

CONTENTS.

FIRST SECTION.

DIAGNOSIS OF THE WORLD CRISIS.

PAGE

Translator's Preface 1

Introduction 1

I. General observations

§ 1. *Mutual dependence between Production and Consumption* 4

(Equilibrium between Production and Consumption. — Distribution under Capitalism and under Communism. — By consumption is meant ultimate consumption.)

§ 2. *Dependence of Production on the methods of the Distribution of Income* 6

(Effects of equality and inequality of income. — Excessive inequality is unsound, but complete equality is impracticable and undesirable.)

§ 3 *Static and dynamic inequality of income* 8

(The meaning of static and dynamic inequality. — Dynamic inequality is caused by reflex movement, i. e. by the impoverishment of wide classes of consumers.)

II. Causes of the present crisis

§ 1. *Technical progress* 10

(The conception of rationalization. — Rationalization in conjunction with the Capitalist method of distribution. — As a tendency in Capitalist production. — The tendency of Production and Distribution under Communism. — Unemployment is due to relative overproduction. — The technical point of view. — Importance of Differentiation. — Ra-

	tionalization becomes dangerous in conjunction with Capitalist distribution: the responsibility of Legislators. — Unemployment as a positive loss.)	PAGE
§ 2.	<i>American business conditions</i> (Instalment business. — The great crash on the American Stock Exchange. — Congestion of goods.)	25
§ 3.	<i>Psychological reasons</i> (General anxiety. — Restriction of consumption. — Panic sales, declining quotations, withdrawal of deposits, currency panic.)	27
§ 4.	<i>Customs Tariff obstacles</i> (Loss of overseas markets and of the Russian market. — Tariff walls of small economic units. — A general abolition of tariff walls would not help.)	32
§ 5.	<i>International debts and Reparations</i> (Accumulation of financial power in the hands of a few nations. — Inter-Ally debts and the question of Reparations: the chief danger lies in the future.)	36
§ 6.	<i>The importance of the various causes</i> (The most important causes are inherent in the nature of the Capitalist system. — Why the crisis broke out only now.)	42
III. The fallacy of the Deflation Theory.		
§ 1.	<i>The two chief theories on the present crisis</i> (The origin of the deflation theory. — All theories on the present crisis fall into two categories, for all the causes may be explained only as being due to deflation or as being due to underconsumption.)	46
§ 2.	<i>The essence of both theories and the distinction between them</i> (Certain symptoms are apparently common to both theories. — Symptoms by which they differ, and reasons which prove the fallacy of the deflation theory.)	48
§ 3.	<i>The Theory of Deflation</i> (The system of monetary mechanism, i. e. the relation of incomes to yields and prices. — The change in the price level and the changed value of money. — The ways in which deflation is carried out: in the case of an unstabilized currency, and in the case of a gold or stabilized currency. —	55

Changed value of gold in consequence of smaller supplies of gold. — Casuistic examination of the problem of deflation.)

- § 4. *The justification of the Theory of Underconsumption* 69
 (Criticism of this theory is based on three false assumptions: that our theory sees in rationalization the sole cause of the crisis; that it ascribes the fall of prices to rationalization; and that the purchasing power lost through unemployment is made good in other directions. — Why differentiation failed to materialize.)
- § 5. *Practical conclusions from this inquiry* 81
 (The postulate of the deflation theory is the reduction of earnings, that of our theory the raising of consumption, above all by suppressing unemployment. — The solution must be international, not local. — The iniquity of "dumping" and of a mutual economic struggle. — Mutual distrust must give way to international co-operation.)

SECOND SECTION.

REMEDIES.

- Introduction 88
- I. The provisional, palliative cure.
- § 1. *General observations* 90
 (All measures for the cure of general nervousness and anxiety must be adopted generally and simultaneously by all nations. — Proposal of an International Financial Committee for the suppression of panic.)
- § 2. *Exchanges and banks* 92
 (Exchanges should be closed in critical times, for they fail to perform their mission and serve as a medium for spreading the panic. — The effect of general panic on banks and credits.)
- § 3. *Questions of currency* 98
 (Accumulation of gold from the general point of view. — Not as detrimental as it is supposed to be. — The function of gold. — The crisis of the English currency. — How to counteract currency panic. — The question of the gold standard. — The question of foreign bills.)

§ 4. <i>Stimulation of consumption</i>	PAGE 105
(The fallacy of "saving". — Complete disarmament at the present moment would not help. — Sterilization of bank deposits is harmful. — Inflation stimulates consumption temporarily, but it is a dangerous experiment. — The control of retail prices.)	
§ 5. <i>Moratorium</i>	108
(The inexpediency of paying war debts in full. — A longer respite for these payments is imperative. — Confidence must be restored.)	
§ 6. <i>The problem of unemployment</i>	109
(Extensive plan of emergency work at present impracticable, but cheap emergency work advisable. — No doles without work. — Wants of the unemployed should be provided for collectively.)	
II. The definite cure of the crisis.	
§ 1. <i>General observations</i>	113
(The cure may be effected only by international co-operation. — Proposal of an International Economic Conference.)	
§ 2. <i>Reform of the Capitalist method of distribution</i>	114
(Distinction between incidental and culpable dynamic inequality of income. — How to remedy culpable inequality. — Remedy of unintentional inequality, inherent in Capitalism: the plan of reserve labour possibilities (extensive work for the unemployed) and the plan of a general reduction of working hours. — Criticism of both plans. — Criticism of the second plan from the standpoint of the saturation of consumption, and from the standpoint of the permanence of the cure. — The plan of reserve labour possibilities as a definite cure of dynamic inequality. — Under what conditions can it be realized. — How to defray the cost of same: tax on rationalization and other means. — Advantages of a tax on rationalization.)	
§ 3. <i>International statistics of consumption</i>	130
(Advantages of organizing economic development according to a definite plan.)	

	PAGE
§ 4. <i>Regulation of instalment business</i>	131
(How to avoid an abuse of this system: insurance in favour of the customer and other means.)	
§ 5. <i>The question of international indebtedness</i>	133
(The futility of exacting the full payment of war debts. — Ultimate cancellation unavoidable.)	
§ 6. <i>Tariff barriers</i>	133
(Salvation lies in a Paneurope. — Economic union easier to achieve than political union. — The question of the lost markets of Russia and in the Far East.)	
§ 7. <i>The problem of gold</i>	135
(The importance of gold as a medium of organization. — The question of a World Clearing House.)	

CONCLUSION.

§ 1. <i>The deflation theory and the theory of underconsumption</i>	138
(The crisis is not due to the appreciation of money, but to inadequate consumption and faulty distribution. — Conclusion from the theory of underconsumption: its importance lies in its practical consequences.)	
§ 2. <i>Inner contradictions of Capitalism</i>	141
(Capitalist distribution causes relative overproduction on one hand, and abnormally low consumption on the other. — How to remove this contradiction.)	
§ 3. <i>Deductions from the difference between, static and dynamic inequality</i>	143
(Important deductions from its existence: the impotence of Capitalism has not been proved. — The evolutionary possibilities of Russian State Capitalism.)	
§ 4. <i>Conclusion</i>	147
(The chief evil is due to rationalization in conjunction with the Capitalist method of distribution, aggravated by further dynamic inequality. Other incidental causes. The cure lies in international regulations, in the co-operation of the public and in the suppression of unemployment.)	