is equally gloomy.

In the sixties, the price of consumer goods in Japan rose by 68 percent. It also rose by 46 percent in France, 41 percent in Great Britain, and 28 percent in West Germany. Although these countries also carried out so-called contractionary policies, prices in December 1970, when compared with those of one year before, showed a rise of 8.3 percent in Japan, 7.9 percent in Great Britain, 5.3 percent in France, and 4 percent in West Germany. Malignant inflation has become a disaster from which the capitalist countries cannot escape.

The capitalist financial-monetary crisis is also remarkable in that storms of the crisis appear successively and are fierce in intensity and formidable in scale. In particular, in less than two years beginning from November 1967, manifestations of the crisis shook the capitalist world five times. The British pound sterling and the French franc were forced to devalue, one after the other, and more than 40 currencies were also devalued in consequence. Each time the crisis erupted, the American dollar as well as pound sterling and other currencies were sold in huge amounts in the Western markets in return for gold, thus dealing a heavy blow to the American dollar. In the storm of the crisis that broke out in March 1968, the United States lost as much as \$1.4 billion in gold reserves in a little over half a month. U.S. imperialism was forced to abandon the official rate of \$35 for an ounce of gold in the free market and allow the price of gold to fluctuate freely. At that time, the price of gold in the free market immediately jumped to over \$40, which meant that the American dollar had already, in fact, been devalued.

### Capitalism Irretrievably Declines

The great leader Chairman Mao teaches us, saying, "The era in which we live is one in which the imperialistic system heads for total collapse." The increasing gravity of the capitalist financial-monetary crisis is a necessary result of the development of the contradictions inherent in the reactionary, decadent capitalist system.

After the great economic crisis of the capitalist world in the twenties and thirties, Keynes, an adviser of the monopoly bourgeoisie, advocated the strengthening of state intervention in the economy, in an effort to stimulate production by inflation and other means in order to maintain the so-called sustained prosperity of capitalism and save the capitalist system from decline. This is what the capitalist countries, headed by the United States, have been doing since the end of World War II. They desperately expand their fiscal budgets, increase military expenditure, and blindly stimulate production to create false prosperity. But all these measures amount only to quenching thirst by drinking poison and cutting out one's own flesh to fill decayed cavities in one's body. The result is like picking up a rock only to drop it on one's own toes. Such a policy causes more and more frequent and more and more serious economic and financial-monetary crises, and further aggravates the contradiction between the social character of production and private ownership of means of production inherent in the capitalist system. In particular, due to the failure of U.S. imperialism in pushing a policy of aggression and war, its class and racial contradictions at home were further aggravated, and it faces increasingly serious political, economic, and social crises. The fifth postwar economic crisis, which broke out in the United States in the fall of 1969, has already lasted for more than a year. Industrial production has declined, and large numbers of enterprises have closed down. In January of this year, unemployment reached 5,400,000, more than double the number when Nixon assumed office two years ago. Suffering from both increasing inflation and unemployment, the monopoly capital group is in a panic and does not know what to do. Facts have proved the utter bankruptcy of the so-called Keynesian theory and all forms and types of new Keynesian theory.

Due to U.S. imperialism's ceaseless expansion of external aggression, its military expenditures in the sixties reached \$590 billion, of which nearly \$100 billion went into the war of aggression against Vietnam alone. Of the 11 fiscal years that ended in June 1970, deficits appeared in

9 years in U.S. budgets, totalling cumulatively more than \$64 billion. Nixon conceded not long ago that there would be a deficit of \$18.6 billion in the current fiscal year. To make up for these deficits, the reactionary ruling clique of the United States has adopted means such as increases in taxes and unrestrained issuance of currency and bonds. The revenue from taxation by the U.S. Federal Government and local governments at various levels had increased by three times in 1969 compared with 1959. Total currency in circulation at the end of 1959 was \$142 billion; by December of last year, it had risen to \$214.6 billion. The public debt of the federal government grows increasingly larger, and has reached \$391 billion, or an average of more than \$1,900 per capita. In the past two or three years, interest payments on government bonds exceeded \$18 billion per year for the entire country, or almost 9 or 10 percent of the yearly fiscal revenue. The United States, which has long called itself "the richest country in the world," is now deeply in debt and faces a very difficult situation. It has fundamentally lost the economic base for financial-monetary stability.

Imperialism desperately carries out armament expansion in preparation for war, spends freely out of budget deficits, and creates inflation, fattening the monopoly bourgeoisie. In turn, grave inflation whittles down the purchasing power of the broad masses of the people. As Lenin said, "It makes the situation of the masses of workers more and more unbearable and the struggle between capitalist and laborer more and more acute." In recent years, the revolutionary mass movement in Europe, North America, and Oceania has risen to an unprecedented height, with the spearhead of struggle pointed at U.S. imperialism and the decadent capitalist system. In the United States, more than 5,600 labor strikes took place in 1970, with the total number of strikers reaching a ten-year record high and causing a loss to the monopoly capitalist of 62,000,000 workdays. In particular, the General Motors strike, which began in the middle of September last year and which involved 400,000 workers and lasted 68 days, cost the American GNP

\$7 billion and would increase the budget deficit of the Nixon government by \$3 billion. In December, more than 500,000 U.S. railway workers called a large strike. So frightened was Nixon that he could not sleep but sat up waiting to sign an "emergency bill" which Congress debated at night and passed and which compelled the workers to postpone the strike. In Great Britain, the labor strikes in 1970 were the largest since the nationwide general strike in 1926. Labor strikes have also taken place continually in other principal capitalist countries. The increasingly violent class confrontation has dealt a heavy blow to the reactionary rule of monopoly capitalists, further upsetting the capitalist economy and deepening the financial-monetary crisis.

To shake off domestic difficulties, imperialist countries, headed by the United States, are intensifying their external aggression and predation; but they have aroused the violent resistance of the oppressed nations and oppressed peoples throughout the world. As a result, national liberation movements are gaining increasing strength everywhere, and more and more medium-size and small countries — including the Latin American countries, which have been regarded as the "backyard" of the United States — are rising one after another to oppose the superpower politics of U.S. imperialism, causing the international market of imperialism to shrink steadily and its fate to become worse and worse.

In this situation of internal and external difficulties, the contradictions between the imperialist countries are more acute than ever. They confront one another, struggle against one another overtly and covertly, fight for markets, and try to pass on their difficulties to one another. U.S. imperialism exports nearly \$10 billion of capital every year in carrying out economic infiltration and in paying overseas military expenses. This brings about large deficits in the U.S. balance of payments, amounting to more than \$9.8 billion in 1970. Other imperialist powers that have favorable balances in their international payments and receipts are compelled to increase the issue of their own currencies to buy up

the American dollars that have flowed into their countries, causing a malignant development of inflation in these countries. At the annual meeting of the International Monetary Fund in September of last year, French Finance Minister d'Estaing openly criticized the United States, charging that the USA was "poisoning the international well of drinking water" with its own inflation. Such action of U.S. imperialism to transfer its crisis to others through external expansion is bringing the capitalist monetary system, already plagued with crises, to the brink of collapse.

The financial-monetary crises of the imperialist countries have erupted one after another in a situation in which the capitalist system is speeding toward total collapse. They are an incurable chronic disease. In the sixties, U.S. imperialism gathered together a number of countries and formed a so-called Gold Pool, signed a series of so-called Mutual Aid Loan Agreements, and created through its own exclusive instrument of the International Monetary Fund the so-called special drawing rights. At present, the United States is planning to adjust the exchange rates of various currencies in an effort to relieve the buffeting received by the American dollar by forcing other countries to value their currencies upward, and thus to ease the crisis for some time and gain a breathing spell. However, the so-called Gold Pool was already toppled by a flood of gold buying in March 1968. The other measures are not panaceas, and none of them can save capitalism from falling.

Like the imperialist powers, social imperialism has also sunk into an economic crisis and a financial-monetary crisis from which it cannot extricate itself. Using the state power it has usurped, the Soviet revisionist renegade group is restoring capitalism on a large scale and is pushing all-out a so-called new economic policy, causing grave and evil consequences. Industry is receding, agricultural production is falling, supplies are short, state markets suffer acute shortages, prices are continually rising, inflation is worsening, and the working people are increasingly impoverished. To cope with the difficult fiscal-monetary situation, the Soviet revisionists



issue new bonds, on the one hand, and defer the repayment of already matured bonds, which will now be redeemed by installments in 20 years beginning from 1977, on the other. They not only have squandered the large assets accumulated by the Soviet people through hard work in the past several decades, but are humbly begging for loans from West Germany and Japan, losers in the last war, and some other Western countries. They also intensify external aggression and expansion, carrying out super-economic exploitation and depredation of the peoples of other countries. Their perverted actions have caused great dissatisfaction and strong opposition from the Soviet people and the people of some Eastern European countries. This has, in turn, aggravated the political crisis of social imperialism and is hastening the bankruptcy of modern revisionism.

#### Socialism Irresistibly Rises in Prosperity

The great leader Chairman Mao teaches us: "The socialist system will eventually supersede the capitalist system. This is an objective law that cannot be changed with the change of man's own will."

Unlike capitalist imperialism and social imperialism, which show a picture of decline and disintegration, our great socialist motherland, led by the great leader Chairman Mao, is steadily rising in prosperity. Our jen-min-pi, built on a solid socialist economic base, has become one of the few most stable currencies in the world. While the fiscal-monetary crisis in the capitalist world is now growing continually worse, we are using jen-min-pi for pricing and settlement in our trade transactions with more and more countries and areas. The jen-min-pi of our country is gaining ever higher reputation internationally. All this fully shows the incomparable superiority of our socialist system.

Historical experience shows that Chairman Mao's proletarian revolutionary line is the lifeline of our Party. If we implement and carry out Chairman Mao's proletarian revolutionary line, we will gain everything; otherwise, we shall lose everything.

As a result of the Great Proletarian Cultural Revolution, the great Mao Tse-tung Thought has been popularized more widely than ever now among the 700 million people, and Chairman Mao's proletarian revolutionary line penetrates even deeper into the heart of the people, while renegade, hidden traitor, and scab Liu Shao-ch'i's counterrevolutionary revisionist line is thoroughly criticized and repudiated. Our dictatorship of the proletariat is increasingly consolidated, and social productive forces are developing at an accelerated pace. The revolutionary spirit born of the great proletarian cultural revolution has produced abundant fruits. We have reaped bumper harvests in agriculture for nine years in succession; our industrial production is experiencing a new upsurge; and our Third Five-Year Plan for the Development of the National Economy has been successfully accomplished. The excellent situation on the industrial and agricultural fronts has also brought an excellent situation on the financial-monetary front. To march forward resolutely and ceaselessly in the direction pointed out by Chairman Mao is the basic guarantee for the long-term financial-monetary stability of our country.

Unlike imperialism, which pursues a reactionary policy of blind expansion of production and inflation, the people of our country, developing the revolutionary spirit of "independence, self-determination, self-reliance, fighting amid hardship, and building the nation by hard work and thrift," are vigorously developing production in a planned manner on the basis of Chairman Mao's great strategic concept, "be prepared for war, be prepared for natural disasters, and do everything for the people," and in accordance with the general line of "going all out, aiming high, and building socialism with greater, faster, and better results at lower costs" and the great guideline of "taking agriculture as the foundation and industry as the leading factor" and "developing the economy, safeguarding supplies" laid down by Chairman Mao. On the basis of continuous development of industrial and agricultural production, our finances are sound, consumer goods are abundant, and the market is prosperous. The prices of a large number of essential commodities have

continually been maintained at a stable level, many industrial products — particularly those which go to support agriculture, safeguard the people's health, and satisfy the needs of the people's cultural life — have had their prices lowered again and again, and the living standard of the broad masses of working people is rising continuously. A strong socialist economy has laid a material foundation for the long-term financial-monetary stability of our country.

Unlike imperialism, which pursues a policy of accumulating large-scale fiscal deficits, and lives by exorbitant taxation, unrestrained issuance of currency, floating of bonds, and borrowing of money from foreign countries, we have never imposed a personal income tax and, in our finances, we have always observed the principle of increasing production, practicing economy, and maintaining a balance between revenue and expenditure. We issue money principally on the basis of the requirements of the development of the national economy and not purely on the basis of fiscal needs. In the early days of the founding of the state, we issued a certain amount of bonds, and the money was used for socialist construction. We also borrowed funds from the Soviet Union under the leadership of Stalin, which were used primarily in resisting the United States and aiding Korea, and we adhered firmly to the principle of repayment on schedule. Early in 1965, we paid off all our external debts one year ahead of schedule. By the end of 1968, we also paid back all public debts. We have become a socialist country which owes neither internal nor external debts. Since 1969, in particular, guided by the line of unity and victory of the Party's Ninth Congress and following the increase of industrial and agricultural production by leaps and bounds, we have entered a new era of unprecedented prosperity. In 1970, the size of our fiscal receipts and the degree of financial growth were the greatest since the founding of the state. The solid financial foundation provides an important base for the long-term stability of our jen-min-pi.

Unlike imperialism, which carries out external expansion and predation and exports capital, causing huge deficits in the

balance of payments, we have always persevered in the spirit of proletarian internationalism, opposed the policies of aggression and wars of imperialism, and supported the just struggles of the peoples of various countries. Our foreign trade and aid is conducted and developed on the basis of the principle of equality, mutual benefit, and exchange of mutual necessities. Unlike imperialism, which uses money as an instrument of external exploitation and predation, we use jen-min-pi for pricing and settlement in foreign trade in the service of bilateral trade and economic intercourse, which, moreover, is based on equality and mutual benefit. As a result, we have always maintained a balance of our foreign receipts and payments, with a small surplus in our favor. This is yet another effective factor in our long-term fiscal-monetary stability.

All our splendid achievements on the fiscal-monetary front, and the fact that our jen-min-pi has become one of the few most stable currencies in the world, have been won under the leadership of the great leader Chairman Mao and the Party Central Committee headed by Chairman Mao, with Vice-Chairman Lin as the deputy. They are a victory for Mao Tse-tung Thought, a victory of the Great Proletarian Cultural Revolution, and a victory of the implementation and execution of Chairman Mao's proletarian revolutionary line. At present, under the inspiration of the spirit of the Second Plenary Session of the Party's Ninth Central Committee, a new high tide is appearing in the mass movement, in which the people of the entire country are studying and applying Chairman Mao's brilliant philosophical thinking in a living way. Struggle-criticism-transformation continues to develop in depth in all sectors. The revolutionary spirit of the 700 million Chinese people is rising higher and higher. Our great socialist motherland will be more consolidated, more powerful, and filled with more youthful vigor than ever. On the other hand, imperialism, headed by the United States, and the social imperialism of the Soviet revisionists will head for collapse at an accelerated pace in the midst of numerous contradictions. Regardless of how desperately they may struggle at the brink of death, their political and eco-

conomic crisis, financial-monetary crisis, and social crises will inevitably increase in gravity. They will rot, irretrievably, day after day.

The sharp contrast between two kinds of finances and money under two different social systems enables us to see clearly this general trend of development of contemporary society: capitalism will surely perish and socialism will surely prosper. This is an objective law which will not change with the change of man's will.