

## IS UNEMPLOYMENT CURABLE?

An airman, A.C. 2 W. Rosenberg, writes the comments printed below on the A.E.W.S. Current Affairs Bulletin "Is Unemployment Curable?" While we are glad to print his letter, we must draw attention to the last paragraph of Part I, section 3, page 4, in the bulletin. This makes it clear that the bulletin was summarizing the essential points in a white-paper in which the British Government outlines a policy which will, it believes, "prevent mass unemployment from occurring again, and at the same time preserve essential liberties."

**M**AY I congratulate you on this little pamphlet, which is just as lucid and unbiased as the rest of your publications, which many of us here read regularly with the greatest of interest. But would you allow me also to add a few words of what you may call constructive criticism to what has been said in your pamphlet?

The argument of the pamphlet is that, apart from temporary—what we may call technological—unemployment, unemployment can only be overcome if total expenditure is kept up to a degree that it can absorb all goods purchased.

It then proceeds to analyse all forms of expenditure, and arrives at the result that fluctuations in expenditure do not primarily originate in the consumers' goods industries, but in the producers' goods or investment goods industries.

The great merit of the pamphlet, to my mind, is to have directed the attention of the person unacquainted with modern economic thought to the importance played by the investment goods industries in our scheme of things. It becomes clear as a policy formulated in the pamphlet that the stimulation of investment is the lever to overcome unemployment.

So far the pamphlet is excellent and is doing a great service. But is there not a gap in your trend of thought—not a jump in the argument? Why, does common-sense ask, is it necessary to stimulate investment if you want people to have enough to eat—when there are sufficient machines and facilities of production to feed them all in abundance?

Well, the reason for this disconnection of thought in your argument lies plainly in the complete omission of the main factor causing unemployment—viz., the

existence of profit in our present form of economy. My criticism of your pamphlet is that the word "profit" is not mentioned even once. You are talking of stabilization of prices and wages, but there is nothing in the argument about the stabilization or, rather, elimination of profits.

Price stabilization alone does not stabilize profits—for owing to the existence of unused "overhead" an increase in sales at stable or even reduced prices will in the majority of cases lead to greater profits. The suggestions which you are putting forward and which may under special circumstances indeed lead to an increase in spending will finally, however, under our present system of production lead to what is commonly called "profit inflation"—in fact, this is now commonly thought to have been the cause of the great 1929 slump in America, when prices and wages had been kept comparatively stable for a considerable period but profits had risen to such an extent that prices of stocks and shares on the stock exchange tripled and quadrupled, and when it finally became clear that consumption could not keep up with rising production the whole card house collapsed, with the consequence of World War II.

Why, then, is the existence of profits incompatible with the maintenance of total expenditure? The reason is simple: while the greater part of incomes consisting of wages is spent in buying, the product which has been appropriated by the entrepreneur in the form of profits is far too large to be consumed by the recipients of these profit incomes—seeing their comparatively small number and also their frequently entirely impersonal character. Company reserves, for