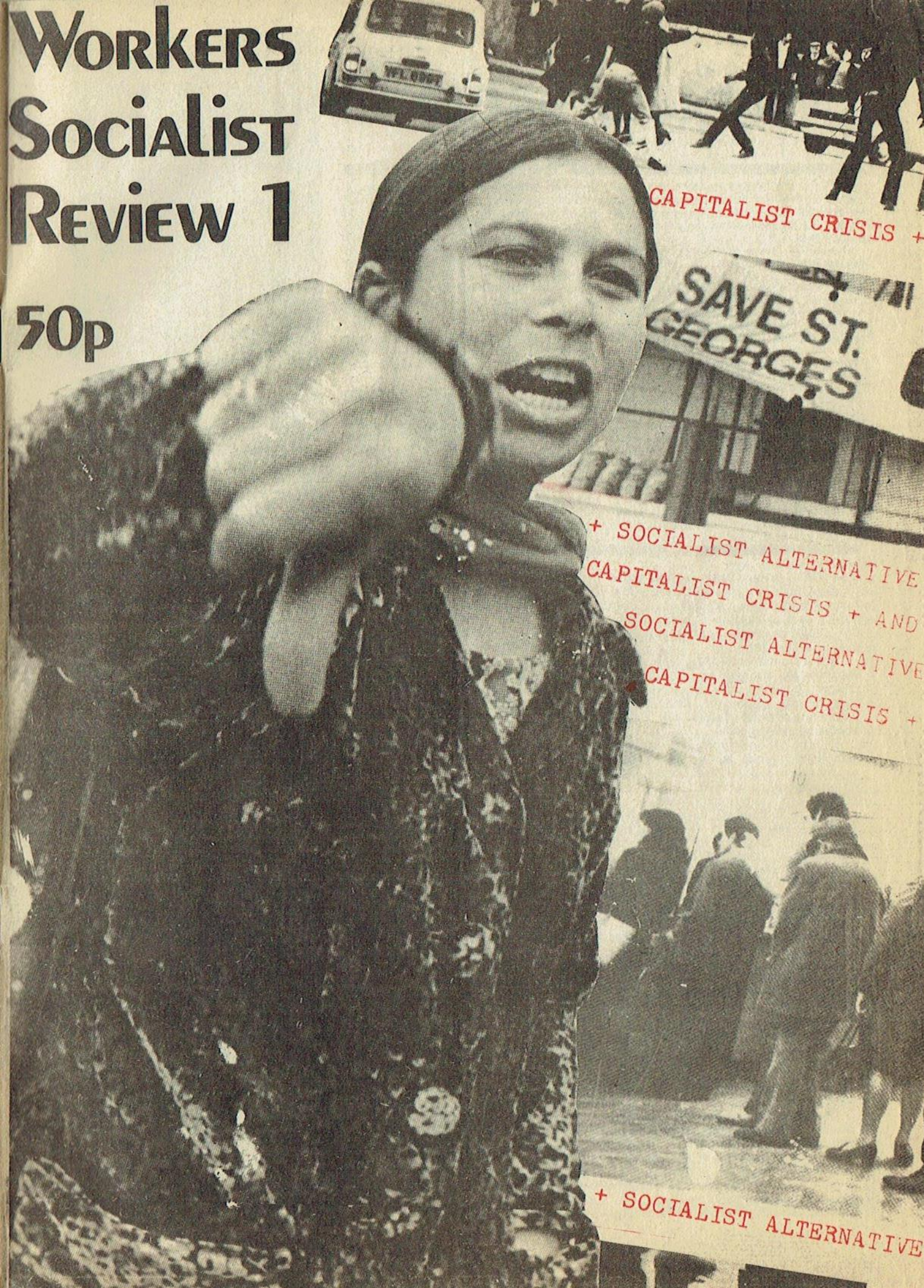


Workers Socialist Review 1

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Workers' Socialist Review

WORKERS' SOCIALIST Review is the magazine of the Workers' Socialist League, formed by a fusion of the International-Communist League and the old Workers' Socialist League on July 26th, 1981.

Fusions of groups of revolutionary Marxists are rare events. This one involved the largest numbers of any fusion in Britain since that in 1944 which created the Revolutionary Communist Party.

It was not a sectarian fusion. We have not created a new self-proclaimed revolutionary party which will needlessly counterpose itself to the existing labour movement. Central to the coming together of the two groups was agreement that the ferment in the labour movement now, on democracy and on questions of policy, opens the possibility of a fundamental political and organisational self-recreation of the labour movement.

Reformism as a workable policy is dead in Britain for this historical epoch. Even minor reforms now can only be won by mass mobilisations and struggles: they can be consolidated only if the working class takes state power.

In response to the decay of British capitalist society, which has already reached the

stage of convulsions, the labour movement is trying to shed its past and to rearm itself politically. That is the significance of the struggles in the Labour Party. It is the significance of the ferment of discussion around different versions of the Alternative Economic Strategy. In this situation the place of Marxists is in the mass working class movement — to help the left in the trade unions and in the Labour Party to organise itself and to win the labour movement for Marxist politics.

For without revolutionary Marxist politics the working class will not be able to fight its way out of the stagnant jungle of putrefying capitalist society.

That is the task for which the new WSL has been founded by militants active in the struggle to politically reorient and regenerate the British labour movement, so that we have a socialist alternative to Thatcher and to Thatcherism.

The following speech by Alan Thornett was delivered at the public rally held in Birmingham on October 10 1981 to launch the new WSL. It explains what the WSL is and what it must do in the period ahead.

MARXISTS have a basic starting point to all of their struggles and ideas — that the working class is a revolutionary class and as such is capable of overthrowing the capitalist system and establishing the socialist order.

It is a fundamental truth from which we draw the strength to face the daily struggle. It allows us to see our victories and defeats within the class struggle within the context of an entirely achievable strategic objective.

It is an outlook which gives Marxists something unique among all political tendencies in the workers' movement — an unshakeable confidence in the working class as a revolutionary force.

It is something we have to defend every day against those who tell us that the working class are so imbued with the ideas of capitalism that they can always be diverted at the crucial point. They are usually the same people who say the working class won't fight in order to cover up their own refusal to lead.

We have to explain that our confidence springs not from romanticism but from Marxism as a scientific theory. That we see the working class as an exploited class, driven by the realities of class society into conflict with their exploiters — not just at the point of production, but at the level of government.

This does not mean that workers are consciously seeking revolution — it means that the working class are objectively revolutionary.

It means that at moments of history when all the conditions are present, the overwhelming power of the working class, as the producers of all wealth, can be harnessed to make a revolution.

October 1917 changed the world because it showed it could be done.

But, as everyone knows, that revolution

took place when all the conditions for the seizure of power were present. Not just the disintegration of capitalism. Not just a rise in the consciousness of the working class. But also the leadership in the form of Lenin's Bolshevik Party — the most developed leadership the working class has ever produced.

It points to our task today. To produce a leadership on Bolshevik lines. A party built in that tradition which can lead a successful socialist revolution when the revolutionary moment comes.

But that as everyone knows is easy to say but very difficult to accomplish in practice.

The revolution of 1917 has undergone a deep bureaucratic degeneration. To build a revolutionary party today means building a Trotskyist party which addresses itself not only to leading the social revolution in the capitalist countries but also the political revolution in the deformed and degenerated workers' states — something which the events in Poland today have shown to be entirely possible.

It means building parties which are not nationally based parties, but parties built as part of a revolutionary international, with a perspective of world revolution.

It means building parties of a particular type. Not parties which remain isolated from the working class, or at best on its periphery, but parties established and developed within the working class itself — rejecting a sectarian approach to the mass movement as Lenin did in 'Left Wing Communism'.

It means building parties based on a programme which is not only adequate to the needs of the working class today but raises the consciousness of the workers and takes them in the direction of power.

It was our joint conviction on this

approach which made the fusion between the old WSL and the ICL possible.

Both movement were convinced that in Britain any serious development towards a revolutionary party would have to be built with a fight inside the unions and would have to have a correct attitude towards the Labour Party.

This is something which has not been achieved in any adequate way by any previous Trotskyist grouping in Britain.

The fusion therefore creates a unique opportunity in Britain — to build a party which has an open and non-sectarian approach to the working class but at the same time fights on firm programme and principles.

It is also self-evident that unique conditions exist in the present period for such a development.

You don't need me to tell you about the Thatcher government; monetarism; the 4% wage norm; de-industrialisation of the economy; three million unemployed; the destruction of the social services; legislation against the unions; and plunging living standards.

We have Reaganism in the USA and the drive towards the Third World War, with the biggest rearmament in history, talk of tactical nuclear wars and aid to every dictatorship in the world.

We have economic crisis gripping the entire capitalist world. Falling living standards in the major capitalist countries and grinding poverty in the underdeveloped countries.

But even these unique conditions do not of themselves resolve the problem of how the working class can fight back. The question of leadership comes up at every stage.

A number of conditions have to be present. It is necessary to grasp very clearly the intimate connection between the programme and demands you advance in today's struggles and the strategic goal of social revolution.

That means a very clear grasp not only of the demands of the Transitional Programme but more importantly how they are used in practice in the day to day struggles of the working class.

It means for example having a very clear understanding of the power and relevance of a transitional demand like 'open the books'.

Take the state-owned industries.

Workers are confronted with a picture of bankrupt industries unable to meet even a fraction of the claims made by the trade unions. But what is the reality?

The Observer commissioned a very interesting study of the financing of the state industries — which is worth referring to.

The overall assessment made by the team was that the state industries are "a money lender's paradise".

The returns from the 23 industries they covered ranged from a total joint profit of £800 million to a joint loss of £1½ billion, depending on how the figures were calculated.



But even if we take the highest loss figure we then find that the same 23 industries paid £3 billion to the banks in interest charges over the same period.

And that is without opening the books. The £100 million interest charges BL pay to the banks, for example, would more than meet this year's claim, which management calculate at £80 million.

The open the books demand means that workers reject the management's figures and propaganda and take an important step in the direction of workers' control.

The working class emerge to confront the class enemy — as the steel workers did last year — only to be split and divided and contained by their own so-called leaders.

Workers occupy to defend their jobs like at St Benedict's, Longworth, St Mary's, Lee Jeans and Laurence Scott, only to enter into immediate conflict with the officials who want to call the action off or leave them isolated and open to being smashed by the state.

The TUC has disappeared from sight since the Tories were elected. The TUC conference refused to lift a finger against Thatcher. They have talks with Thatcher and come out saying 'there is light at the end of the tunnel'.

In local government, left Labour councils — even the best of them — refuse to act as working class leaders and confront the government. Instead they rely on a policy of rate increases.

The deepening economic crisis makes the reformists even more reluctant to fight. Their politics paralyse them when they are faced with the viability problems of the capitalist system or of the individual employer.

So what effect has this had on the working class? It has caused anger and frustration and it has allowed the Tories to rampage almost with impunity — the only major defence of jobs was the stopping of pit closures by the threat of a miners' strike.

But it has also created explosive pressures inside the working. The youth riots were a reflection of these pressures and produced a gut reaction to the degradation imposed on them by capitalism.

But again whilst these developments create favourable conditions, they do

not resolve the question of revolutionary leadership.

Because the hard fact is that the problem of working class leadership cannot be reached without the development of a Trotskyist party, extensively rooted in the working class.

So what kind of party do we need and how do we achieve it?

Firstly we have tried to present at the Rally today some of the areas of work the WSL is involved in: Work in the unions, in rank and file groupings; support for the anti-imperialist struggle in Ireland; the struggle in Poland; our work on women's oppression; solidarity work with the oppressed; work among youth; gay rights; work among the unemployed.

We have tried to show that these major and very diverse areas of work are brought together by the unifying factor of the party. All these areas of work are woven into the party's strategic objective — the mobilisation of the working class for the seizure of power.

But they have to be woven into a party of a particular type — a vanguard party — the party Lenin fought for.

But even that presents a problem, because every group calling themselves Trotskyist would regard themselves as a vanguard — but clearly most of them are not. So what is a vanguard party?

First of all it is not a matter of being out in front of the working class. Many groups are out in front of the working class — some so far that the working class would need a radio telescope to make contact with them — and we could all put names to those.

To be a vanguard party it is a matter of being in the leadership of the working class, and that is something quite different.

But developing a party that can actually lead workers is a difficult question. It means establishing a record. It means winning the confidence of sections of workers on the leadership you give and the programme you advance.

Such demands, like cost of living clauses, or occupations, if carefully presented and correctly fought for, can both challenge capitalism and the existing consciousness of the working class.

That kind of struggle, alongside a struggle at every level in the unions, particularly on trade union democracy which has now been opened right up by the struggle inside the Labour Party, could soon establish Trotskyists in positions of leadership.

We want to build a party with its roots in the working class and its sights set on social revolution.

To do this it has to be a disciplined party, not authoritarian, but a party in which maximum discussion takes place on policy and programme and is then capable of the disciplined implementation of that programme.

Workers in struggle are not looking for a discussion shop — they are looking for a serious leadership organisation.

We have to take the question of government and the struggle inside the Labour Party very seriously.

If Thatcher is removed in the course of the wages struggle this winter or even if she is removed at the next election and a Labour government elected, what kind of Labour government is it going to be?

That is the issue which lies behind

Tony Benn's challenge for the deputy leadership and all the recent struggles on democracy.

Will the policies decided by the Labour Party conference be the ones contained in the party manifesto and carried out by a Labour government — or will the right wing leadership go their own way as they have in the past.

We have supported the democratic reforms and the Benn campaign all the way and will continue to do so. The democracy movement that he has come to represent has rocked the labour movement to its foundations, not just the Labour Party but the trade unions as well.

It means we can now fight for the kind of policies we want to see a future Labour government adopt.

But Tony Benn is not a Marxist. We strongly disagree with the programme he advocates for a future Labour government.

As everyone knows he stands on the alternative economic strategy, which does not challenge capitalism and contains reactionary nationalistic demands like import controls. Tony Benn makes the nationalistic call for a national liberation struggle in Britain.

Whilst supporting Tony Benn as the best of the lefts and recognising his contribution on democracy, we fight relentlessly against such positions. They are not just inadequate, they are wrong. They lead right back into the capitalist blind alley of reformism.

We have to fight not for a Labour government of the old type — or a left Labour government to implement the Alternative Economic Strategy — but for a workers' government — a government committed to the working class, responsive to the labour movement, and controlled by it.

To the left in the Labour Party we say the same as we say to the left in the unions — we will fight with you when you fight. We are with you all the way on democracy. We will fight with you against racism and fascism. If you will stand with us, we will stand with you in solidarity with all workers in struggle.

But there is a difference between us — and we make no bones about it. We are Marxists. We are revolutionaries. Our strategic goal is workers' power. We will not go just a part of the way — or even half of the way — we are going all of the way and we are going to build the party to do it.

Join the WSL

[] I want to join the WSL.

[] I want more information about the WSL.

Return to WSL, PO Box 135,
London N1 0DD.

Capitalist crisis and socialist alternative

by BOB
SUTCLIFFE

1. BOOM AND CRISIS

IT IS now more than a decade since the world's economy appeared to contract a serious ailment which has been increasingly diagnosed as a major crisis of the capitalist system to be compared with the crises of the 1930s or the late 19th century.

Many efforts have now been made to prescribe remedies for the mysterious disease but the infection has proved to be very resistant to treatment. As one symptom subsides another seems to get worse. And one underlying symptom has not been significantly relieved anywhere — that is a long term, and in many countries very severe, decline in the rate of profit on productively invested capital.

This has been so persistent that as time has gone by the older traditional physicians, the economists, have become more and more uncertain and confused and those who dare to propose remedies have had to prescribe increasingly powerful medicines with increasingly terrifying potential side-effects.

Recently a former Chairman of the United States Council of Economic Advisors, Paul W. McCracken warned that "the free world is at a dangerous juncture where the wrong set of moves could head it towards economic and political disaster." (1)

Such fearful opinions are now very common among leading figures of the capitalist class and respectable academics. They are a far cry from the general opinions two decades ago when commentaries on the future of capitalism were usually suffused with optimism.

The successors of John Maynard Keynes argued that, given appropriate state intervention in the economy, the problems which had become so severe in the deep slump of the 1930s could be overcome in a capitalist economy of a new more managed kind. The long post-war boom appeared to confirm this perspective.

Though Keynes was never so optimistic, his successors said that major slumps had been abolished forever from capitalism which could therefore expect, given the right government policies, a boundless future free from major economic crises. The most famous economics textbook printed in the post-war period (by the American economist Paul Samuelson) states:

"everywhere in the Western world governments and central banks have

I am grateful to Ann Evans for help in producing this article; and also to Alan Clinton, Ian McCulman, and Anne Marie Sweeney for comments and suggestions. The final text is my responsibility and not necessarily in every detail the views of the WSL.

shown they can win the battle of the slump." (2)

Another prominent economist, Gottfried Haberler wrote:

"A repetition of the catastrophe of the Great Depression today is practically impossible." (3)

Today, however, poor Professor Samuelson is reduced to observing sadly that:

"Whatever government does to handle the 'flation' part of our stagflation inevitably worsens in the short term the stagnation part of the problem. That stubborn reality will not go away... Likewise whatever government policy does to help the 'stag' part of stagflation will ineluctably worsen the inflation part of stagflation." (4)

And Professor Haberler's hopes have been shattered too. He recently noted that "all recent economic reports by national and international agencies are tinged with pessimism and gloom, predicting more inflation, near-zero productivity growth, stagnating or declining GNP, and high unemployment." (5)

To Henry Kissinger, Richard Nixon's Secretary of State, such predictions are "a nightmare". Stagnation, he has said, "magnifies all our difficulties, while stable growth enhances our possibilities." (6)

This whole theory which led to economists' earlier optimism, now lies in ruins. It is so discredited that there is even a revivalist movement of traditional classical economics which Keynes thought he had demolished once and for all.

In the bureaux of London, Washington, Canberra and, until recently, Paris, Keynesians are given golden handshakes and put out to grass while the born-again traditionalists move in. Within the bourgeoisie there has been something of an intellectual counter-revolution and its prophets are von Hayek and Milton Friedman. And they are now being joined by economists who 20 years ago would have been dismissed as quacks.

Keynesians predicted a world without inflation and without unemployment. Yet today throughout the capitalist world inflation is rapid and almost out of control and unemployment is heading for its

worst levels ever. It is therefore hardly surprising that Keynesian theory is now deeply discredited.

The collapse of the capitalist economy into a prolonged and deep crisis has also contributed to the revival of Marxist economics within the capitalist countries (though scarcely yet in the so-called 'communist' states) and its influence is beginning to spread in the labour movement.

This revival of Marxist economics is not surprising. Marx's emphasis was not on the equilibrium of the system but on its inherent contradictions and disequilibrium, on its tendencies not towards stability and continuous expansion but towards crisis and periodic slump. By the early 1970's this seemed to accord much more with reality than either Keynesian or classical bourgeois economics. So did Marx's accent on the role of class struggle rather than the bourgeois vision of a common interest between capital and labour (referred to by many bourgeois economists as the 'social partners'). Even the complaints of the capitalists themselves seemed to bear out Marx's expectations about the falling rate of profit, just as the capitalists' solution — wage cuts and forcing up productivity — seemed to bear out Marx's predictions.

But Marxist economics does not exist as a ready-made explanatory or prescriptive formula waiting in the wings to be applied to a new reality. During the long capitalist boom and in the heyday of Keynesian optimism Marxist economists, though small in number and often suffering very difficult conditions, continued to write. Many of them produced insights which are valuable today. But the Marxist economics of the boom, as many of its practitioners would today admit, suffered from two apparently different but in fact closely related problems.

The first was a tendency to accept too readily the apparent new stability of the capitalist system and to concede a great deal to the Keynesian view of capitalist economics. While, of course, it is easier to make that criticism today with hindsight and a knowledge that the boom was finite, it is nonetheless clear that some of the Marxist writings of the boom period failed to see the underlying problems of capitalism behind the boom.

The second problem, or group of prob-

lems, also stemmed from the pressure of the boom and the strength which it gave to the new bourgeois ideology. Under this pressure some Marxists failed to see the significance of the boom and the changes in the workings of capitalism which it demonstrated. At the lunatic extreme this involved a few Marxists in denying that the boom happened at all or prophesying the end of the boom in the same way as religious fanatics prophesy the end of the world.

Those two ailments still infect the search for a satisfactory Marxist account of the current crisis of capitalism as a basis for socialist strategy to combat its pernicious effects. Neither a left sounding description of events nor the restatement of a few theoretical verities from 'Capital' constitute a Marxist account of the crisis.

The challenge to Marxists today is to bridge the gulf between the concrete events as we experience and perceive them and the theoretical insights into the laws of motion of capitalism which Marx and his followers have discovered. The task is a creative one involving the critical examination of both Marxist and bourgeois economic writings, the careful examination and interpretation of concrete facts and the search for the laws behind them, and, based on this analysis, the fight to make the struggle for socialism an effective one.

Two periods

This article does not pretend to solve the problems involved in analysing the crisis. Its emphasis is more descriptive than theoretical. And that is partly because I do not believe that the theoretical issues which have been debated among Marxist economists in the last decade have yet been resolved to the point where they can simply be applied to illuminate what is happening in the real capitalist world. The light which they cast has often been a rather flickering and dim one.

Too many Marxist analyses of the crisis begin with the author's version of Marx's theory of crisis (and the diversity and incompleteness of Marx's work allows for a number of different interpretations) and then go on to give a description of recent capitalist history which is only very tenuously related to the theoretical introduction. Too often theoretical writing has had the same function as wearing a lapel badge saying 'orthodoxy' rather than a truly creative endeavour.

In this article I have tried to take a different approach. It is structured around a description of what seem to me to be the salient features of post-war capitalism; and it makes periodical brief excursions into the realms of Marxist theory in order to help get behind the facts to some of the possible causes.

I have particularly tried to emphasise the qualitative difference between two successive periods of post-war capitalism: the postwar boom of about twenty years during which, with relatively few interruptions, capitalism expanded at a rate without precedent in its whole history; and the subsequent period of prolonged crisis in which growth has been at best erratic and the system has been plagued by chronic problems such as mass unemployment and inflation to which no end is yet in sight.

In describing the boom I have tried to do three things:

— first, to insist on its reality and significance as against those crazy dogmatists who, on the basis of their scriptural interpretation of Marxist texts, wish to maintain that it was in some way fictitious;

— second, to stress the ways in which the structure and form of capitalism changed in very major ways during the boom; important here were the role of the state, the internationalisation of capital and the changing role of women in the capitalist economy;

— third, to describe the changes which took place in the course of the boom which seem to have intensified the contradictions which brought the boom to an end.

Because of the particular nature of the postwar boom, capitalism today is far from identical to the capitalism of the 19th century or the interwar years. Marxism cannot illuminate today's crisis unless it recognises this change and tries to characterise it in a creative way.

We will not get very far by analysing this crisis as if it were a re-run of previous ones. Its main features are related to the historically unique aspects of the boom which preceded it; this is especially true in relation to state spending, the interrelations of different capitalist states and the nature of today's unemployment.

It is becoming clearer every day that, if we are to describe the last decade or more as a capitalist crisis which has something in common with its predecessors, we have to acknowledge that its major difference from them is its very long drawn-out nature.

Some Marxists have tended to look at capitalism in this period as if it hung on a weakening thread over a precipice, waiting to collapse imminently into some kind of catastrophe. On the other hand, despite the sometimes very acute problems of the system, no catastrophic collapse has yet occurred. So far at least the events of the crisis have been less apocalyptic than most of us have at times prophesied. We have to try to understand why this is so if we are to be able to devise effective and realistic strategies which will lead to socialism.

Interrelations

Finally, the account of post-war capitalism in this article tries to begin to redress an imbalance of much Marxist writing on this subject. This involves a distorted emphasis on events in the advanced capitalist countries. But as a world system capitalism embraces too the underdeveloped countries and their fate is integral to the nature of the crisis.

In addition the interrelations of the capitalist economies and the economies of the Stalinist-ruled states has become steadily greater in the post-war period and the economic problems of both parts of the world cannot be understood without understanding these relations. So I have also tried, albeit very briefly, to integrate this too in the description of the crisis.

My overall hope is that this approach will provide information which will promote further and more informed discussion of the economic crisis among readers of Workers' Socialist Review, will offer me pointers towards the development of a theoretical understanding of the issues Marxists face, and will relate all this to the question of preparing a more effective fight for socialist policies in the labour movement.

2. THE WORLD ECONOMY

IT WAS once possible to study and analyse economic life in one part of the world in complete isolation from the rest of the planet. Scarcely anywhere is this true today. The economies of the planet Earth are more interrelated than ever before. The cause of that more than anything else has been the development of capitalism. One of Marx's profound insights into the capitalist system was his discovery that, unlike all previous modes of production, capital has a tendency to expand without limit and that meant that it tended to break down barriers and borders and to create for the first time in history a 'world economy'.

That has not been an even and continuous process. Some countries, like the USSR and China, have broken away to some extent from the world capitalist economy; and especially during crises, capitalist countries have retreated from the rest of the world like snails into their shells in an effort to protect themselves.

In such periods world trade and the international division of labour has contracted and trade barriers have been erected.

But the long term trend of capitalism has been towards the increasing international division of labour, towards foreign investment, international markets in commodities, financial assets, and some forms of labour power. Those developments have never been faster than in the period of the postwar boom.

A decision to raise the price of oil taken by a feudal monarch in Jeddah might threaten to worsen the balance of payments of the USA which might prompt American central bankers to raise interest rates which might create new problems for a country deep in international debt like Poland which might lead the Polish government to increase meat prices for Polish consumers.

The world economy today is like a complexly patterned fabric composed of long causal threads of which the above is an oversimplified example.

At the cost of oversimplifying even more, let us try to look at the world economy as a whole, as if from a great distance.

Imagine viewing the economy of the planet Earth from the vantage point of a highly sensitised economic observer satellite. How could today's world economy be described?

First of all the value of the total production of goods and services in the world in 1980 was around \$10 trillion (1 trillion = 1,000 billion). (7)

Given that the population of the Earth is around 4.5 billion that implies that the average value of production per head was \$2,222 — that is, about 2/5 of the average level for Britain, and about equal to countries such as Argentina, Portugal and Yugoslavia; countries which could be described as the least developed of the developed countries or the most developed of the underdeveloped countries.

Of course, there are hundreds of reasons why the figure of \$2,222 may be inaccurate and misleading. But, in spite of all those reasons that single figure possesses great significance. It means, if it is at all accurate, that the total value of production in the world at the present time — not taking into account what

exactly is produced and the way in which it is distributed — is just about enough to sustain a basic standard of life and health for the world's population. If we take into account the fact that many of the world's economic resources are underutilised (both existing means of production and labour) and also that the technical knowledge exists to produce many achievements in the very short run (e.g. the elimination of certain diseases) — and if we go beyond that and say that a relatively short run reallocation of productive resources is possible to produce more socially useful products than today — then it is possible to argue an extremely important point for socialists: the development of the productive forces of the earth today is sufficient fairly comfortably to meet all the material and many of the cultural needs of its people.

This fact in itself is of no importance at all for capitalists whose only interest is in making profits sufficient to support their existence as an exploiting class.

For those whom they exploit, however, and for socialists the fact carries immense importance. It shows that the reason why the majority of the population of the world endure poverty, hard labour, cultural deprivation and in hundreds of millions of cases chronic hunger and disease, is not that the earth is either short of productive resources or that the forces of production have not yet been developed enough to meet human needs.

The reason is the exploitative way in which the world's production takes place and the staggeringly unequal manner in which the world's products are distributed.

Unequal

While 800 million people in the underdeveloped countries are estimated to be suffering from undernourishment (too few calories) and millions of others from malnutrition (deficiencies of essential nutrients) the European Economic Community spends \$7 billion a year to accumulate unsold stocks of food under its infamous Common Agricultural Policy. And the US government spends billions more to encourage farmers in the USA not to plant food crops.

Another example: spending on the means of destruction (so-called 'defence') in the 18 most developed countries is about \$200 billion (and if the Warsaw Pact countries are added that goes up to perhaps \$400 billion); at the same time spending on health care in the 36 poorest countries of the world (containing over half its population) was only \$5 billion. In fact the poorest countries themselves spend 3½ times as much on the military as they do on health. (8)

So clearly one of the reasons why the world's productive resources, though quite sufficient to solve the material problems of its people, are not used for that purpose is the nature of production — that it is by and large motivated for profit or for the power needs of the bureaucratic rulers, rather than to fulfill human needs.

Another reason is the horrifyingly unequal way in which consumption is divided between countries and between individuals. A few countries dominate the world economy — broadly speaking those which succeeded in industrialising before the early 20th century.

Out of the "Gross Planetary Product"

of \$10,000 billion no less than 63% is produced in the 18 industrialised capitalist countries, which contain only 16% of the world's population. One country alone, the USA, contains 5% of the world's population but accounts for 25% of the planetary production.

By contrast the 36 poorest countries contain 50% of the population and produce only 5% of the world's product. The "centrally planned industrial economies" contain 8% of the world's population and produced 15% of its product.

So if we just look at national averages then the national income in the USA per person is over 40 times as high as it is in the 36 poorest countries. [All figures from World Bank, 'World Development Report, 1981].

That kind of figure, however, is misleading; it grossly underestimates the amount of inequality in the world because within the countries there are also huge inequalities.

In the United States, for example, the wealthiest 10% of the population (over 20 million people) have an average income ten times as high as the poorest 20% of the people. And in Brazil, to give an extreme example, the wealthiest 20% were 67 times better off than the poorest 20%.

What these figures mean is that the most privileged sections of the people in the advanced capitalist countries are many thousands of times wealthier than the poorest people in the underdeveloped countries.

Socialists view these inequalities with moral disgust. But the difference between the socialist and the liberal and reformist traditions is that the problems are not seen purely as moral ones which can be redressed by changes of heart; rather we see inequalities in distribution and the problems which result from them as being part and parcel of the same question as that of how products are produced. It is exploitation in the forms of production which more than anything else result in the inequalities and which mean that the world economy reproduces mass starvation, unemployment and chronic disease from day to day and from generation to generation.

Socialists have argued therefore that the solution to the economic problem cannot be seen in terms of redistribution alone. The conditions for redistribution can only be created when the nature of production is changed, when exploitative systems are destroyed.

For socialists, for those who seek a world in which individual human beings can express and develop themselves creatively and be free from want, the purpose of economic and political analysis of today's society is to search for the conditions to end it.

We cannot conduct that search properly by seeing the world statically as a snapshot at one instant. We have to see how it is moving and changing, to see it as a motion picture. Then we can perceive its contradictions and how socialists can consciously intervene to change it.

1. Quoted in A.G. Frank, *Crisis in the World Economy*, Ch.1.
2. Quoted in B. Sutcliffe, *Keynesianism and the Stabilisation of Capitalist Economies*, in F. Green & P. Nore (eds), *Economics: an Anti-text*.
3. Ditto.

3. THE GREAT POST-WAR BOOM

In the post-war world capitalism has moved in dramatic and unexpected ways.

In 1945 at the end of the most costly and bloody conflict the world had ever known Marxist and bourgeois economists were almost unanimous in predicting that capitalism would re-enter a massive slump equal to or worse than that of the 1930's.

And they were unanimously wrong since by 1950 capitalism had embarked upon a generation of expansion which had never been equalled in its history.

The production of use values, the productivity of labour, the stock of the means of production, production technology, the invention of new products, world trade and the international division of labour — all these expanded in the 1950's and 1960's faster, and for a longer sustained period than ever before in the history of capitalism.

It should not be necessary to insist that represented a huge expansion of the forces of production. But it is necessary to do so because some revolutionary socialists have tried to insist either that it did not happen or that what happened did not signify a period of successful capital accumulation in a traditional sense.

Why did some socialists deny what had obviously occurred? The answer is that they represented a current which has always existed in socialist thought which wishes to deny the reality of anything which conflicts with their simplistic preconceived ideas about what is possible. These kinds of theoretical views very often coexist with the most extreme forms of political sectarianism.

But in asserting the reality of the post-war capitalist expansion we need also to see the changes which were occurring in the structure of capitalism and the problems and contradictions which the expansion produced.

I shall single out six aspects of the expansion to examine in more detail: the changing relative importance of the imperialist economies; the internationalisation of capital; the development of the working class; the position of women; the changing economic role of the state in capitalist economies; and the position of the 'third world'.

1. Inter-imperialist relationships

In 1945 when the European economies and Japan were still torn by the devastation of the war, the physically unscathed United States was the overwhelmingly dominant economy of the capitalist world.

United States hegemony or dominance was shown by the fact that it produced about 70% of the advanced capitalist world's output and accounted for over 25% of its exports of manufactured goods, as well as a high proportion of raw material exports. United States corporations were able to buy up means

4. Quoted in A.G. Frank, *op. cit.*
5. Quoted in *Washington Post*, Sept. 20th, 1981.
6. Quoted in A.G. Frank, *op. cit.*
7. World Bank, *World Development Report*, 1981.
8. Ditto.

of production in other countries and US banks loaned money to foreign corporations. The US railroad through the Bretton Woods conference a new monetary system which was based on the dominance of the dollar. For years afterwards holding dollars was like owning Aladdin's lamp: you could get anything you wanted with them.

The more enlightened sections of the American capitalist class realised very soon that such a degree of hegemony might be self-defeating since in many parts of the world, especially Western Europe, it threatened the continued existence of capitalism. They therefore launched an anti-communist political offensive and immediately afterwards began to take measures designed to lead to the capitalist reconstruction of Western Europe and Japan. To maintain capitalism against the threat from the working class of Western Europe and the alleged threat from the Soviet Union, the US was obliged to sacrifice an element of its dominance and allow Europe and Japan to stand on their own feet.

Since that moment the story has been one of continuous decline in the relative weight of the US in the capitalist system punctuated by moments of crisis in which crucial aspects of its leadership were transformed. The most dramatic of these were the years 1971 to 1974 when the old monetary system based on the almighty dollar was destroyed and the ability of the US to benefit from and control the rest of the capitalist economy was severely shaken.

Now the USA produces only 40% of the production of the advanced capitalist countries in place of 70% in 1945. And it accounts for only 11% of world exports of manufactures compared with more than half in 1945.

The counterpart of the relative decline of the USA, as well as of Britain, has been the rise in the economic importance of Japan, the Western European countries and a few 'third world' countries. These developments have meant that the balance of national strength within the imperialist countries has shifted quite considerably since 1950. The shift has been accentuated not only by the economic growth of other imperialist powers relative to the United States, but also by the decline in the overall world power of the USA, as witnessed by defeats in Vietnam, Iran, Africa and so on. This has reduced the weight of the USA as the overall military and political protector of the whole imperialist system.

But in spite of this the USA remains the dominant imperialist power. In some ways the figures for the relative size of American production are misleading and underestimate the relative size of US capital since there has been an enormous upsurge of investment by US capitalists in other countries which is part of

Shares of GNP of Main Capitalist Countries (%)

	1953	1977
West Germany	6.5	13.21
France	8.0	9.74
Italy	3.8	5.02
Japan	3.6	17.69
U.K.	8.9	6.25
U.S.A.	69.0	48.08

Source: OECD

Shares of World Trade in Manufacture (%)

	1961	1978
U.S.A.	17.9	11.5
Japan	5.0	11.5
Britain	12.7	7.0
Rest of EEC	33.9	37.1

Source: OECD

the vast internationalisation of capital which had occurred.

2. The Internationalisation and concentration of capital

The period of the great boom has been one of enormous extension of the international interpenetration of capitalist economies. This has taken place in the first instance through the growth of world trade which has been far in excess of the growth of production. World trade grew by 8.6% per year between 1950 and 1970 while production was growing at 4.9% a year.

This means that there was a great extension of the international division of labour and the capitalist economies were becoming more integrated with each other. Most of this growth was in trade between advanced capitalist countries which now accounts for 54% of all world trade.

Part of this growing division of labour was not the result of increasing exports by the capitalists of one nation to those of another but was the result of the growth of international investment and the multinational corporation. Much of what appears statistically as trade between two nations actually consists of the movement of semi-finished products, raw materials and so on between different national branches of the same firm. There are various estimates of the extent of this kind of 'transfer trade'. They tend to place it between 30% and 45% of all world trade today.

The internationalisation of capital is also shown by the growth of foreign investment. In 1976 the amount of cap-

ital invested which was owned by capitalists of another nation was estimated by the UN at \$287 billion — and of this 94% was owned by the US alone. (10)

A more recent study by the US Department of Commerce estimates that the value of foreign assets controlled by the US multinational corporations alone (excluding banks) was about \$500 billion in 1977. Their sales were \$648 billion (nearly 10% of 'Planetary product') and they employed over seven million people. (11)

This means that production by foreign branches of large multinational corporations ('overseas production') was a very high proportion of home production for several major capitalist countries, especially Switzerland and Britain.

The form of this post-war international investment boom has largely been that of investment by capitalists of one imperialist country in another and this tendency has been growing. By 1975 three quarters of the foreign owned capital of the world was in other imperialist countries and only a quarter in the 'third world'. In fact, if the oil producing countries and the 'tax haven' countries are excluded then only 17% of all foreign owned capital was in the rest of the 'third world'.

Internationalisation has taken place not only in productive investment but also in the development of banking and financial markets. Partly to assist the development of capitalist trade and investment throughout the world, a vast network of international banks have been established. In fact this development has literally transformed the shape of the centre of virtually every major

Phases in Capitalist Development

	1870-1913	1913-1950	1950-1970	1970-1980
Average output growth rate	2.5	1.9	4.9	3.8
Average output per capita growth rate	1.5	1.1	3.8	2.7
Average export growth rate	3.7	1.1	8.6	5.3
Average unemployment rate	5.7	7.3	3.1	n.a.

Sources: A. Glyn and J. Harrison, *The British Economic Disaster*. World Bank, *Development Report*, 1981.



city in the world in the post-war period as their characteristic glass towers have competed with each other like the brick towers of medieval Italian nobles. With the growth of these banks has gone the growth of new financial assets and markets. The most prominent of these has been the Euro-Dollar market. Deposits in the form of Euro-Dollars, virtually out of the control of any state monetary system or central bank now probably exceed \$600 billion, twice the value of all international direct investment.

Some idea of the importance of the international banking network can be given by a recent estimate which puts the

value of all trading in foreign exchange at \$25 trillion a year — $2\frac{1}{2}$ times the total value of world production and 20 times the value of world trade in goods and services. (12)

The internationalisation of capital is related to changes in the form and role of the capitalist state. Along with internationalisation has gone the development and strengthening of what are still rudimentary state institutions at the international level — the GATT, the IMF, NATO and the EEC. But international capital's needs for the development of internationalised state functions has not been met by these developments; and so

institutions and arrangements have been made by the private sector itself. This is part of the function of the Euro-currency market.

In most individual capitalist countries, mergers and takeovers have led to a very considerable increase in concentration of production in the hands of a few monopolies. And the growth of multinational corporations has meant that this process of concentration has also gone on at a world level. In 1962 the largest industrial companies collectively accounted for 28% of the total production of the OECD countries; by 1977 the proportion they controlled rose to 35% and was still on the way up.

In Britain the top 100 firms produced 22% of output in 1949 and 42% in 1975. In 1977 the top 50 companies owned 33% of all company assets; the top 250 companies owned almost 60% of assets. (13)

In other capitalist countries the figures and trends are not very different.

This process of concentration in most countries was a continuous one during the boom. One response to the fall in profitability in the last decade or so has been the acceleration of this trend. In some countries there have been sensational waves of mergers and takeovers.

For instance, in Britain during the 1960s merger boom, firms representing as much as a third of the value of industrial capital were taken over by other firms. (14)

The total value of mergers in the United States between 1975 and mid-1981 was \$211 billion. (15)

"Overseas Production" of the Major Capitalist Countries

	Overseas production as % of exports in 1971	Overseas production as % of GDP in 1971
U.S.	396	22
U.K.	215	50
France	94	16
West Germany	37	8
Switzerland	236	73
Canada	58	15
Japan	37	4
Netherlands	52	25
Sweden	92	23
Italy	44	9
Belgium	52	23

Source: S. Aaronovitch, R. Smith, *The Political Economy of British Capitalism*, p.208.

Foreign-owned capital

	1967	1976
World value of foreign-owned capital (\$ bn.)	105	287
Percentage division by country of origin (%)		
USA	54	48
UK	17	11
W. Germany	3	7
Japan	1	7
Top 11 capitalist countries	96	94
The rest	4	6
Percentage division by country of investment		(1975)
Canada	18	15
USA	9	11
UK	8	9
W. Germany	3	6
All developed countries	69	74
Underdeveloped countries	31	26
Of which: OPEC tax havens	9	6
	2	3

Source: United Nations, *Transnational Corporations in World Development*, 1978.

3. The development of the working class

The post-war boom led to an immense expansion of the size of the working class. In Western Europe and Japan the remnants of pre-capitalist systems in agriculture were broken down. Agriculture was brought increasingly under capitalist production relations and many workers were driven off the land in this process and drawn into wage employment in the cities. In the less developed parts of the capitalist system the pace of industrialisation was not enough to provide jobs for all but was enough to bring millions of workers into wage employment. Millions of them also migrated to the imperialist countries to become the most underprivileged section of the workforce there. And millions of women were brought into wage employment while in previous generations they had been occupied entirely in work in the home. (see next section)

10. United Nations, *Transnational Corporations in World Development*, 1978.
11. *Financial Times*, June 25, 1981.
12. Robert B. Cohen, 'Structural Change in International Banking and its Implications for the US Economy', produced for Joint Economic Committee of the US Congress, December 17 1980.
13. Aaronovitch and Smith, op. cit.
14. A. Glyn and B. Sutcliffe, *British Capitalism, Workers and the Profits Squeeze*.
15. *Financial Times*, July 30 1981.

The expansion of wage employment however had contradictory aspects. A great deal of it was not employment under strict capitalist relations but rather employment in the rapidly expanding state sector of the advanced capitalist economies. This fact is linked with the type of jobs which expanded most in the boom — service sector jobs both in the public and private sector.

In many countries this led especially to growth of local authority jobs. In Britain, for instance, between 1959 and 1974 total employment rose by 6%. Private sector employment rose by only 3% in this period, while local authority jobs expanded by 60%.

On a world scale industrial jobs expanded absolutely, but in relative terms the proportion of industrial jobs went down and in some advanced countries the absolute numbers of industrial workers went down too — a process which rapidly accelerated with the development of the crisis and the slump in the 1970s.

The boom also saw a striking increase in the organisation of the working class into trade unions. In Britain, for instance, the membership of the TUC affiliated unions went up from 7.9 million in 1945 to 12.4 million 30 years later (a rise from 39% to 52% of the labour force).

The combination of relatively full employment, fast economic growth and increased union organisation produced steady rises in wages in money terms and for the most part in real terms too in the two decades after 1950.

During the 1950s the regular wage contract (usually annual or every two or three years) became a regular feature for most workers in the imperialist countries whereas in most countries between the wars wage demands, let alone increases, had been a rare occurrence.

This tendency towards greater and greater consciousness of the real wage and a more and more militant attitude towards defending it was heightened by the steady growth of inflation during the

Employment in public and private sectors for the UK, 1951-76

	Per cent of total		
	1951	1961	1976
Military	3.6	1.9	1.2
Civil central gov't	4.9	5.3	8.1
Local authority	6.1	7.6	12.1
Public corporations	12.1	9.0	8.1
Total public	26.7	23.8	29.5
Private	73.2	76.1	70.5

Source: Aaronovitch and Smith, op.cit. p.320

post-war period. In two countries, Belgium and Italy, workers' struggles succeeded in winning a considerable degree of automatic protection of wages against inflation — a limited sliding scale.

But in all these countries these developments have led to a situation in which wage conflicts between the working class and employers or the state have become more and more frequent, and national conflicts and strikes a commonplace happening.

4. Women in the capitalist economies

Changes in the position of women have been among some of the most striking during the course of the boom. First of all women have been drawn into the commercial labour force on a larger scale than ever before. And this entry to the labour force has been tied up in many instances with many of the new forms of white collar employment which have expanded along with the growing economic role of the state. So the incorporation of women into the labour force has gone along with the creation of new areas which are in

Increase (%) in non-agricultural civilian labour force, from date given to 1973

	PERCENTAGE POINTS ATTRIBUTABLE TO:				
	Average annual increase	Change in population of working age	Change in participation rates	Net migration from other countries	Net migration from agriculture
France ('54)	1.7	0.5	-0.3	0.6	0.9
W.Germany(60)	0.7	-0.3	-0.3	0.8	0.5
Italy ('54)	1.8	1.4	-0.8	-0.4	1.6
Japan ('53)	3.3	2.4	-0.5	-	1.4
Netherlands(50)	1.6	1.5	-0.3	-	0.4
Sweden ('50)	1.7	0.5	0.5	0.3	0.4
UK ('50)	0.6	0.4	0.2	-0.1	0.1
US ('60)	2.3	1.6	0.2	0.2	0.3

Source: Aaronovitch and Smith, op.cit.

Industrial distribution of the labour force (per cent), 1950-74

	AGRICULTURE			INDUSTRY			SERVICES		
	1950	1974	Change	1950	1974	Change	1950	1974	Change
France	31.7	11.6	-20.1	35.4	39.2	3.8	32.8	49.2	16.4
West Germany	24.7	7.3	-17.4	42.9	47.6	4.7	32.4	45.1	12.7
Italy	41.7	16.6	-25.1	31.7	44.1	12.4	26.5	39.3	12.8
Japan	41.3	12.9	-28.4	24.5	37.0	12.5	34.2	50.1	15.9
UK	5.6	2.4	-3.2	47.7	42.3	-5.4	46.7	54.9	8.2
USA	13.5	4.1	-9.4	34.1	31.0	-3.1	52.4	64.9	12.5

Source: Aaronovitch and Smith, op.cit.

Percentage of females aged 25-64 who participate in non-domestic labour force

	1960-1	1974-5
Denmark	35.2	63.0
France	42.0	-
West Germany	43.7	-
Netherlands	16.1	18.9
Sweden	34.7	68.4
UK	41.5	52.5
US	40.4	58.6

Source: Aaronovitch & Smith, op.cit. p.336

practice considered to be 'women's work', rather than greater equality of access to men's jobs.

This means that despite equal pay legislation in a number of countries including Britain, women's pay continues to be lower than men's by a substantial margin, even in full-time employment. This is because the new generation of 'women's jobs' are less well paid and very often entail worse conditions of service than men's employment.

This change is related to changes in the structure of the family with a relative decline of the extended family and the growth of the nuclear family as the standard living unit, a development which has made substantial changes to the way individuals and families fit into the capitalist economic structure. Many services previously provided within the home have been socialised. And very often it has been women workers who have been paid to provide the services.

Percentage of different groups in non-domestic labour force Great Britain, 1921-76.

	1921	1951	1976
Males	87.1	87.6	80.6
Married females	8.7	21.7	49.0
Non-married females	53.8	55.0	41.6

Source: Aaronovitch & Smith, op.cit. p.318

5. The role of the state

Probably the key difference between capitalism in the post-war boom and all previous epochs of capitalism has been the growth and change in the economic role of the state.

State production has expanded enormously, especially in Europe, as a result of the wave of nationalisations which took place in the aftermath of the war and less frequently since then. Nationalised industries have been used by the state both in policies to manage the level of demand and wages in the economy and to indirectly influence the position of capitalist industry via nationalised industry pricing policy, purchasing policy and so on. State procurement by nationalised industries, as well as in other areas of state expenditure, has also become one of the major new forms of protectionism.

There has also been an expansion of the traditional forms of expenditure of the state on the armed forces, weapons and the rest of the repressive apparatus concerned with law enforcement.

Military expenditure by the capitalist countries in general, though proportionately lower than in wartime, has in the

whole of the post-war period been higher than ever before in peacetime — higher in relative terms as a proportion of total national income, and so immensely higher in real terms. Military spending by NATO and the Warsaw Pact in 1980 was about equal in value to the whole national income of the world's poorest 36 countries, containing half the world's population.

But despite the grotesque size of arms and military spending, the major growing areas of state spending have been such publicly provided services as health, education and social welfare — including grants like unemployment and social security benefit. The total of government spending on goods and services and these so-called 'transfers' has risen in some countries to over 50% of the value of national income.

It is impossible to understand the workings of post-war capitalism without understanding the role of this vastly expanded state spending.

Some Marxists have seen it wrongly as simply representing a deduction from surplus value and, therefore, as detrimental to the interests of capital. This one-sided view fails to understand why the increase in spending has taken place

and can ascribe it to little other than capitalist irrationality.

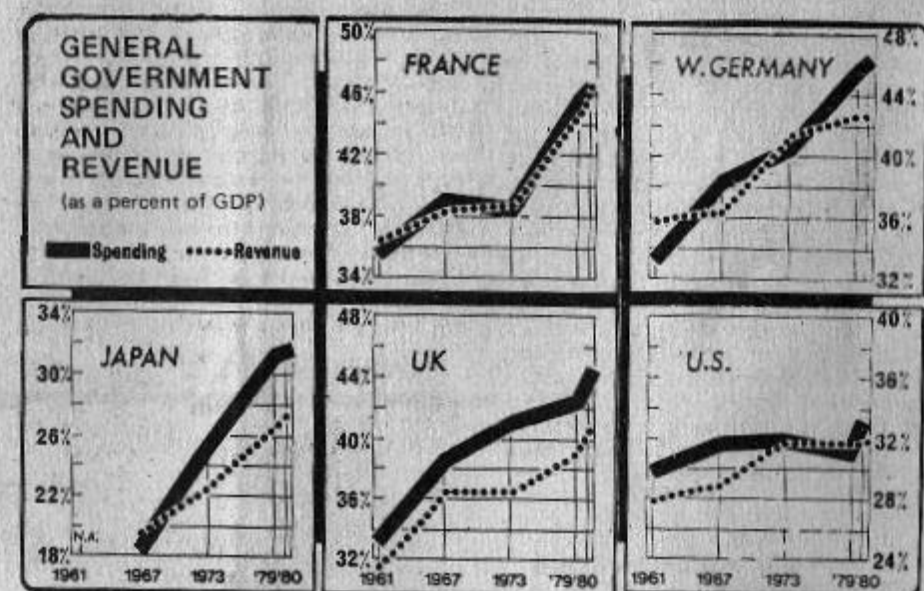
It is essential to see that some state spending enters directly into the reproduction of capital by providing necessary services, especially to the reproduction of labour power. This part of state spending has often been called by the unsatisfactory name of the 'social wage'.

In addition other portions of state spending contribute indirectly to the reproduction of capital, such as parts of education spending, road building and maintenance.

Further parts of state spending represent the growing ideological costs of reproducing capitalist social relations — of making exploitation 'acceptable'.

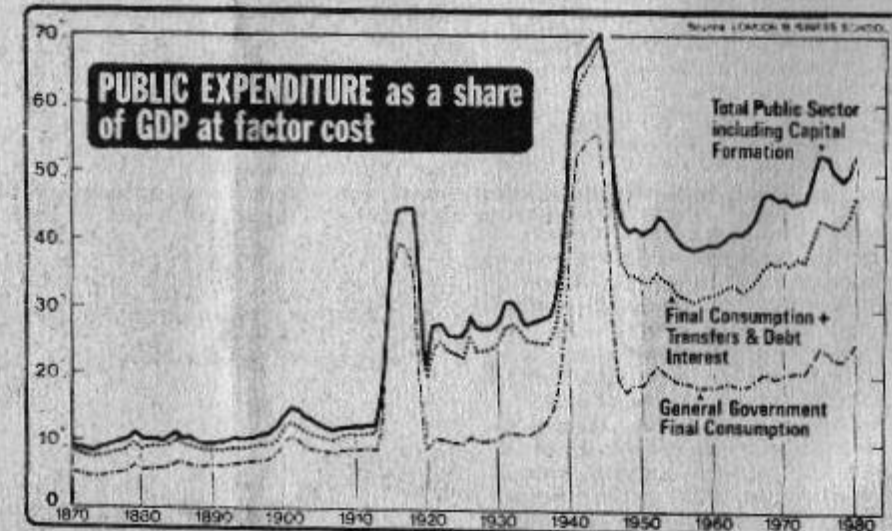
But it would be wrong to see state spending as entirely serving some function in relation to the needs of capitalism. A certain amount of it has been wrested from capitalist governments by mass pressure of the working class and has clearly represented concessions which the capitalist class has been obliged to pay for the political survival of the system. The contradictions produced by these concessions have become plain only with the onset of the crisis and are discussed in section 3.

Government spending and revenue, 1961-80



Source: Financial Times

Britain: Public spending as a share of national income, 1870-1980



Source: Financial Times

The growth of social expenditure in the UK

PERCENTAGE OF G.N.P. AT FACTOR COST

	1910	1937	1951	1975
All social services	4.2	10.9	16.1	28.8
Social security		5.2	5.3	9.5
Welfare, health, education		4.4	7.7	14.7
Housing		1.4	3.1	4.6
Infrastructure	0.7	1.0	3.6	6.8
Industry	1.8	2.8	6.9	8.3
Justice and law	0.6	0.7	0.6	1.5
Military	3.5	5.0	10.8	6.2
Debt interest and other	1.9	5.2	6.9	6.3
Total state expenditure	12.7	25.7	44.9	57.9
Total state revenue	11.0	23.8	42.7	46.6
Borrowing requirement	1.7	1.9	2.2	11.3

Source: Ian Gough, *The Political Economy of the Welfare State*.

At one stage the capitalist class connived in the expansion of state spending whereas now almost everywhere it attempts to reduce it; even so, there remain some sections of the capitalist class which do not oppose it because they live on it. This fact expresses its overall contradictory role in the capitalist economy. Essentially this can be seen in something Marx strongly stressed in his theoretical writings on capitalist crisis: the contradiction between the *production* of surplus value and its *realisation*. Different forms of state spending contribute both to the production and realisation of surplus value. But much of state spending has a more contradictory role: it assists the realisation of surplus value by maintaining high demand for goods and services (and it is this aspect which was the basis of Keynesianism); yet at the same time its financing demands one way or another a subtraction from surplus value produced (which is the aspect stressed by Thatcherism, 'supply-side economics' and the like). (See section 3(v)).

6. Post-war capitalism in the Third World

The capitalist boom also had profound effects on the colonial and semi-colonial countries. Both a lack of accurate statistics and the variety of their experience makes it impossible to generalise too much. Yet it is probably true to say that the economic gulf between the rich and poor capitalist countries grew during the boom. That is not to say that the boom did not extend to the underdeveloped countries. In fact on average they experienced a faster rate of growth of production than the advanced capitalist countries. It was not fast enough, however, to redress the imbalance caused by differential rates of population growth. So the average income per head in the poorer countries, while it grew, fell further back in relation to the developed ones.

But an average as we have seen can be very misleading. In fact in the third world there have been boom countries, even if sometimes the booms have been concentrated in one city, and others which have experienced absolute economic decline.

Statistically the most successful countries have been the half dozen oil prod-

ucers, which are in a class by themselves, and another half dozen countries which in the 1960s began to export manufactured goods on a large scale (for example, Taiwan, Singapore, South Korea, Hong Kong, Brazil).

Success was usually based on the tightest possible repression of the growing industrial working class and often represents not the independent capitalist development of the countries concerned but rather the geographical expansion into cheaper sources of labour power of capital from the more advanced countries. The South Korean economy, for example, can probably best be seen as an extension of the Japanese economy and there are many very similar examples.

The spread of political independence of the colonies after the end of the war led

in most third world countries to a vast expansion of the state military and bureaucratic apparatus, which has been responsible for draining a vast surplus from the masses in support of material privileges and which, being parasitic on the masses, has developed in collaboration with economic aid — both from imperialist and Stalinist-ruled countries.

It is this bureaucracy which has been the stumbling block of many an economic plan which could have spread the benefits of better technology to the masses especially in the countryside. Even when important technological developments have taken place — such as the much heralded 'green revolution' produced by the development of new high-yielding varieties of rice and wheat — the benefits have by universal consent been aborted, the mass of peasants losing out.

Many recent studies have agreed that the development of the third world has involved the further impoverishment of literally hundreds of millions of people. The growth of relatively automatic state benefits to cover unemployment and destitution have been restricted to a few advanced countries.

It has been increasingly revealed that today's 'underdevelopment' is not an aboriginal state — just 'not-development' (yet); its features have been created and are constantly reproduced by the world economy.

Absolute poverty and deprivation have grown in virtually every third world country. But a few have experienced a terrifying process of economic decline, especially when afflicted with 'natural' disasters. This is the case for example in West Africa where a prolonged drought has led in a few countries to years of growing economic catastrophe and starvation on a mass scale.

The experience of the post-colonial Third World, therefore, has on the whole



not prepared it well to meet the new problems which have arisen as a result of the crisis of the last ten years.

3. THE PROFILE OF THE CRISIS

The boom was not converted into crisis on one day or by a single event like the dramatic Wall Street crash of October 1929. Over a period of years the generation of relatively successful capital accumulation, expansion of production and relatively full employment gave way to a distinct new capitalist epoch of falling profits, contracting capital accumulation, monetary and fiscal crisis, rising mass unemployment.

It is important to realise that this is not the crisis of one nation or even the capitalist class of one nation. Its symptoms are observable in virtually every individual capitalist country. Other manifestations are international by their very nature. There is, therefore, no possibility that it can be solved at the level of one nation, or that one country can insulate itself from it.

It is also important to recognise that the crisis has not been caused by the erroneous policies of capitalist governments. It is true that the policies of governments exacerbates, sometimes internationally, some of the consequences of the economic crisis such as inflation and unemployment. But it is rather the existence of a crisis for which there is no simple solution which provokes governments to follow the policies they do.

The present crisis is different from any previous crisis of capitalism. That is true not only in the sense that no historical event is a mere repetition of a previous event but also in a more qualitative sense. There are many disputes about when the present crisis began but there

Annual rates of growth of national income per head

	1950-60	1960-65	1965-70	1970-77
Industrialised capitalist countries	2.5	4.0	4.0	2.4
'Centrally planned economies'	-	4.8	6.7	5.6
Underdeveloped countries	2.7	3.1	3.8	3.2

Source: World Bank, World Tables 1980.

is virtual unanimity that it is already of longer duration than any previous capitalist crisis. Because of a tendency towards catastrophism among Marxists who recognise the severity of the crisis this question of longevity has been too little discussed.

Certainly one of the reasons for the drawn-out nature of the present crisis is the nature of the intervention of the state. The state has taken numerous actions to 'alleviate' effects of the crisis which in a previous epoch of capitalism would have occurred naturally. The state, for example, has propped up industries which would otherwise have gone bankrupt. In spite of the rapid spread of mass unemployment today, state intervention of this kind and others has, at various stages during the evolution of the crisis, had the effect of maintaining employment above the level which would have been dictated by the free market.

The other related influences on prolonging the crisis have been the historically unprecedented gains won by the working class during the boom. Such things as the right to unemployment benefit and social security, the partial protection of such benefits against inflation and so on, have been defended by the working class, and capitalist governments have been unable fully to remove them. This means that governments have been unable to impose the degree of cost on the working class

necessary to resolve quickly the capitalists' crisis of profitability and accumulation.

This is not to say costs have not been imposed on the working class. The growth of mass unemployment, especially in the last three years, the attack on real wages, the erosion of social services have all been considerable. They have not yet, however, been sufficient to make any major impact on the problem of profitability which, in spite of a number of short term fluctuations, has continued to worsen.

These points imply a certain view of the economic crisis. First, that it is basically a crisis of profitability of capitalism and that its other aspects — the fiscal problems of the state, the energy crisis, the international monetary problems and so on — follow from that fact and are not primary.

Second, that in principle the crisis can be resolved, in the sense that the conditions for profitable accumulation of capital can be restored.

Third, that the process of restoring these conditions is a very painful one which must involve the rationalisation of the structure of capital and the devaluation or destruction of some capital currently participating in the search for a limited quantity of surplus value (profit). And at the same time, it must involve a major worsening in the living standards, conditions and rights of the working



class.

Fourth, that this capitalist solution will produce a tendency towards a confrontation of the classes as capitalist attempt to wrest back concessions which have been made. This does not necessarily mean a single decisive class battle, a 1926 General Strike or a 1933 Nazi seizure of power. If the attack on the working class is to succeed through attrition, however, then this is bound to be a long drawn out and tortuous process.

These are the general contours of the crisis in the abstract. To understand it more fully and to link that understanding with the fight for a socialist outcome, it is necessary to look at its more concrete details — to see the way it affects the material conditions, interests and consciousness of those who are destined to act it out.

This will be done here by looking at seven features of the crisis: the decline of profitability; the impact of the oil crisis; international capitalist relations including exchange rates and protectionism; the growth of mass unemployment; the crisis of state expenditure; inflation; the impact on the third world; and the connections with the Stalinist-ruled states.

1. The decline of profitability

When Marxist economists began to assert more than ten years ago that a long-term decline of profitability was taking place this fact was very hotly contested.

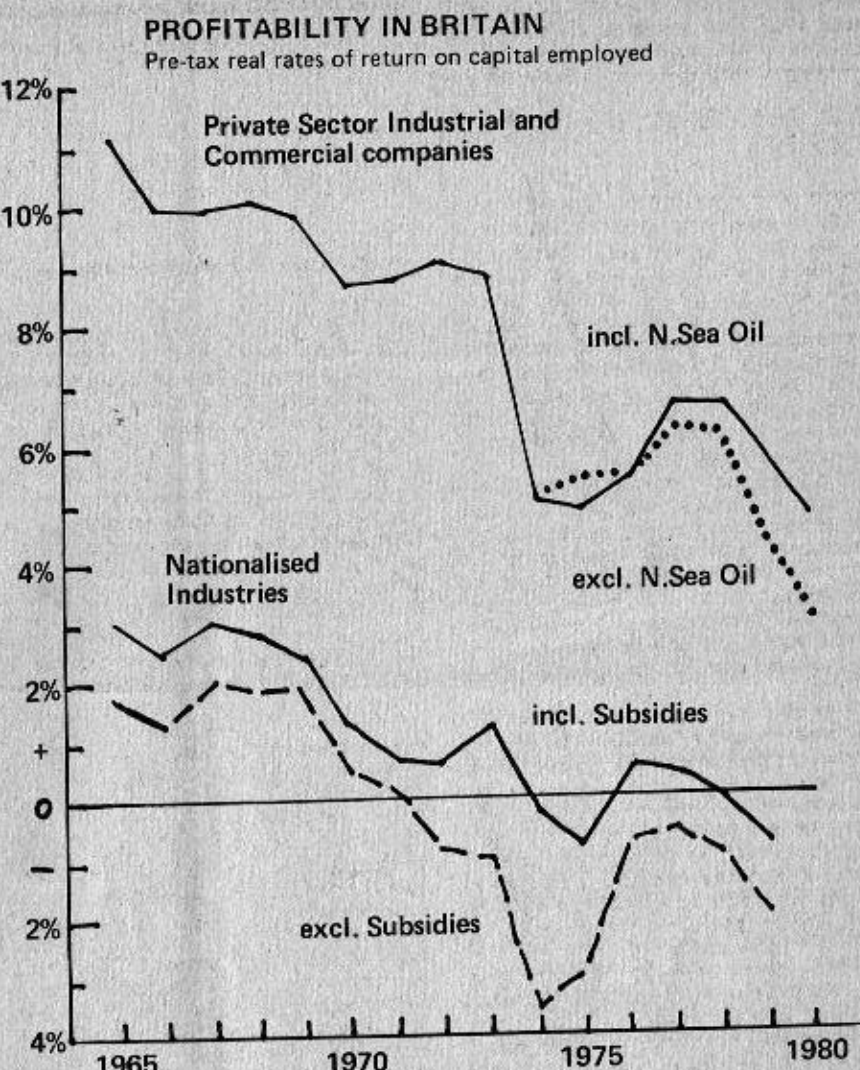
In the first place it was contested by bourgeois economists who wished to deny that any serious defect was showing up in the system they supported.

But secondly it was also disputed vehemently by many Marxists. The opposition to the idea came on the one hand from Marxists who had under the impact of the boom developed a semi-Keynesian view of the capitalist economy which led them to believe that it could no longer descend into the deep crises characteristic of the pre-Keynesian era. Also opposition came from those Marxists whose view of socialism, revolutionary as it may sound, conceived of the anti-capitalist struggle as basically a moralistic one concerned above all with redistribution from the rich capitalists to the poor workers.

The idea that the whole basis of capitalism, the pursuit of profit, could be upset was unpalatable to those holding both these views. It was also unpalatable to the traditional reformists whose whole political life depends on the ability to hold out the prospects of things getting better under the pressure of reformist governments. The idea that there had been a severe and hard-to-reverse decline in profitability held out only the possibility that the capitalists would be obliged to make things a whole lot worse.

As the weight of evidence for the fall in profitability mounted, however, the fact came to be more widely accepted, apart from those who wished to argue that it was a capitalist device to justify economic austerity to workers. Discussion then was less over *whether* the fall had occurred but *why* and the closely linked question, what could be done about it.

One of the most common approaches towards explaining the fall in profitability, especially among the British left, is to stress the role of intensifying international competition and the uncompetitive-



Profitability is defined as gross trading surpluses plus rent received, less capital consumption at replacement cost and less stock appreciation, as a percentage of net capital stock at replacement cost plus the book value of stocks. Source: Financial Times.

ness of British industry in relation to other capitalist rivals. In recent years this approach has often gone along with emphasis on the problem of de-industrialisation, the erosion of Britain's industrial base and so on.

The main problem with this approach is that it is at most capable of explaining only a portion of the truth. There is now overwhelming evidence to show that the decline in profitability, though uneven between capitalist nations, is a world-wide phenomenon. So while of course there is a connection between international competitiveness and relative rates of profit in different countries, it is not by its very nature an approach that can explain falls in the rate of profit in both the countries whose industry is becoming more competitive and those whose industry is becoming less competitive. The approach is one which not surprisingly leads to very nationalistic kinds of solution and often conceives of the possibility that British capitalism is capable, with the right degree of state assistance, to perform as well as German or even Japanese capitalism.

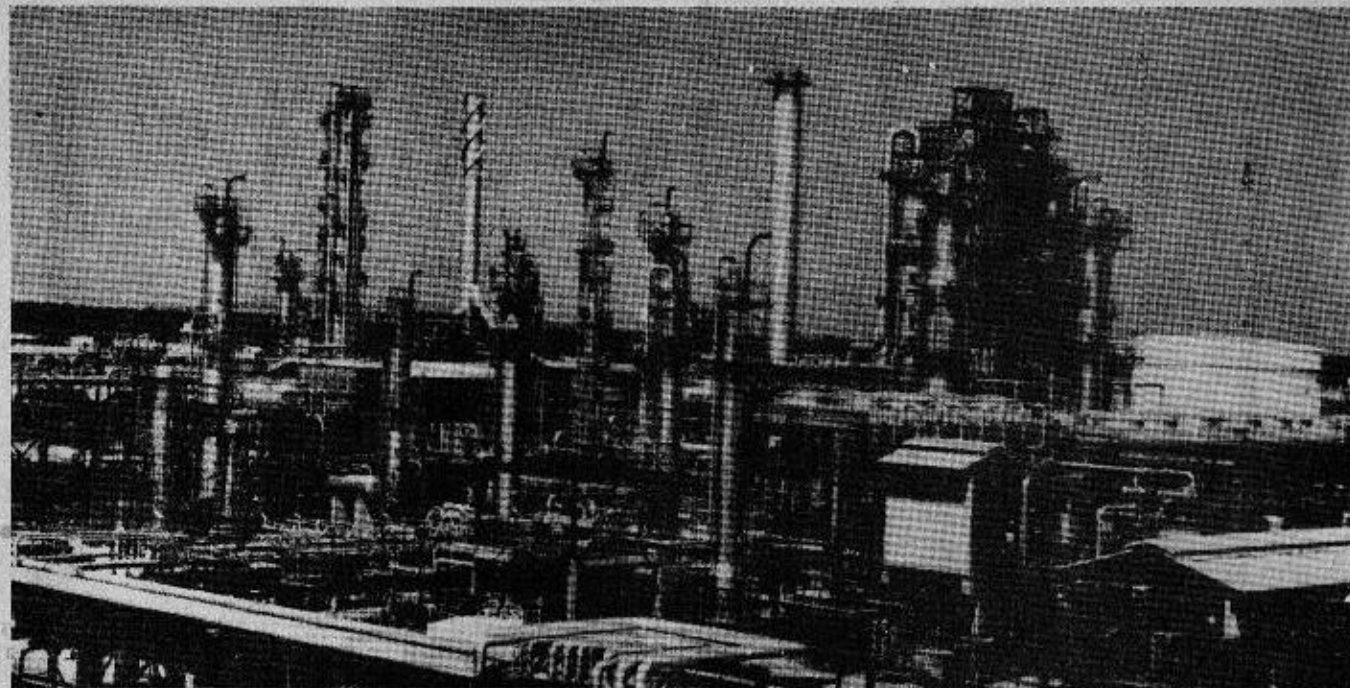
The conditions of international competition, therefore, can explain a lot and need to be studied in order to understand the crisis but they cannot explain the

overall decline in the rate of profit internationally.

The second controversial area in explaining the causation of the decline in the rate of profit is the role of the working class. Some Marxists have argued that the level of wages and the action of the working class in the events which led up to the crisis have played no role in the causative process. This is in part a defensive reaction to various ideological positions of the bourgeoisie which seek to blame the very existence of the crisis on the excessive greed of the working class.

Although this ideology needs to be combatted, the position which says that the level of wages is a purely passive variable in the economic system, which can be omitted from the causal chain, is in fact another version of an argument put forward by some bourgeois economists such as Milton Friedman, which says that wages are simply a price, responsive to forces of supply and demand in the market.

Another version of the defensive argument says that the role of trade unions and class struggle over wages had been no more than to ensure that money wages keep up with inflation and cannot be seen as an independent causative factor. But in fact it is of crucial importance for the economic situation of



capitalism whether or not workers are able through their struggle to prevent the erosion of the real wage through inflation.

It is of course true that class struggle over wages and all other questions such as work conditions and so on plays a crucial role in the position of individual capitalists and of the capitalist economy as a whole. Since the rate of profit is determined by the organic composition of capital and the rate of exploitation (or surplus value), workers' struggles (which affect the rate of surplus value) must play a significant role in the determination of the rate of profit.

But the role and the direction of causation is certainly not a simple one, partly because the effect of wages on profits is a contradictory one rather like state expenditure. This contradiction can again be best understood by seeing the need for capitalists simultaneously to produce and realise surplus value. A rise in the level of wages makes the production of surplus value more difficult. This contradiction is presented to capital as a whole, though in some cases it may show up most in the form of division between sections of capitalists. Marx referred to it by pointing out how every capitalist wanted the wages of his own workers to be low and those of all other capitalists to be high.

So the defensiveness of many Marxists is misplaced. To accept that wages play a major role in the causative chain that results in economic crisis is not to accept that in any sense wage rises are 'to blame' for the crisis. To think in these terms is to accept the way of thinking of the bourgeoisie.

The effect of wages is complex and contradictory. And their movement is not a purely independent phenomenon: it is affected by the movement of the capitalist economy itself. There is very powerful evidence to support the idea that once the vast pool of unemployed and underemployed labour after the war was used up by the major capitalist economies, the low level of the reserve army of labour strengthened the bargaining position of trade unions on wages and other questions to a degree which was unacceptable to the capitalist class and which threatened further profitable accumulation.

Capitalists moved onto the offensive in order to increase the rate of surplus value (through a variety of means including inflation and the more conscious one of wage control); the organisational strength of the trade unions then has been decisive in making this solution more difficult for the capitalist class.

It does not flow from this that if the working class had agreed to the level of wage increases demanded by the capitalists then the crisis would not have occurred and the long boom could have continued forever to the mutual benefit of all classes. It would have meant only that the manifestations of the crisis would have been different.

The third problematic factor in explaining the rate of profit is the role of the organic composition of capital. This has been the centrepiece of much debate among Marxist economists in the last decade, the outcome of which has been disappointingly arid, especially in terms of consequences for political strategy. It has been common to present a crude argument which is the counterpart of the defensive argument over wages. This is that the decline of the rate of profit is entirely the result of an increase in the organic composition of capital — and so if it is anybody's responsibility, it is that of the capitalists themselves. This is often combined with an implicit suggestion that Marxist theory of economic crisis is basically an extension of the law of the

tendency of the rate of profit to fall. This is the opposite way round from what Marx himself intended. In his sketches for what would presumably have become a whole volume of 'Capital' on crisis it is clear that he regarded the fundamental theoretical question in crisis theory as the contradiction between the production and realisation of surplus value, and that the tendency of the rate of profit to fall was but one of the laws of motion governing the rate of profit.

Putting aside the serious question of whether it is possible to derive from volume III of *Capital* a completely consistent version of the theory, to Marx himself it was anything but a simple theory in which capital accumulation led to a rising organic composition which resulted in a falling rate of profit.

In Marx's own version (or rather Engels') of the theory, this is not true for a variety of reasons:

- (a) not all capital accumulation increases the organic composition;
- (b) capital accumulation simultaneously tends to raise the rate of surplus value and so increase the rate of profit;
- (c) increase in labour productivity caused by capital accumulation will simultaneously devalue existing capital and so reduce the organic composition.

Even in Marx's version of the theory therefore there is no unambiguous empirical outcome to the complex interacting factors. A rise in the rate of profit can be explained within the rubric of the law of the tendency of the rate of profit to fall.

Those who have especially insisted on claiming to wear the mantle of Marxist orthodoxy in the matter therefore have falsified and oversimplified Marx's theory as well as concealing the problems associated with it. At the same time at the empirical level a number of attempts to verify or contradict the role of the increasing organic composition of capital in explaining the declining rate of profit have not yet produced very clear results.

Both theoretically and empirically, therefore, the search for a complete Marxist explanation of the fall in the rate of profit needs to continue.

We must admit that from a Marxist point of view a gap exists which needs to be filled between explanation of crises at

Comparisons of international profitability of industrial and commercial companies.

	PROFIT RATES	
	1960	1975
US	9.9	6.9
Japan	19.7	9.5
West Germany*	23.4	9.1
Italy*	11.0	0.8
France	11.9	4.1
UK	14.2	3.5

Source: Glyn and Harrison, op.cit. p.12.
*Figures for Italy and W.Germany are not comparable to other countries due to different methods of calculation.

the most abstract level — that they manifest the basic anarchy of capitalist production and the contradiction between social production and private appropriation — and the many detailed empirical studies of the crisis and its manifestations. The bridging of that gap is a creative challenge to socialists.

Except however, to those who reject all bourgeois statistics, it has now been established to the satisfaction of virtually everyone that a massive decline in the rate of profit has occurred — and in virtually every major capitalist country. This question has now been so widely studied — a bibliography on it would run into hundreds of pages — that it is only necessary here to give the briefest summary of what has occurred.

In every major capitalist country there has been a pronounced decline in profitability since 1960, in many cases accelerating over the last decade. Some studies suggest that the USA has been an exception, though the most recent ones show it following the international trend. The cut in the rate of profit has been particularly pronounced in Britain, Italy and West Germany.

The most recently published international comparison of profit rates suggests that there has been no significant improvement of profitability anywhere in the 1970s. The study shows that between the first and second half of the 1970s there was a further pronounced fall in profitability in Britain and France, a small fall in Japan and West Germany and very little change in the USA. (16)

16. Dept. of Industry, British Business, August 1981.

2. The Oil Crisis

The nature and effects of the oil crisis are things which require more study by socialists than they have received up to now. The reason for the lack of attention is a tendency to present the oil crisis as of no fundamental significance since it mainly involves a change in the division of the spoils between various different exploiters.

But this is only an element of the truth. In fact the situation in the oil market has made a very profound impact on the way in which the economic crisis affects the capitalist countries; it has profoundly changed the parameters within which capitalists are forced to look for a solution to the crisis and it is one of the main factors which has forged a close link between the economic crises of west and east.

Of course, the oil price increases of 1973 were not the basic cause of the capitalist crisis which began long before that. It is intermittently convenient for the bourgeoisie and sections of the working class leadership, to claim that it was the cause since then the 'blame' can be laid at the feet of foreigners.

In fact the ability of the OPEC coun-

tries to raise the oil price by four times at a stroke depended on the economic situation in the main capitalist countries.

But at the same time it had an immediate and very great impact: first, on the international distribution of surplus value appropriated by states, vastly increasing the income of the OPEC nations; secondly, on the relative strength of capitalist firms, hugely strengthening the already gigantic oil companies; thirdly, on the overall level of world capitalist demand, reducing it because of the hoarding of OPEC balances which were not all recycled; and fourth, on the balance of payments of various parts of the world leading to huge and persistent deficits in both advanced capitalist countries and in underdeveloped countries and thereby strengthening an extra protectionist and deflationary bias in economic policy. These effects have continued since then even though the oil price in real terms was eroded over the period from 1974-1980. Then again in 1980-81, the oil price more than doubled, reinforcing the problem, though under the impact of prolonged slump conditions the price has begun to collapse again in the spring of 1981 with as yet unforeseeable effects.

The oil crisis was also to some extent a reaction to the growth of anti-imperialist and anti-dictatorial sentiment in the underdeveloped countries. For some OPEC countries it represented a nationalistic stand while for others it was part of an effort by reactionary dictatorships to lay their hands on so many increased resources that they could buy off the masses of their own countries and purchase the most effective possible arms to deal with the masses of neighbouring countries.

Imperialism did not have an unambiguously hostile attitude to the oil price increase since to some extent they were initiated by the multinational oil companies; and imperialist governments, though they may have experienced problems as a result of the crisis, also found some of their most reactionary allies (King Khaled, the ill-fated Shah), as they thought, strengthened against more left-wing currents.

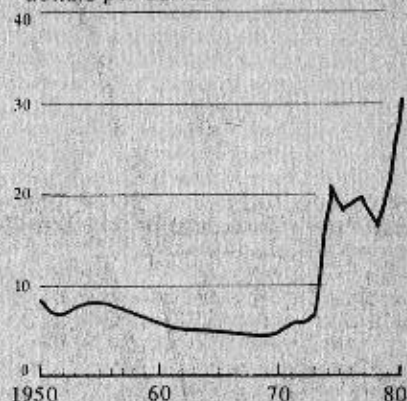
The major oil companies and their role in the economy has been in many ways transformed by the oil crisis. They have been far and away the most profitable capitalist firms. The redistribution of surplus value produced by the high monopoly price of oil in a situation of profitability crisis elsewhere has contributed simultaneously to increasing the rate of profit in oil companies and lowering it further elsewhere.

The combined annual turnover of the top 12 oil companies added together now amounts to 5% of the total value of world production.

The result is that they have had the resources to buy up other companies and also to enter production of other commodities on their own account. They have also had strong incentives to diversify their activities in this way since they are prim-

Petroleum prices, 1950-80

Annual averages: constant 1980 dollars per barrel



The Oil Giants

	1980	
	Sales (\$ bn)	Earnings (\$ bn)
Exxon	103	5.6
Shell	76	4.2
Mobil	59.5	3.2
Texaco	51.2	2.6
BP	48.8	2.7
Socal	40.4	2.4
Gulf	26.4	1.4
Standard Indiana	26.1	1.9
Atlantic Richfield	23.7	1.6
Conoco	18.3	1.0
Phillips	13.3	1.0
Du Pont*	13.6	0.7

*Not primarily an oil company.

arily involved in the exploitation of a wasting asset. As yet the oil majors are still very much oil companies but they are moving rapidly into other fields and are becoming gigantic conglomerate companies.

The oil price increase also had the effect of shattering the economic arrangements of COMECON and producing a qualitative leap in the dimensions of the debt problems of the Third World, both of which will be dealt with in more detail later.

3. International capitalist relations

One clear similarity between the present crisis and the events of the 1930s has been the breakdown of a structured, relatively orderly world monetary system.

The period of dominance of the dollar (the Bretton Woods system) from 1944 to 1971 was one marked by relative stability in national balance of payments, at least of the major countries, relative stability of exchange rates apart from two periods of major, but agreed, adjustment in 1949 and the mid 60s.

The breakdown of this system was the result of two things. First, the collapse of

Current account balance of payments by regions, 1973-80 (\$ bn.)

	1973	1974	1975	1976	1977	1978	1979	1980
OECD countries	10	-20	2	-16	-23	15	-36	-77
OPEC countries	8	60	27	37	29	5	68	121
Other underdev'd countries	-8	-26	-30	-18	-13	-23	-36	-53

Source: OECD Economic Outlook, July 1981.

confidence in the US dollar as a result of the prolonged American balance of payments deficit (accentuated by the effects of the Vietnam war); and, second, profound changes in the relative competitive positions of the different capitalist economies, in particular the decline in the competitiveness of American exports.

The 1971 crisis saw, first of all, the inability of the US government to maintain the unconditional convertibility of the US dollar and then the complete explosion of the existing system of exchange rates as the adoption of floating exchange rates by all the major capitalist powers began a decade of extreme currency instability and dizzying leaps in the price of gold and other precious metals.

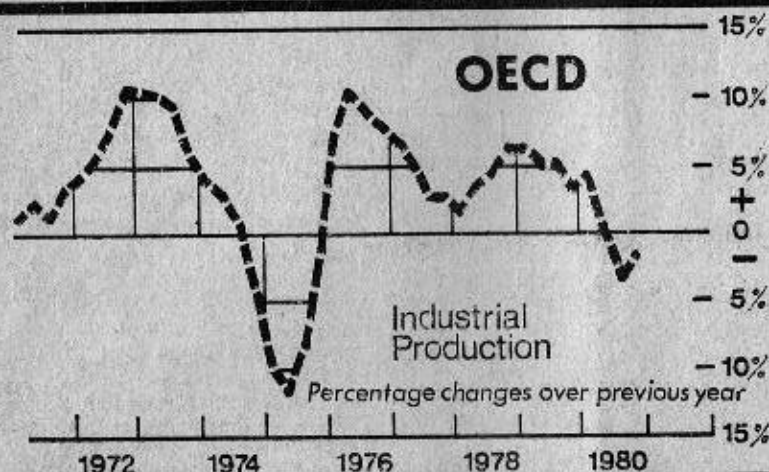
These exchange rate changes were partly the result of the interplay of market forces. But also they were often encouraged by government policies in an effort to change international competitiveness. In general a lower exchange rate results in higher profits to exports and a more competitive position. So devaluation has been used during this period as a form of protection which is less subject to international regulation than tariffs or direct import controls.

But since the end of the boom years, in which in many ways international trade between the major capitalist powers was

liberalised, the development of crisis has led to the growth of other protectionist pressures. So far these have not produced a cut-throat protectionist war on the lines of what happened in 1931, when the value of world trade was cut by two-thirds in a period of two years. Protectionism has not yet on a wide scale taken the form of the traditional instruments of tariff protections and the imposition of import controls. Instead, all kinds of ingenious disguised forms of protection have developed. In addition to competitive devaluations these have included 'buy national' campaigns, the discriminatory provision of credit, the imposition of national technical standards, 'voluntary export restraint' and so on.

Japan has maintained a more traditional protectionist policy while the USA has resorted to a great deal to the enforcement of 'voluntary' restraint by foreign exporters; the EEC has been the pioneer in using technical standards on a wide scale as a protectionist measure, in addition to maintaining one of the most protectionist structures the world has ever known — the Common Agricultural Policy.

As the crisis sharpens so the intensification of national economic rivalries has grown and so, therefore, have protectionist measures.



4. The decline in growth and the development of mass unemployment

As capitalism once again snatches away the livelihood of millions of workers, and has no useful role for millions more who have never been employed, the conditions are being recreated for the spread of demoralisation and despair, for the growth of divisiveness and conflict within the working class and perhaps for the re-emergence on a mass scale of reactionary and barbaric ideologies like fascism.

Unemployment expresses the central contradictions of the capitalist economy in their most naked forms. In the first place, it exposes how capitalist production takes place not because of the usefulness of the goods and services which it produces — not because of the social need for them — but rather because they can be produced and sold at a profit for the capitalists.

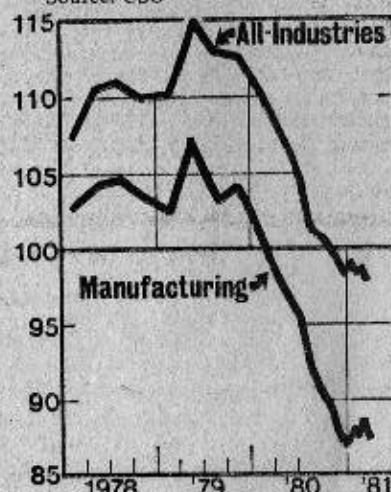
Unemployed workers reveal that the economy has the power to produce many more useful things than are being produced. The reason that the surplus labour time and skills are not used, in spite of

the pressing nature of so many social needs, is that it is not profitable for the capitalists to employ them. Yet at the same time we know, as a result of the work of Marx, that profit in the capitalist economy only results from the employment of workers. The basis of capitalist profit is that capitalists are able to purchase the labouring ability of the workers (labour power) for wages.

The use to the capitalist of this labour power is that, unique among all commodities, it can create more value than it itself contains. This surplus value is the one and only source of profit. So the existence of mass unemployment, at a time when capitalists universally complain of their failure to make adequate profits, produces a mystery: if profit comes only from the employment of wage labour, why do capitalists not employ all the unemployed workers to make profit?

Part of the answer is that profit never results automatically from the employment of wage labour. Many conditions have to be fulfilled: the productivity of the labour must be high enough, its wages low enough, the market demand

Industrial production in Britain
Source: CSO

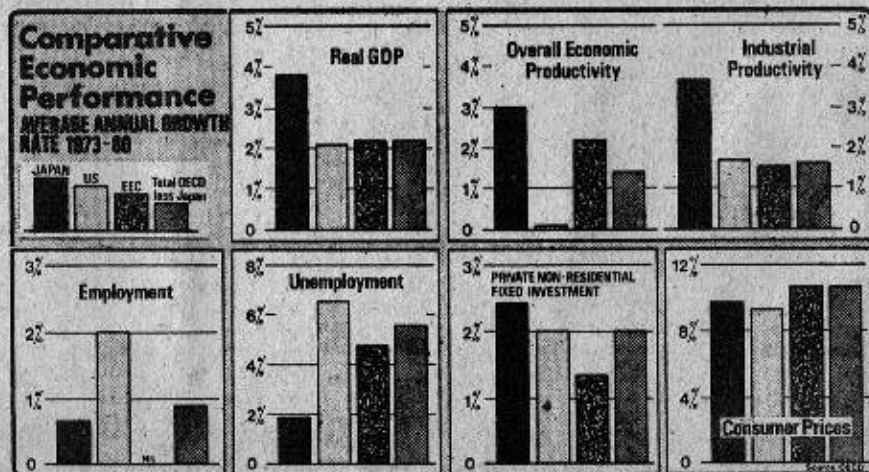


for the product sufficient to allow the profit to be made.

All these conditions must be fulfilled simultaneously for profits to be made. And when they are not simultaneously fulfilled for capitalists in general then the system finds itself in crisis — as today.

For the capitalists, the conditions for making profits must be re-established once again. And that means that labour during the crisis becomes not just a source of surplus value for the blood-sucking capitalist class — but also a liability. In order to establish the basis of profitability again, labour the source of all profit, is not employed; it is sacked, expelled from the production process.

Marx argued that capitalism needed all the time what he called a 'reserve army of labour' — first, to provide the opportunity to expand the most profitable areas



of production without causing too many problems to existing activities; and second, in order to regulate wages and force workers in employment to work hard for fear of losing their jobs to the unemployed. Marx also argued that capitalism had a continuous tendency to re-create this reserve army by adopting new more productive techniques and throwing redundant workers out of work. If this process did not happen rapidly enough, he believed, then the system would be thrown into crisis and for a time a new mass reserve army would suddenly be created through a slump.

Marx's view still has extreme relevance today even though in some ways the workings of the capitalist economy has changed.

In all capitalist countries today this falling profitability is leading to mass unemployment in four ways. First, some capitalists are investing in new, more productive techniques which require less labour to operate them in order to try to improve the profits of their companies. The development of new micro-electronic technology is just an especially dramatic new example of a process which is inherent in capitalism at all times.

ment elsewhere and the result is the present upsurge of mass unemployment.

Between seven and eight workers out of every hundred in the main capitalist countries are officially unemployed. That adds up to more than 24 million workers. The OECD has recently projected that it will rise to 26 million.

Unemployment was not one of the early symptoms of the crisis. For many years of falling profitability it was held in check. When the checks were removed the effect was like a dam bursting. The speed of increase has been frightening. The average rate of unemployment is now well over twice what it was in the closing years of the postwar boom in the main capitalist countries.

In some countries unemployment has grown much faster than in other. In France it has tripled, in Britain and Germany quadrupled, and in Spain increased more than six times in the space of a decade. There are large differences in the recent rate of growth of unemployment between the major countries. Most of them result not from different rates of growth of the labour force but from different rates of creation of new jobs. Between 1974 and 1980 employment in-

and appearing in the official unemployment statistics, they are put on trains back to their own countries to swell the unemployment figures there. This is one of the reasons why registered unemployment has risen so very rapidly in such countries as Spain and Portugal.

Another reason why the unemployment figures understate the depth of the problems of capitalism is the existence of increasing millions of workers on short time which is a sort of disguised form of unemployment. At present in Britain for example the official figures show about 4% of the labour force on short time, which brings the total of fully and partly unemployed to over 16% of the labour force.

Finally the unemployment figures understate the problem because most of the main capitalist countries have taken measures such as increasing the school leaving age, or setting up 'youth opportunities programmes' in the absence of which unemployment would be even higher than today.

In any case, a single average figure for national unemployment can be a very bad guide to the exact form which unemployment is taking and the social and political effects which it has. The first thing that the national averages conceal is differences in regional levels of unemployment. In Britain, the South East, despite its rapid increase in unemployment, still has an overall unemployment rate only a little over half the national average, whereas in Northern Ireland the figure is far above the British national average. In fact, in Northern Ireland there are towns and districts where the unemployment figure is over 50% — and those are, of course, predominantly Catholic areas. Obviously the political implications of unemployment which is concentrated in this way are different from the same overall level of unemployment more evenly spread.

The jobless situation in Northern Ireland illustrates a principle which applies in different ways throughout the capitalist world — that it is the sections of the population which are most socially disadvantaged and powerless in the first place who suffer disproportionately from unemployment.

This applies universally in the case of women. Here is one case where the current evolution of the capitalist economies is very different from what was often predicted by Marx in the nineteenth century. He saw the capitalists' pursuit of profit leading increasingly, with the mechanisation of production tasks, to the employment of women and children — at lower wage levels — at the expense of adult male workers who would become the main element of the reserve army of labour. That is indeed what did

Unemployment rates (per cent)

	1960	1975	1981	Number unemployed, 1981 (million)
USA	5.5	4.9	7.3	7.8
France	2.6	2.7	7.2	1.6
West Germany	0.7	0.8	4.2	1.1
UK	2.4	3.2	11.1	2.7
Italy	4.3	3.4	8.4	1.9
Japan	1.4	1.3	2.4	1.4
Spain	n.a.	2.0	12.0	1.8

Source: OECD.

Second, the firms which stick to old technology strain desperately to keep it profitable by forcing workers to work at the greatest possible intensity and sacking any who are not 'necessary'. This ruthless process goes under titles like 'rationalisation' or 'reducing over-manning'. But some of the firms do not make it. They are forced to close down altogether and go into liquidation or at least to shed a part of their operations and carry out factory closures. In Britain for nearly two years redundancies have been running at around 1,000 a day. This slump in production is most acute in Britain but is affecting nearly all the major capitalist countries.

This is a third direct impact of falling profits on unemployment. The fourth is more indirect. It is the result of spending cuts, instituted partly in order to allow the government to ease the financial situation of at least the strongest sections of capital and so help capital as a whole back to profitability.

All these developments are leading suddenly to a drop in jobs available for a growing labour force. For a decade and more there has been a dramatic fall in the number of jobs in industry, especially the manufacturing industries which have been the historical begetters of the British working class. Until very recently this decline was offset by an increase in the number of jobs in the service industries, especially in the state sector. Now the Tory government is reducing these jobs too.

So, the decline of industrial jobs continues without any compensating employ-

reased by 16% in Canada, 13% in the USA and around 6% in countries such as Japan, Italy, Australia and Sweden. This helped to hold down the rate of unemployment in those countries a bit.

But in Belgium and France employment did not increase at all during those years so unemployment increased at the same rate as workers coming in to the labour force. And in West Germany and Britain employment actually fell (17).

In most capitalist countries the rate of increase of unemployment appears to be accelerating during 1981. And the faster the number grows the more the official figures underestimate the real numbers involved.

One major reason for the underestimation is that as unemployment grows married women and others who are not entitled to receive unemployment benefit do not bother to register as unemployed. They don't therefore appear in the official statistics, though they are no less unemployed for that. Even according to government officials, the nominal unemployment figures should be boosted by 30% in the main capitalist countries to take account of this one fact alone.

Especially in some of the countries which have the lowest unemployment figures there is another very important reason for underestimation. It is the existence of millions of workers on temporary contracts from countries such as Yugoslavia, Turkey, Portugal, Spain and Algeria. In countries such as France and Germany, the growth of unemployment has fallen in the first instance on these 'guest workers'. Instead of signing on

The decline in employment in Britain Percentage change in jobs between 1970 and 1979

The whole economy	plus 1
Production industries	minus 12
Manufacturing industries	minus 14
Mining	minus 17
Metal manufacture	minus 24
Mechanical & electrical engineering	minus 14
Vehicles	minus 11
Gas, electricity & water	minus 9

Source: Dept of Employment Gazette



happen in many periods of nineteenth century capitalist development.

Today, however, as the economic crisis of capitalism leads to more unemployment it is women and youth everywhere who are either thrown out of work first or who never have the chance to get a job in the first place.

The effect of the growth of women's unemployment is not only to reduce the incomes and standard of living of them and their families, if they are members of families, but also it is to force women out of productive social employment back into the isolation and dependence of the home and family.

This leads individually to all kinds of demoralisation and personal oppression and collectively, as the historical evidence of the 1930s shows, it can be the breeding ground of reactionary political ideologies.

Another section of the population universally hit in a disproportionate way by the present growth of mass unemployment is racial minorities. And probably the clearest case of this is the USA. While the average rate of unemployment in the USA as a whole is about 7% (about the international capitalist average), the rate among urban blacks in cities like Detroit and Miami is vastly greater than this — in many cases 25% and beyond.

Breaking down the average even further, the levels of unemployment among black urban youth in the USA are commonly well in excess of 75%. In 1977 the national average for teenage non-whites was 36% and by August 1981 it had risen to just over 50% for the whole USA (18).

US unemployment by sex, race, and age: average per cent rates, 1977

Male, household head	4.3
Female, household head	7.0
White	6.7
Nonwhite	12.5
Teenage	20.0
White	18.1
Nonwhite	36.1

Source: A.G. Frank, *Crisis in the World Economy*.

The universal nature of the economic oppression of youth in the present capitalist crisis is shown by the fact that young people so often take to the streets spontaneously to protest against their position and against the police repression which reinforces it, not only in Miami, Soweto and Capetown, but also in areas where the capitalists thought they had created a demi-paradise of free market economy — in Zurich in Switzerland — and recently in the major cities of Britain.

Almost everywhere the rate of youth unemployment (age 15 to 24) is at least twice as high as the national average. And the problem of youth unemployment is growing more rapidly than unemployment in general. In whole countries such as Italy and Spain, and in many areas of other countries, youth unemployment is now so high that it constitutes a major social crisis by itself.

As always it is possible to break down these figures even further to show the way in which, even among youth, unemployment has a disproportionate effect on some groups.

The difference between male and female unemployment is one of the most striking. In every country for which figures are available, teenage women are considerably worse hit than teenage men. In France, for example, in 1979, 14 out of every 100 male teenagers were unemployed; but the figure for women was 42%.

To summarise all the complex statistics it could be said that for each worker in the capitalist countries there is about a one in twelve chance that she or he is unemployed. But for a female black youth, a member of a racial minority, living in an economically backward or deprived area, the chances of getting a job of any kind have been reduced in the last few years to virtually zero.

In Southwark and Brixton in South London, black unemployment is estimated at 40%, while black youth unemployment is said to be 80%. It seems almost certain that the unemployment rate for black female teenagers must verge on 100%. In Toxteth in Liverpool the overall rate of unemployment is said to be 40% and that for youth 80%.

It is worth noting that this phenomenon is historically unprecedented. It was not a feature of the mass unemployment of the 1930s. In fact in Britain the rates of unemployment then were, for various reasons, lower than those for older workers.

The bourgeoisie throughout the world is now conducting a massive propaganda campaign alleging that it is the greed of the working class itself which creates unemployment. Workers, by demanding too much pay, or refusing to take cuts in pay, are, so the argument goes, 'pricing themselves out of a job'.

Like other notions which are propagated by bourgeois ideology, this one has some power because it is subscribed to also by a large proportion of the established leadership of the working class. And that is possible because this notion, like others in bourgeois ideology, contains a tiny, partial element of truth.

It is true that the life of one capitalist factory, threatened with imminent bankruptcy and closure, might in some cases be extended for a time if the workers were forced to take a wage cut so that at existing prices the firm could continue to compete and make a profit. There are recent cases where workers have been 'persuaded' by this plausible looking argument.

But the element of truth in this argument is so partial and one-sided that in reality the argument is basically false. Measures which might temporarily help the workers of a single capitalist in alliance with their exploiter, cannot, if generalised, help the working class as a whole against their exploiters.

Quite the contrary: general wage cuts under capitalism will not only fail to eliminate unemployment, they would contribute to the creation of unemployment and the intensification of the slump.

ness and near starvation will provoke a political reaction which will threaten the stability not only of governments like Thatcher's and Reagan's but of the system which it is their overwhelming aim to rescue.

5. The crisis of state expenditure

While the boom years led to a steady increase in state expenditure in the major capitalist countries, the onset of the crisis suddenly accelerated that trend to the point where the burden of state spending became a specific major crisis for the bourgeoisie.

The main reasons for this are the decline in profits in both private and nationalised industries which have led governments, rather than see massive industrial collapse, to bail out the former and increase subsidies to the latter. But the bankruptcies and cutbacks which have occurred as part of the same process have led to a huge increase in the need for social payments — unemployment benefit in particular — far beyond what was ever foreseen when unemployment

Unemployment rates for young people aged 15-24

	1970	1980
United States	9.9	11.2
Japan	2.0	3.6
West Germany	1.0	3.8
France	5.6	13.3
Britain	2.9	11.9
Italy	9.7	24.6
Spain	2.4	22.8

Source: OECD

During the postwar boom capitalist countries, taking one year with another, did not run government deficits. The old accumulated state debt (largely from the war years) was steadily devalued by inflation. But as the crisis developed government deficits became more and more general as state expenditure came to have more weight in the economy.

In 1960 state spending was 28.4 per cent of the national income of the OECD countries; and tax receipts were more or less in line with this at 28.3 per cent. By 1978 spending had risen to 38.2 per cent of national income while receipts had risen only to 35 per cent.

Despite the commitment of numerous governments to combat this tendency towards creeping deficits the task has proved to be extremely difficult.

The plight of the Tory government in Britain is a good example. Elected with a pledge to decrease government expenditure and cut the government deficit (public expenditure borrowing requirement) as a matter of urgency the Tory government still two and a half years later sees both spending and the deficit rise at almost unprecedented rates, in spite of real cuts being made in public expenditure programmes.

The same problem can be seen from the near bankrupt cities of the United States to Italy, where this year's total state deficit is twice as high as in Britain.

In practice so far, although finance is a major question for national states their control over the printing of money means that it has not reached catastrophic proportions. The fiscal crisis of the state, especially in Britain, the USA and Italy, has become particularly acute at the level of municipalities.

This is for three reasons: that is where many of the most demanding social

Unemployment of youth aged 15-17

	MALES		FEMALES	
	1970	1979	1970	1979
USA	11	15	14	17
West Germany	0.5	2	0.5	5
France	4	14	8	42
Italy	12	25	14	39
UK	4	18	2	19

Source: OECD

This again is a concrete illustration of the contradiction which Marx emphasised between the production and realisation of surplus value.

Mass unemployment today is being created in the interests of the capitalist system. It will not be eliminated by that system, though it may contribute to the development of a political response from the exploited classes which is capable of leading to the expropriation of private property and so to the elimination of private profit rather than need as a basis for production and employment. Even the capitalists' own statistics show beyond question that in the present crisis their system is incapable of offering employment to a whole generation of workers.

Of course right wing governments would still prefer to spend money on unemployment benefit rather than the same, or very little more, money on creating jobs. Nonetheless the question of unemployment pay has become a basic contradictory question for such governments. Its continuance makes it difficult to fulfil plans for cutting government spending in slump conditions; and its continuance reduces the effectiveness of the reserve army of labour as a drag on the bargaining power of organised labour as a whole.

Capitalist governments are therefore seeking ways of drastically cutting back unemployment and related social security benefits. But by doing so they can only exacerbate the other — political — contradiction of their policy. That is the danger that the existence of millions of unemployed workers driven to hopeless-

insurance became universal in the advanced countries.

In addition the failure to foresee the rapid rate of inflation to which the crisis gave rise has also made government expenditures career out of control and to create what has been called a 'fiscal crisis of the state'. [James O'Connor, in his important and prophetic book *The Fiscal Crisis of the State*.]

The other side of that crisis has been the failure, again due to the effects of the crisis, for revenues to keep pace with spending. So while during the boom, state spending had risen without an increase in the state deficit, the onset of the crisis led everywhere to a massive build up of government debt.

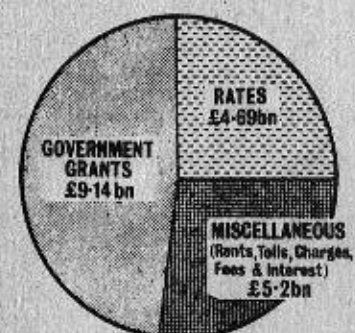
Britain: Unemployment rates by age, 1977 and 1932.

	Males		Females	
	1932	1977	1932	1977
16-17	4.6	12.8	3.1	14.1
18-19	16.3	11.1	7.9	9.9
20-24	23.5	10.1	9.1	7.0
25-29	22.7	7.3	9.3	4.4
30-39	21.7	6.3	11.4	2.2
40-49	22.7	5.1	10.0	1.7
50-59	26.7	5.1	19.5	2.2
60+	32.0	9.5	16.4	0.2

Source: K.G.Knight, 'The Composition of Unemployment', *Socialist Economic Review* 1981, p.217.

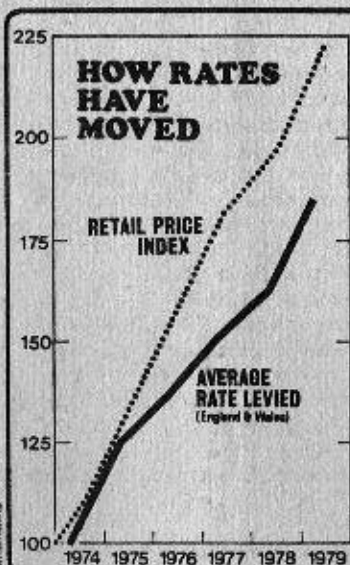
LOCAL COUNCIL SPENDING

Where the money comes from

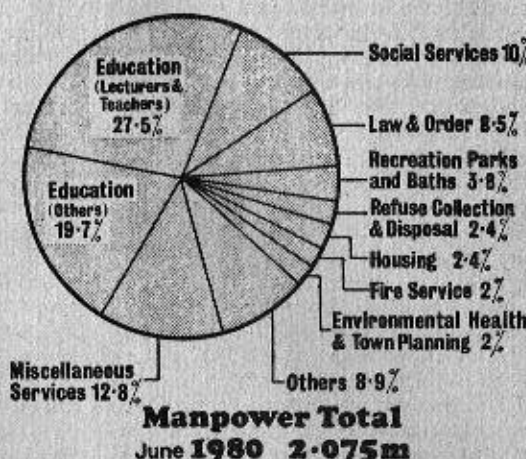


Total Revenue Income
(ENGLAND AND WALES)
1977-8 £19.02bn

Source: CSO



The people it goes on



Source: Joint Manpower Watch

spending programmes are concentrated; the municipalities receive most of their finance from the central state which can therefore cut off their funds; and municipalities have no power to print money, limited power to borrow independently of central government and little ability to impose local taxes or raise their own revenue in other ways. On the other hand local authority spending has risen faster than central government spending. In Britain, for example, local authority spending rose from under 10 per cent to about 20 per cent of national income from 1950 to 1980.

In Britain a long and bitter war has broken out between the Central government under Thatcher and many municipalities in the government's fight to cut

public expenditure and force a cutback in social provision and staff redundancies on local authorities. The same is beginning to happen as a result of Reagan's attempts to cut the US budget while raising defence spending.

In Britain, routine and then punitive cutbacks in central government funding (which finances about 50 per cent of local authority spending) have been met by local authorities with various combinations of rate increases, supplementary rate impositions and cuts in real expenditure. The problem has now, however, reached such massive proportions that solutions of this kind may not be possible within the time span permitted by the government. The result may be city bankruptcies, wholesale closing of social services and equivalent sacking of staff with possible major political confrontations as a result.

Predicted 1981 public sector deficit as per cent of GNP

West Germany	4.5
Japan	3.0
US	0.9
Britain	2.3
Italy	10.8

Source: OECD Economic Outlook July 81

6. Inflation

The rise of inflation is in some ways the most visible element in the change from boom to crisis since we all encounter it every time we go shopping.

The two postwar decades in the main capitalist countries were ones for the most part of slow and steady inflation. But in the late 1960s and the 1970s average rates of inflation suddenly jumped up. In some cases (in Britain and Italy,

for instance) they seemed for a time to threaten currency stability in a serious way. As the 1970s wore on these extreme rates came more under control. But the capitalist world as a whole seemed destined to continue at a historically high inflation rate of around 10 per cent in spite of very strong deflationary measures being taken by governments.

The rate of inflation is one important link in the circular chain of relationships between profits, wages, productivity, prices and the money supply.

In modern industrial capitalist economies prices usually do not move automatically according to fluctuations of demand and supply in a free market. Though prices may respond to changes in supply and demand they are mostly fixed by a decision of producers or distributors.

Two main elements enter into their decision. A price must be low enough for demand to be sufficient to buy the amount the producer needs to sell. But also a price must be high enough to cover costs of production and make the desired profit for the capitalist. This contradiction which faces every capitalist producer is yet another instance of the problems of simultaneously producing and realising surplus value.

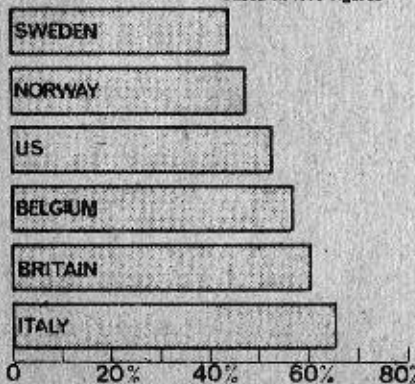
Capitalists have tended to put up their prices more rapidly in the last decade in order to compensate for the erosion of their profits through rising costs. In many instances they have become prepared even to sacrifice some of their market to ensure that they produce a more limited output at a profit.

Profit margins have themselves been eroded by rising costs, sometimes from imported goods such as oil, sometimes from wages or from other sources.

The essence of inflation, therefore, is that it is the manifestation of a conflict over distribution. Workers and con-

International Comparison of Public Sector Debt

Percentage of GNP
Based on 1978 figures



Source: Financial Times

sumers must battle to prevent inflation from cutting their living standards and that means fighting for increases in money wages and state and other financial benefits.

Capitalists retaliate by raising prices again. Inflation is not in this way a consequence of any one single cause. It is part of a complex causal chain.

The fact that inflation is higher in the crisis than it was in the boom reflects the fact that falling profitability has made the struggle over distribution a much sharper one — it is sharper both between capital and labour and between different sections of capital and different nations of the capitalist world. Just as inflation has been a weapon of the capitalists in the class struggle it is also a weapon of the oil producing countries in gaining a larger share of the world's surplus value.

But it makes no sense to blame inflation on a single cause like OPEC's greed or 'excessive' wage demands by workers.

But because inflation is something which seems to be simultaneously and uniformly bad for all social groups, the bourgeoisie has tried to argue with some success that it is a national problem whose causes must be tackled for the potential benefit of all.

On closer examination, however, this argument appears to be rather defective. What worries the ruling class about inflation is that it builds up hostility to the system which produces it. Their 'remedies' for inflation usually take the form of reducing the standard of living of workers through wage restrictions, cuts in government spending and monetary squeezes.

Policies designed to attack workers' material interests by more direct means than inflation come under the disguise of a national struggle against inflation, allegedly the alien enemy of all.

So far, laborious efforts to reduce inflation in the advanced countries much below 10 per cent have failed. It is beginning to be recognised that the consequences of bringing down the increase of prices are so severe (especially in terms of unemployment and decimated social services) that the cure produces as many political problems as the disease.

Once again this is an example of the gigantic problem of restoring the shattered equilibrium of the capitalist system. Improving one aspect of the problem stubbornly worsens another.

Rates of inflation (per cent per year)

	1960-9	1970-9
Low income under-developed countries	3.0	10.8
Middle income under-developed countries	3.0	13.3
Advanced capitalist countries		
USA	4.3	9.4
UK	2.8	6.9
West Germany	4.1	13.9
France	3.2	5.3
Italy	4.2	9.6
Japan	4.4	15.6
	4.9	8.2

Source: World Bank, World Development Report, 1981.

7. The crisis and the Third World

It goes without saying, but cannot be forgotten, that the crisis is having the effect of intensifying all the negative trends which were already visible in the underdeveloped countries during capitalism's good years. Unemployment, poverty and inequality are growing. There is not the space to show how this is affecting some 100 or so individual countries. But there is one particular question which has become a very dramatic one as a result of the crisis — that of international indebtedness — which will be looked at here in more detail.

The overall value of the debts of the underdeveloped countries has grown steadily since the war. This has largely been the result of 'economic aid' in which capitalist governments loaned money to the governments of the underdeveloped countries. Allegedly this was to finance long term development though most often it was wasted or ended up financing bureaucrats' bank accounts in Switzerland.

Nevertheless, though used by the imperialists as a weapon of political control, it did not become a source of economic or financial crisis in the underdeveloped countries since it could always be re-scheduled by the imperialists and often was.

Since the early 1970s however, the quality of the problem has changed. In

the first place the amount of debt has skyrocketed, due in particular to the sudden catastrophic deterioration in the Third World's balance of payments which resulted from the oil price increase. The total had risen from \$64 billion in 1970 to well over \$400 billion today. Second, the type of debt has changed. State loans from the imperialist countries have declined, while the bulk of the increase in debt has been to exporting firms in the form of trade credit or to banks in the form largely of short term loans. About 65 per cent of the debt is now to private creditors, compared with 45 per cent in 1970.

This is the result of the 'happy accident' that simultaneously with the worsening of the balance of payments position, the slump and crisis in the imperialist countries resulted in the banks having a sudden surplus of loanable funds and capitalists having unsold goods which they could only sell by urging the acceptance of deferred payments plans on their unsuspecting customers.

So the results of this process in the aggregate are: a sharp rise in indebtedness and repayment obligations compared both with the national income and the value of exports of the underdeveloped countries; a decrease in the average time over which debts have to be repaid (from 18.6 years in 1973 to 14.7 years today); a rise in the average interest rate (from 6.6 to 7.9 per cent); a shortening of grace periods before the first repayments are due (from 5.6 years to 4.7 years); the

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growing possibility of forced bankruptcy and default; an increase in the stranglehold of capitalist institutions such as the IMF and the international banks over the economies of the underdeveloped countries.

In a way these aggregate results both exaggerate and understate the problem. It is a fact that some of the most indebted countries have no real problems in paying what they owe and have deliberately borrowed very heavily against expected future revenue. This applies for example to Mexico which has vast oil resources not yet developed.

But at the same time many of the poorest countries which have a relatively low level of indebtedness feel its effects much more heavily as the vampire's teeth sink into their necks.

In many of the poorest underdeveloped countries economic conditions for the masses of the people are worsening fast. During the 1970s no less than 45 out of the 96 poorest countries experienced a decline in food production per head. Out of 38 African countries, as many as 26 produced less food per head in 1979 than they had in 1969. In fifty countries daily calorie supply was calculated to be below basic requirements. [World Bank, World Development Report 1981.]

The absolute and probably relative number of starving people in the world is growing. And the problems of the crisis are used as a pretext for curtailing even those very limited programmes of useful international economic aid which exist.

8. The crisis and the Stalinist-ruled states

THERE is not enough space here to analyse fully the economic situation in the Stalinist ruled states of the USSR, Eastern Europe and China. But a profile of the current crisis would be especially incomplete if it did not at least summarise some of the increasing interrelations between the economic problems of the capitalist and the bureaucratically planned economies.

The failures of bureaucratic planning: increases in produced national income (%)

	- 1975-80 -		- 1980 -	
	Planned	Actual	Plan	Actual
Bulgaria	7.7	6.1	5.7	5.7
Czechoslovakia	4.9-5.2	3.7	3.7	3.0
East Germany	4.9-5.4	3.9	4.8	4.2
Poland	7.0-7.3	1.7	1.4-1.8	-4.0
Romania	10.0-11.0	7.2	8.8	2.5
USSR	5.4-5.7	4.1	4.0	2.0-3.0

Source: German Institute of Economic Research, West Berlin/ Financial Times.

The 'socialist' economies are still relatively isolated from the rest of the world economy. They tend to be more autarkic (self-sufficient) economies than any in the capitalist world. Even the USSR exports less than a small country like Belgium. And over half the international trade of COMECON countries still takes place within that group of countries.

But several things have made these countries increasingly dependent on the rest of the world, especially for imports: their need for advanced technology in fields where they have failed to develop it; shortages of strategic raw materials; and the failures of Stalinist style planning to supply needed goods.

By importing these things from the capitalist world the planned economies have been gradually sucked into the capitalist economic whirlpool and new problems have been added to those which their economies were experiencing already.

The Stalinist rulers have faced growing political problems as mass opposition has developed to their police-state dictatorships at just the moment when the capitalist world has been descending into crisis.

In these economic conditions COMECON countries have had little possibility of selling more of their relatively low quality manufactured goods to the West — and the markets they have built up in some underdeveloped countries have been badly hit by the effects of the crisis,

especially by the rise in the price of oil.

So the Stalinist bureaucracies have been forced to try to square a circle: they have needed to import more under conditions where they cannot earn the needed money by exporting more to convertible currency areas.

The answer has been — debt. Very rapidly the Stalinist-ruled countries have contracted considerable debts to capitalist banks which have as a result gained increasing leverage in the centrally planned economies. Today, Eastern European economic planners give much more information about their economies to capitalist bankers than they do to their own workers in whose name they claim to rule.

The extreme case of all this is of course Poland where the bureaucratic dictatorship has faced a simultaneous political and economic crisis. Poland today is an extreme example of many things: the struggle of the working class, and the crisis of the productive system. It is also the most perilously indebted country in the world. Its debts per head of the population are nearly the highest of any country. And at the same time its negotiable international assets are virtually the lowest of any country in the world.

The Polish crisis more than anything else has begun to unite the crises of the Stalinist and capitalist economies. Today a high powered committee of international bankers is in more or less permanent session considering the economic prob-

Amount outstanding on Dec. 31 1980 (\$ billion)



Source: Bank of International Settlements/ Financial Times

Amount outstanding (\$ billion)





lems of Poland and the rescheduling of the debt payments it cannot meet. These bankers play a crucial role in the drama now being played out on the stage of Eastern Europe. By their decisions about how liberal to be about debt repayment they can make a major impact on the way the Polish crisis evolves.

But the influences are not all in one direction. Hanging over the deliberations of the committee of bankers is the terrifying possibility that Poland may default on its debts. This would, as everyone knows but few dare to say, be a potentially staggering blow to the financial stability of the capitalist world and could certainly be one of the possible triggers of a monumental financial crash.

4. WHERE IS THE ECONOMIC CRISIS TAKING THE WORLD?

IN the main capitalist societies the ending of the second world war produced an atmosphere of economic gloom, intellectual confusion tinged perhaps with relief at the end of the fighting. This gradually gave way in the boom years to a new optimism and intellectual certainty in the spirit of the bourgeoisie. There is no doubt that the pessimism and confusion now reigns again, tinged this time not so much with relief as with foreboding that the capitalist world may be about to enter new uncharted and deeply perilous waters.

The old intellectual certainties of Keynesianism, so universally held, have been exploded altogether. The economically impossible has now happened so many times and in so many places that there is no longer any accepted conventional wisdom about the economy except that

things are bad and will quite probably worsen before they get better.

Increasingly the bourgeoisie, politically and intellectually, is dividing into two camps. One camp is dominated by the threat to the overall system of profitable exploitation posed by the economic crisis. They see the question ever more clearly in class terms and have set themselves consciously the task of undoing the economic knot tied during the boom years by arranging a fundamental redistribution of wealth and power away from working people and their families. If this involves the creation of mass unemployment and the manifest failure to meet even elementary social needs then, they say, so be it.

And if this approach implies a wholesale attack on democratic rights and procedures? The answer to that is more difficult. Already virtually all capitalist governments have in the last decade made important inroads into traditional democratic freedoms. And there are growing signs in a number of countries that the kind of solutions envisaged by this section of the bourgeoisie, or even lesser austerity programmes, simply cannot be carried out in the context of parliamentary democracy, trade union freedoms and so on. We can expect that the most determined and perspicacious sections of this part of the bourgeoisie will act on the consequences and move, in alliance with the erratically growing fascists, towards more authoritarian solutions.

Another section of the bourgeoisie, though not at present imbued with such political prestige or influence, are the 'wets'. Those who recoil in horror at the extreme consequences of the measures which seem to be necessary to preserve the needs of the capitalist system which they support. Intellectually they represent the remains of Keynesianism. They

are to be found both in the 'left' of capitalist parties and in the reformist workers' parties. Though they support more state spending to preserve employment, and more economic aid to combat world poverty, they do not represent a radical current. They are for the most part clinging to old, used policies which have lost prestige because they have been seen to fail. Most of their hopes are placed on some semi-automatic upturn; every night they say a prayer that the crisis will bottom out.

The bureaucratic leaders of the 'socialist' economies provide a less and less convincing alternative to this. The countries over which they rule are afflicted with a twin economic crisis. One which arises from the contradictions of the bureaucratic system of centralised planning which they themselves practise; the other imported from the capitalist world into whose economic maelstrom they have been inevitably drawn.

Despite the growing radicalisation of the rank and file of the labour movement and the growth of organised left reformist currents, it is still the right wing radicals or the wets who rule. And where are they taking the world if new governments do not take over from them?

It is clear that the basic economic crisis of the capitalist system has not begun to be resolved. The main symptom of it, the fall in the rate of profit, continues virtually unabated despite all the multitude of measures taken to reverse it. We cannot predict in very concrete terms what will happen economically and politically but we can expect at the economic level that there is every reason to suppose that the trends of the last few years will continue and maybe spread and intensify.

These include the growth of mass unemployment, growing indebtedness at every level, the crisis of state expenditure, the cutback of state provided social

services.

The evidence of the previous pages shows that the effects of the crisis can best be seen not in the form of average statistics. Those averages are made up of some areas and groups who are not affected so severely and others, the worse than average, who are affected that much more severely. The problem of unemployment, as well as being a general one for the whole working class, is very acutely one for the young, for blacks, for women. The political consequences of unemployment therefore will be particularly influenced by the reaction of those particularly hard-pressed groups.

Likewise the problem of state finance is also a general one but especially concentrated in municipal finance and within that especially in municipalities responsible for depressed inner-city areas in industrial cities. These are the very areas, of course, where the first problem of unemployment tends to be most acute and socially explosive.

And likewise the international debt problem is concentrated in a few of the poorest countries of the world.

Social and economic explosions cannot be easily predicted. The breaking point of any social phenomenon cannot be decided in advance. We cannot say if there will be more inner city insurrections; we cannot say if there will be major financial defaults; or if there will be massive financial crises and panics as in previous crises; or if cities will go bankrupt altogether; or if giant industrial firms will close. All these things have begun to happen in the course of the last few years.

Today there is a far higher proportion of inner-city youth without work than ever before in capitalist history. There is a higher ratio of credit (and therefore debt — national, state, corporate and personal) to national income than at any previous moment in history.

There are many economists, especially Marxists, who boldly predict that unprecedented facts of this kind — and we could all produce many more examples — will definitely result in massive political and economic upheavals in the near future.

It would be foolish to deny that such possibilities exist and socialists must be prepared for them as much as possible. Yet it would be equally foolish to forget that similar apocalyptic predictions have been made on numerous occasions in the last decade and have usually proved to be extremely exaggerated. There has been insufficient attempt to try to understand in a rigorous way what exactly are the limits of endurance of the capitalist system.

In 1921 Trotsky gave a warning that it would be wise to recall today:

"Capitalism thus possesses a dynamic equilibrium, one which is always in the process of either disruption or restoration. But at the same time this equilibrium has a great power of resistance, the best proof of which is that the capitalist world has not toppled to this day." (20)

We can be certain that the capitalist system for all its problems and potential crises will not collapse of its own accord, or wither away. We can see that it retains enormous power — economic, military and ideological. And as socialists we have to devote at least as much attention to understanding why it survives for so long

as we do to identifying its problems and the way it fails to fulfill social needs.

Socialists need to spend less time predicting its doom and more to refining a socialist strategy which can act as a pole of mobilisation of the masses and form the basis of a new economy devoted to fulfilling social and individual need rather than making profits.

This is why I concentrate in the rest of this article on the question of strategy — an examination of the strategic conflicts already alluded to amongst the bourgeoisie; a critique of the "alternative economic strategies" which are gaining popularity in the labour movement in Europe and finally a brief proposal about some of the elements of a socialist strategy.

5. STRATEGIES AGAINST THE CRISIS

The economic crisis raises vital problems or imposes heavy burdens on virtually all those who live in capitalist society — except maybe for a few clever or lucky profiteers who gain out of the misfortunes of others.

But different social groups see a very different content to the crisis. Most capitalists see first and foremost a decline in their rate of profit and they usually imagine a whole set of other things to be associated with this: wages rising 'too fast', productivity rising 'too slowly', inflation,

high interest rates, high raw material prices, stagnant markets and so on.

Workers, on the other hand, experience unemployment, or they see growing threats to their jobs and to their standards of living through inflation and wage control; and most of them witness a deterioration in their social services.

In neither of these social classes, nor in other groups in society, is there a consistent and unified view of what the crisis consists of, why it is happening and what to do about it.

1. Conflicts within the capitalist class

The failure of the capitalist class to unite on a strategy to deal with the crisis partly reflects the fact that there are objective differences of interest between distinct sections of the capitalist class. There seems to be no set of economic policies from which all sections of capital can benefit.

A Marxist analysis of the crisis helps us to understand why this is so. The process of raising the rate of profit after it has fallen to unacceptable levels consists, according to Marxist analysis, of raising the absolute amount of surplus value produced and realised, or lowering the value of the total capital over which it must be shared, or some combination of the two. The important thing is to increase surplus value *relative* to the value of capital.

This means that some sections of capital which may be able to raise the

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productivity of the workforce in their employ or which may have a buoyant market for their product, will oppose policies which are designed to keep afloat those sections of capital which are not so favourably placed. From the point of view of the survival of the capitalist class the more successful sections of it may well support the idea that the crisis would be helped by the destruction of the less successful portions of capital. Yet obviously those more hard pressed sections of capital will favour policies which help them to survive, and that almost certainly means policies which, usually via the state, redistribute surplus value.

Conflicts over policy within the capitalist class, therefore, very often centre around the question of state expenditure and the extent to which it should be curtailed. A related source of conflict concerns the question of wages. In one sense all sections of capital will benefit if wages can be curtailed relative to productivity since, other things being equal, this will raise the rate of exploitation of the labour force.

On the other hand a whole section of capital depends for its survival on producing commodities which are by and large consumed by the working class. For them any curtailment of wages, therefore, is a curtailment of the market for their products and so of their ability to realise surplus value.

Ultimately for capitalists as a whole, as Marxist analysis makes clear, this is an irresolvable conflict or contradiction. But for section of capital in the short run there may seem to be no contradiction at all. The contradiction for capital as a whole is expressed in this case as a conflict of interest and policy within the capitalist class over state expenditure and wage control in particular.

A related conflict arises in the case of international trade and protection. The growth of protection, and the shrinkage of markets which it usually brings about, is not in the interests of capital as a whole on a world scale. Nonetheless certain sections of capital, those subjected to the hottest competition and which produce mainly for the home market, may well see protection as a solution to their own immediate problems.

The objective conflicts of economic interest are part of the cause of the differences over policy which have erupted in the capitalist class since the present crisis commenced. In addition, there are differences which are more political in nature. Even if the economic objectives could be sorted out, there would remain disagreements over how much the necessary strategy to increase the rate of profit should be imposed through head-on political conflict with the potential victims of the policies and how much those victims should be cajoled and persuaded to collaborate in their own fate.

The break-up of the economic consensus in capitalist societies has partly been the result of the emergence of new strategies of the 'radical right' in dealing with the problems which the crisis raises before the capitalist class.

One of the main differences between the old Keynesian, liberal section of the bourgeoisie and the new radical right has been over the question of state expenditure. It has launched ambitious plans to make major reductions in state-provided services and state support for industry and other subsidies, combined usually with plans for simultaneous cuts in tax-

tion to restore incentives in the private economy and produce a radical reversal in the tendency of modern capitalism towards greater state involvement.

Closely linked with this attitude towards state spending is a severe policy of control of the money supply which many right wingers argue gets out of control and causes inflation mainly through uncontrolled state spending and debt.

These more traditional right wing policies of opposition to the big state and financial conservatism are increasingly being displaced by a new conservative economic doctrine, which in the United

Marie Antoinette and beyond.

Supply-siders within the capitalist class, like unreconstructed Keynesians, hold the view that recovery from the crisis can take place without basic opposition between the capitalist and the working classes. They are fond of quoting John F. Kennedy's remark that "a rising tide lifts all boats".

Although the supply-siders have been gaining influence, in general the purist ones are regarded as cranks even by the capitalist class. But the effect of their one-sided ideas have been to concentrate more attention of the ruling class on the



States has become known as 'supply-side economics.'

Supply-siders argue that policies affecting demand can't work. The cost of reducing inflation by cutting state demand is a degree of slump which even to them is unacceptable. The problem, they say, is to reverse the built-in tendency of the system to discourage saving and investment. And that, they argue, means increasing incentives for the potential investors, that is, the rich and the capitalists. And that means cutting the marginal tax rates for higher incomes.

Some of them even maintain that such a policy will actually increase government tax revenue because of the stimulus it would give to economic activity. But their main point is that supply-side policies of tax reductions for the rich would benefit everybody since they are the only way in which investment, rapid growth, reindustrialisation, the return of full employment and prosperity can be restored.

Of course these supply-siders with their complete opposition to progressive taxes (i.e. higher tax rates on higher incomes) hark back to earlier right-wing traditions. One of their American advocates proclaims that "Regressive taxes help the poor... To help the poor and middle classes one must reduce the tax rates of the rich", (Gilder, 1981), a remark very similar to statements by one of the supply-siders' heroes Andrew Mellon who in 1924 said "the prosperity of the middle and lower classes depends on the good fortune and light taxes of the rich" (21) And a series of similar remarks could no doubt be traced back to

problems which Marxists would see as being associated with the production rather than the realisation of surplus value. In this sense they redress some of the imbalance of the traditional Keynesian approach. Their tax policies have often been combined by sections of the bourgeoisie with a more ruthless approach towards the weaker sections of capital to produce some of the new right policies which have been enunciated by the governments of Margaret Thatcher in Britain and Ronald Reagan in the USA.

But the more far-sighted sections of this new right maintain an understanding that neither Keynesianism nor supply-side economics are the magic wand they claim to be. Both of them ignore the very basic fact of class conflict within capitalist society and conceal the fact that the resolution of the crisis cannot take place without a major shift in the balance of class forces.

Thatcher and Reagan have in common a knowledge that the implementation of their policies will require a frontal attack on the working class through unemployment, the wholesale destruction of social services and real wage cuts. In order to achieve these it will probably be necessary for big fights to take place between the employers and government on the one hand and the trade unions on the other.

A realisation of what is necessary, however, does not mean that it can be easily achieved. Thatcher, who was elected to power with a landslide victory in 1979, and who initially seemed a new authoritative beacon for the bourgeoisie

on a world scale, is now fighting for her political life with virtually all her once shining policies badly tarnished. Partly her problems have been economic ones in the narrow sense. Her effort to cut the money supply have failed because a good portion of the monetary system is not effectively within the control of the state monetary authorities. Second, her efforts to cut government spending and the state sector deficit have failed because what the policies cut from state spending by the ending of health, education and other services, they add on in the form of unemployment and social security benefits.

The sharpness of this problem was not quite foreseen by the Thatcher government. Certainly they intended to create mass unemployment but they probably did not envisage that this would be on the scale that has in fact occurred. That, perhaps, more than anything else, has led to the rapid political disillusionment with the Thatcher government. And the fear of the political consequences for its survival have led a section of the government itself to be increasingly openly hostile to full-blooded Thatcherism and have also led to important retreats by the more hard-core Thatcherites themselves. Sir Keith Joseph has continued financial aid to various loss-making nationalised and private industries which should, according to his own criteria, have gone bankrupt and piled even more workers on to the unemployment scrapheap.

In addition, the experiences of Thatcher and now Reagan are revealing another problem with the monetarist aspect of their strategy — that it is almost bound to lead to international divisions within the ranks of the capitalist countries. The recent economic summit at Ottawa found all the other capitalist countries, including Britain, putting pressure on Ronald Reagan to take steps to reduce interest rates in the USA and so reduce the pressure that high American interest rates pile on their own economies. Monetarism has turned out to be necessarily monetarism in one country — like Keynesianism and protectionism it turns out to be a policy which may do something to alleviate the economic problems of one capitalist nation but only at the cost of worsening those of others.

The bold experiment of 'Thatcherism' then has been a failure. So far it looks as if Reaganomics is not going to fare any better. What makes it so difficult for the capitalist class to find a set of policies



which can simultaneously solve all of their problems?

The answer to that problem has two parts. First of all, it is because as we have seen, the conditions for the successful production and realisation of surplus value are themselves contradictory. For this reason no policies will unambiguously benefit all of the capitalist class at the same time. At a moment of acute crisis, the reversal of one aspect of economic disequilibrium may exacerbate another. As a result of this the bourgeoisie may be indecisive and erratic in its policy choices. And it may also be divided within itself according to where the balance of self interest of its particular sections lie. This is why to break out of the stalemate the bourgeoisie requires a strategy which can transcend the special interests of its various sections. Even when a political leadership appears which seems to offer this prospect, however, such as the apparently far-sighted, confident and ruthless government of Margaret Thatcher a further problem arises: can the strategy be politically implemented within the context of a bourgeois parliamentary democracy?

For Thatcher it appears already that on this score it has failed, just as perhaps a less radical version of the same policy failed politically in France with the defeat of Giscard d'Estaing in 1981. In the United States, although in some ways the initial success of the Reagan regime appears to be greater, the political problem of the bourgeoisie is constitutionally greater because of the greater frequency of national leadership and legislative elections. By the autumn of 1981 Congress was already looking to its electorate and beginning to be less cooperative in the Reagan administration's almost daily demands for more Federal budget cuts.

It is this political dilemma that means that at the present time the danger of fascism is becoming so great — not in the sense that there exists any fascist movements on the brink of taking power, but because the objective difficulties of resolving the crisis in a way which satisfies the needs of capital and wins elections can be expected to drive more and more of the bourgeoisie towards authoritarian non-parliamentary solutions. Already in most of the major capitalist countries, as well as most of the backward ones, the crisis is resulting in the most intense attack on many democratic

rights which has been seen since World War II.

Politics and economics cannot be very satisfactorily predicted. But what seems to be the most probable expectation to emerge from this analysis is that, as long as the bourgeoisie maintains the reins of political power in the major capitalist countries, their governments will tend to move towards the right. But that they will still be forced to make periodic major concessions in order to survive politically in the context of parliamentary democracy. And that, alongside these governments, ultra-right wing movements will continue to grow. Major clashes with workers' organisations can be expected to continue. But in the immediate future we do not seem to be heading towards an apocalyptic and historically decisive clash which will resolve the present crisis.

It is also predictable that economically the crisis will not be resolved. Under the conditions outlined above, some economic problems can be expected to worsen more or less continuously — in particular unemployment. Others are more likely to fluctuate, such as inflation and growth.

Economic conflict over exchange rates, interest rates and tariffs between nations can be expected to grow, and so can the extension of credit and debt, both nationally and internationally. All these developments present the possibility of catastrophic economic events such as the financial crashes or protectionist waves of the 1930s. But despite that real possibility, the immediate economic future holds something less cataclysmic.

Capitalism is heading neither straight towards the resolution of its crisis on the terms of the bourgeoisie, nor towards any final collapse. For some years to come it seems destined to continue in a state of deep and unresolved crisis, whose manifestation may change again as it has up to now.

It is perhaps like the ghost of Hamlet's father:

"Doomed for a certain time to walk the night,
And for the day confin'd to fast in fires,
'Till the foul crimes done in my days of nature,
Are burnt and purged away".

This, however, is not a prophecy: it is a statement of what seems most likely on the basis of certain assumptions. There are other possibilities, especially if one major capitalist country breaks



Monetarist Friedman

ranks with the others and attempts a markedly different road to the resolution of the crisis.

But if the bourgeoisie seems incapable of carrying through its own radical solution to the crisis — one which would involve untold further suffering for humanity — what are the possibilities of the crisis being resolved by a radical solution of the left, by a decisive move in the direction of socialism?

20. L. Trotsky, 'Report on the World Economic Crisis and the New Tasks of the Communist International', June 23 1921, Third Congress of the Communist International.

21. These quotations are taken from James T. Campen and Arthur MacKwan, 'Crisis, Contradictions, and Conservative Contrivances in Contemporary US Capitalism', typescript 1981.

2. Alternative Economic Strategies in the Labour Movement

No political leader can hope to gain any support within the working class without appearing to offer a strategy to lift the growing burdens imposed by the present economic crisis.

Many governments have been elected in recent years in the advanced capitalist countries pledged to restore economic growth and the growth of real wages, to maintain or even improve the social services, to provide jobs for the unemployed, and carry out a host of other reforms with important economic consequences.

And yet virtually all such governments have abandoned their promises and ended up cutting government spending, imposing credit squeezes, trying to curtail wages and implementing other elements of an all too familiar list. In Britain the Labour governments of Callaghan and Wilson are perfect examples of this. But there have been others, not all of them claiming to represent the interests of the working class.

These governments have done nothing but pave the way for the more thoroughgoing and open right wing attacks now being mounted by Thatcher and Reagan.

But the failure of the traditional parties of the working class to offer any

solution to the crisis and its problems in practice has had the effect of somewhat polarising the political discussion of economic issues within the labour movement. It has led socialists to present new schemes to combat the effects of the crisis in conflict not only with Reaganomics and Thatcherism and the like but also with the bankrupt policies of the failed leaderships of the major workers' parties.

That is particularly true of the labour movement in Britain where the failure of the traditional reformist leaders in office has been most graphic. A new set of policies under the general title of the Alternative Economic Strategy (AES) has been developed by the Trades Union Congress and politicians and intellectuals in the left of the Labour Party. The AES has been particularly associated with the current of the Labour Party supporting Tony Benn. But for want of any coherent alternative and in the light of their previous failures, the centre and even some right-wing segments of the party have had to accept it as well.

In France, too, a similar development has taken place. There the Socialist Party as a whole, in alliance with the Communist Party, has recently come to power on an electoral programme which promised something quite similar to the AES. In France it was not especially the left of the party which advocated the new economic strategy since the party leaders had never been in office in the last twenty years and the party as a whole, in drawing up its programme, was obliged to present an alternative to the disastrous economic policies of Giscard d'Estaing and Barre.

The main features of the sets of policies which are commonly emerging in the labour movement as an alternative are individually not very new. They consist of five main themes:

1. The expansion of government spending in total — usually concentrated on the extension of public and social services, job creation schemes of public works and involving (in the case of Britain) the reduction of defence expenditure;

2. The nationalisation of major sectors of capital, especially the main commercial banks (in order to give the government control over the direction of investment) and large manufacturing and commercial companies; it is implied that these

nationalisations will be carried out with compensation, though the level is never made explicit in advance;

3. The institution of measures of state economic planning, usually involving some kinds of tripartite agreements between government planning agencies, bosses (capitalists or nationalised industry leaders) and labour;

4. The reduction of normal working hours. In particular the implementation of the 35 hour week;

5. Various measures aimed at reducing the vulnerability of the national economy to outside pressures and influences; these include controls on the activities of multinational corporations, controls on capital movements, especially foreign investment by home-based multinationals, along with various protectionist measures such as import controls, exchange rate devaluation and so on.

This list is not exhaustive. The way it is presented above is very much influenced by the Alternative Economic Strategy which has been widely canvassed in the British Labour Party and trade union movement. But the plans of the Mitterrand government in France are not so different. And very closely related policies are being advocated on the left throughout Europe and even in the United States.

Are these policies a real and practicable alternative at the present time? Will they resolve the crisis and restore the health of the world economy? Are they socialist? These and related questions must be examined very closely in the labour movement. Yet so far the alternative strategy and the theories behind it have met with a very uncritical reception.

I will try to answer some of the pressing questions in relation to each of the main elements of the strategy.

Common to all versions of it is the demand for a reversal of cuts in public expenditure and an expansion of state spending to end the recession and to create jobs, as well as to restore and improve public services. All of these are aims which obviously deserve strong support.

But on closer examination the policies appear much more problematic. This partly comes from the fact that it is based on a very superficial analysis of the source of the problem. Cuts in public



'In Britain... the failure of the traditional reformist leaders has been most graphic...'

spending made by right wing governments tend to be attributed to errors or pure vindictiveness on the part of the capitalist class. Advocates of the alternative strategies often speak as if the present recessions and cutbacks just resulted from the policies of governments such as those of Thatcher, Giscard or Schmidt.

Of course, their policies have exacerbated the problem. But they are not policies out of the blue. They are a response to the decline in profitability which capitalism has suffered. They are part of an attempt to rectify the forces which have produced that decline and start afresh.

We have seen that the interests of the capitalists are not simple and unambiguous because of the contradictory conditions which exist for the production and realisation of profit (surplus value). For this reason some sections of capital still favour high government spending. And up until very recently some capitalist governments themselves were still advocating policies of spending their way out of the crisis. The fact is, however, these policies produced other problems — inflation, uncontrollable state deficits and so on — which helped to lead to the present domination of monetarism, supply-side economics and the like.

Too often the advocates of the alternative strategy fail even to register that such problems might exist. The most ambitious recent presentation of the policy published in Britain for example makes no reference in a book of 125 pages to the fact that any fall has taken place in the rate of profit. (22)

Traditional Keynesian policies of spending one's way out of a crisis have been abandoned by the leading sections of the capitalist class at present because they did not resolve the problems of the capitalist class and in some ways made them worse.

Unless the left knows why such problems have occurred with Keynesianism and has a plan to deal with them, then high spending policies will lead again to the same results. And there is good reason to think that since the profitability crisis has continued to deepen, the contradictions of Keynesianism will appear more rapidly the next time it is tried. The next few months in France will test that possibility.

Most supporters of the strategy show little or no awareness of this problem. Those who do can give various answers. In reply to the fear that more state spending will be very inflationary, they can reply that they will control prices. In theory this is possible, although it implies that inflation will then take a different form, that of unsatisfied demands for goods. To prevent unsatisfied demand and being that of the most deserving consumers, price controls can in theory be supplemented by rationing. In practice such a state of affairs has existed in a number of "planned socialist economies" such as Cuba and Poland, as well as in wartime capitalist countries. The result is invariably corruption, profiteering, black markets on a grand scale — and bureaucratic inefficiency and injustice. So, even if these measures were taken, the result might not be a democratically planned economy but rather a combination of an economic police state, and private gangsterism.

A defender of the alternative strategy might argue instead that the inflationary

consequences of more state spending can be overcome by financing the new spending by higher taxes on capital. The most widely proposed measure of this kind is the imposition of a wealth tax.

The problem with this, however, is that wealth taxes are notoriously easy for the propertied classes to avoid paying, while other forms of taxation on capital are virtually ruled out on the scale proposed because of the fall in profitability which has taken place.

Unfortunately, very few of the advocates of the alternative strategy are prepared to look seriously at the problems which state spending would produce. They prefer to treat it as a kind of magic wand. Theoretically they don't get beyond a very crude form of Keynesianism which has long been exposed in

tions, even of profitable companies, when they have received adequate compensation. But to give less than 'adequate compensation' implies measures of a much more revolutionary character than seems to be contemplated by any of the advocates of the alternative strategy.

The second problem associated with nationalisation is the organisation of industries after they have been nationalised. In the past nationalised industries in the capitalist countries have been run as vast centralised bureaucracies in which the relations of the workers with their work and their employers has been not a scrap different from in a capitalist-owned corporation. They have been a form of state capitalism. Increasingly the tendency has been for governments to insist that all nationalised industries make a



Import controls: 'trying to improve the lot of workers in one country at the expense of those in another'

practice as being insufficient to explain or resolve the economic crisis. And politically their strategy fails to prepare its supporters for difficult situations which would arise very quickly if the alternative strategy were implemented with vigour.

It would only be possible to begin to deal with the problems of rising state expenditure at present by combining it with other policies which make major inroads into the rights of capitalist property owners and other policies directed towards mass democratic involvement in economic life. And that, of course, means a revolutionary socialist political strategy, something which most advocates of the alternative strategy are unwilling to contemplate.

They do try partly, however, to overcome the objections by linking their policy of state spending to a policy of nationalisation of the banks and big industry. There are three main problems with this if it is to be an element in the solution of the economic crisis in a socialist direction. One is the question of compensation. If capitalists are 'fairly' compensated for their assets with money or state bonds then measures of nationalisation do not imply lessening in the degree of capitalist exploitation but merely a change in the way in which the exploitation of the working class takes place. The state will still be obliged to raise the surplus value with which to continue to compensate the capitalists, though that would be done indirectly through taxation. Capitalists in the past have often agreed to nationalisa-

profit on the same basis as capitalist companies and this has made them even more alien to their workers and the users of their products.

Nationalisation would imply a step towards a more just and socialist economy only if it allows really radical steps to be taken towards replacing production for profit with production based on social need. And that would require not putting workers' representatives on boards of management but real workers' and users' control of the industries and their resources. Again that is a situation far more radical politically than most of the advocates of the alternative strategy propose.

Again the alternative strategists have what they present as a partial answer to this — economic planning. But the kind of planning they often appear to envisage is a very centralised, bureaucratic affair in which ordinary workers and consumers could play little part. There are also major elements of left corporatism in their strategy in that they want to organise planning through agreements between capitalists' and workers' and state representatives which will involve a sacrifice of workers' independence in order to persuade capitalists to behave according to the plan.

But in any case it has been proved many times that capitalists cannot be

22. S. Aaronovitch, *The Road from Thatcherism*.



The shorter work week: 'an important focus of struggle, but needs to be supplemented'

forced to plan in accordance with the needs of workers and consumers. They are in business to make profits and will take any action which they think necessary to succeed in that. The advocates of the alternative strategy, however, seem to envisage the real prospect of a planned mixed economy in which capitalists would agree to coordinate their investment, pricing and employment decisions with the needs of a left-wing government.

In practice it is much more likely that any attempt to implement the alternative strategy, even with all its limitations, would be regarded by the capitalists as a very major threat to their existence as a class. Even if they recognised the very moderate intentions of many of the leading advocates of the strategy, they would fear the stimulus which the implementation of the strategy might spark off within the masses. They would not be clamouring to make agreements but rather organising to undermine and defeat any progressive policies which the government seriously tried to implement.

This applies especially to the demand which many see as the 'easiest' of the alternative strategies — the proposal for a 35-hour week which has united the whole of the Western European trade unions. Put at its crudest the proposal says that cutting the working week by one-eighth would increase the number of jobs by one-eighth and so get rid of unemployment.

If that's the idea, and assuming no cut in pay for the shorter hours, then the proposal clearly hasn't got a snowball in hell's chance as long as capitalism remains in its present critical condition.

Some of its advocates realise this and present it as an alternative to wage increases, or in combination with wage cuts. In this form it can become a demand which capitalists might be able to exploit to their advantage.

So any demand related to hours, if it is not be sugar coating on the pill of wage cuts and speed-up, needs to be presented very unambiguously, making clear that it assumes no compromise on wages and that, because of its anti-capitalist content it needs to be combined with other anti-capitalist measures to have a chance of success.

In such a form the reduction of hours is

an essential part of any socialist programme in two senses. First, it is a way of protecting jobs during a depression so in this sense it is a work-sharing demand. As such a blanket 35-hour week proposal, though it can be an important focus of national and international political struggle, is insufficient and needs to be supplemented by specific work-sharing demands in individual workplaces.

Second, demands for reducing work hours are an important part of a programme which goes beyond the defence of existing living standards. It is a necessary precondition for the expansion of leisure and the fuller development of the human individual which will be possible in a socialist society.

Thirdly, the alternative strategy is conceived as one for an elected government in a single country. Insofar as it looks for support outside the country, it foresees appealing not to the mass movement but rather to other governments. This, too, socialists must realise, is a potentially fatal weakness.

The British advocates of the alternative strategy tend to be very selective in the future problems they see. If they on the whole fail to see the internal economic contradictions of their strategy and the dangers to it from national capitalist counter-action, they are on the other hand ultra-sensitive to threats to it from abroad.

In many versions of the strategy multinational corporations are elevated to the great villains of the world economy. The proponents are apt to talk less of the problems of capitalist domination of the economy than of the problems of foreign capitalist domination. There is a general bias against foreign capitalist investment which is not directed against capitalist investment in general. Quite the contrary: the home-based capitalists are often accused of being unpatriotic by investing overseas instead of at home.

It is, of course, easy to see why the narrow perspective of a bureaucratically conceived national government should regard this as a problem. To the worker, however, it can hardly be said to matter whether he or she is exploited by British, Japanese or American capital. The problem to workers is not to be able to exer-

cise control over a limited area of the world economy, but rather to have a secure source of income and a better life.

The alternative strategy advocates nationalist strategies not only in relation to investment, but also pre-eminently in relation to trade. They recognise that one of the problems of rising state spending and economic recovery may be the rapid growth of imports which they plan to deal with by import controls to afford protection to national industries while they improve their efficiency and competitiveness.

Like their approach to state spending this aspect of the alternative strategy is also classically Keynesian. During the crisis of the 1930s Keynes was an advocate, not only of Britain spending its way out of the slump, but also of protecting its way out of the slump.

Since most of the advocates of the alternative strategy claim to be socialists, and since socialists usually claim to be internationalist, it is not surprising that it is these nationalistic aspects of the strategy which have come in for most criticism. Their advocates have been more defensive about them than about other parts of the strategy. In Britain many of the supporters of the strategy have stopped talking about import controls and thought of various euphemisms like "planned growth of trade", which they say will benefit other countries.

But for all these mouth-fresheners, there is something fundamentally foul-smelling about policies which in the name of socialism try to improve the lot of workers in one country at the expense of those in another.

The basic objection to nationalistic protectionist policies, however, is not a moral one, nor that obvious fact that they may be self-defeating because they provoke retaliation. It is rather that politically they are suicidal for any socialist strategy. Any radical anti-capitalist economic measures in a single country will provoke not only domestic but international retaliation. That is because the capitalists are an international class, and never more so than today.

Socialism which is not conceived internationally is both meaningless and impracticable. Anti-capitalist measures in one country, if they remain isolated

there, will in the long run be defeated or converted into measures which are no longer anti-capitalist. The history of socialism in one country in the USSR is an appalling demonstration of that. The leaders of that country have for years helped to uphold capitalism and exploitation around the world.

The workers of one country trying to impose anti-capitalist measures can only ask for the necessary practical support of the workers of other countries if they show that what they are doing is not conceived of as pursuing national self-interest but rather the interest of all the working class and oppressed and deprived people against the exploiters and the privileged.

3. Elements of a socialist programme

The insularity and nationalism of the alternative economic strategy in the British labour movement and on the left in the United States is markedly stronger than it has been so far, for example, in France.

Nonetheless, nowhere have the advocates of such a strategy yet been able to gain recognition as leaders of a new movement towards world socialism as a solution to the increasingly devastating economic crisis.

This results from the basic political difference between those who advocate this strategy and a strategy which could genuinely lead towards world socialism.

First of all, the alternative strategy is almost exclusively conceived as a strategy for a national government. This means it systematically underplays the role of independent mobilisation of workers, consumers, women and other sections of the masses around their own interests. The political role of the masses is seen not as to take direct action to further their own interests which any

left government would then do everything possible to defend, but rather the opposite — that the masses' role is to mobilise only in defence of the actions of the government, but otherwise to remain passive and grateful recipients of the reforms.

Second, the strategy is conceived of as one for a government not only legally elected through bourgeois democracy, but also, once elected, adhering to all the rules of bourgeois legality on the assumption that everyone else, including those threatened by reforms, will adhere to all such rules. But history has shown over and over again that, as soon as their interests are regarded as seriously threatened, the property-owning classes would have no compunction in abandoning the rules of bourgeois legality. If the possibility of reform is not to vanish, as in Germany in 1933 or Chile in 1973, then any alternative strategy must be backed by a political mobilisation which challenges the straitjacket into which bourgeois parliamentary democracy aims to confine mass politics. New representative and democratic organs of rule will have to be built in factories, schools, offices and neighbourhoods.

Revolutionary socialists should not decry the use of Parliament to achieve or reinforce necessary reforms. In fact it is the most reformist forces who are in fact most timid in the use of Parliament because they know that any seriously legislated anti-capitalist measures can be enforced through extra-parliamentary mobilisation.

Revolutionary socialists advocate a much more audacious and energetic use of parliament by parties which claim to represent the working class. We think it is very important therefore for any future Labour or Socialist government to be equipped with a coherent programme of economic measures which it will use its power as a national government to implement. But unlike most of the leading advocates of the alternative economic strategy we do not see this as being the

exclusive aim and activity of socialists.

Thirdly, the alternative strategy is conceived as one for an elected government in a single country. Insofar as it looks for support outside the country it is not to the mass movement that it foresees appealing but rather to other governments. Socialists must realise that this too is a potentially fatal weakness.

A truly socialist strategy approaches the problem of how to confront the crisis from a different starting point. It does not say: pin all hopes on the election of a left parliamentary government. It says that the working class here and now faces massive economic problems: what can it do collectively to resist them?

This means, for example, that it includes policies within the labour movement for the day-to-day struggle to protect real wages and defend jobs at the level of industries, firms and factories. That will in many cases mean local strikes and occupations supported by solidarity action elsewhere.

In relation to the declining social services, too, many actions can be taken, as in many cases they have been, to defend threatened services like schools and hospitals. It must be made as difficult as possible for right-wing governments to impose their policies.

Faced with redundancies and lay-offs, we support the sharing out of work available among the existing workforce in order to prevent redundancies; and we oppose any wage cuts which employers might try to introduce.

It is obvious from the worsening position of women and oppressed racial minorities in the advanced countries mentioned earlier, that our programme to deal with the crisis must contain many measures designed to deal with the problems of these specific groups. We demand the right to work for women and for youth and the ending of all discrimination in employment practices against women, youth, blacks and gay people.

Of course the fight for an anti-capitalist government is also one in which socialists



Chile — pikes were not enough

must centrally participate. Just because the alternative strategy which is now so popular within the labour movement has all the limitations which I have tried to outline, does not mean that socialists should abstain from the struggle over the policies of the Labour and Socialist parties and the trade unions. That is the position of sectarians.

In Britain, socialists in the Labour Party must obviously be at the forefront of the debate over what policies the next Labour government should pursue. There are many policies where we can and must make common cause with those who support the alternative economic strategy. For instance, the support of more government spending to restore and improve the social services, a programme of useful public works to create jobs for the millions of unemployed, the reduction of working hours (provided it is without loss of pay), nationalisation — though we oppose compensation to large capitalists and place paramount importance on the workers' control of nationalised industries.

We also have to fight to see that the political needs and consequences of any anti-capitalist policies are fully realised and prepared for by the whole labour movement. If everything is left to representatives in parliament then it will fail. Every reform or anti-capitalist measure taken by a parliamentary government will need protection by mass mobilisation.

We must also however fight *against* two aspects of the strategy. The first is the tendency to think in terms of bureaucratic rather than democratic solutions. A democratic socialist conception of collective ownership and economic planning is as different as could be from present nationalised industries and Stalinist planning. The second is the alternative strategy's nationalist character. If its chauvinistic measures were introduced, it could rapidly become a right-wing policy and forfeit any right to support from the international labour and anti-imperialist movement.

We must fight for an internationalist policy. That means setting ourselves against protectionism. It means striving for more and more contact and consultation with the international working class and anti-imperialist movement about policies in any one country where an anti-capitalist government takes power. It also means building these contacts before the event. It means placing the needs of the backward underdeveloped countries in the forefront of our concerns instead of saying, as so many advocates of the alternative strategy do, that they have to wait for assistance until we have solved our problems.

We must fight for support for the unconditional cancellation of the vast debts of the poor countries to the international banks and to imperialist governments. We must demand the ending of economic discrimination against the exports of the poor countries. We should advocate a massive programme of economic aid aimed at helping the poor countries. For this aid to be practically useful we should call for it to be directed towards governments that take serious anti-capitalist measures in their own countries and towards national liberation movements in the still-oppressed nations.

If we as socialists are serious that these are among our priorities, then we shall be able to build strong alliances with pro-



'... place the needs of the backward underdeveloped countries in the forefront of our concerns.'

gressive forces representing the oppressed masses of the underdeveloped countries. And that will make the struggle for socialism there and also in advanced countries like Britain an easier one.

A vast amount of the world's productive resources now lie unused though everyone is forced to acknowledge that immense social needs exist. At the same time many of the resources which are being used are producing useless or destructive things.

The reason that social needs are not met is not that the resources to meet them do not exist. It is that the capitalist system does not make it profitable to use them to good effect or to use them at all.

Once this basic fact is grasped it follows that it would be practical to organise the world's productive resources in such a way as to make a vastly greater contribution to meeting the real needs of the people — physical and cultural. That could be done in an economy where res-

ources were distributed not in accordance with profit or bureaucratic needs but according to real popular need.

Simply to say that is not to determine a strategy. A strategy is a set of policies which show how in a real, concrete, if inevitably faltering way it is possible to set out from where we are on the long journey to a true socialist economy based on human need.

Such a strategy cannot be regarded as a magic wand, since the road will inevitably be extremely uneven and difficult with setbacks and reversals which will continually demand new policies: if we succeed in taking positive steps out of the present crisis along that route we shall soon be travelling where no human society has been before.

And if we do not, it can only become more and more probable that we shall instead be forced to travel again the agonising and perilous route on which the exploiting classes have forced humans to travel far too often.

CAPITALIST CRISIS AND SOCIALIST ALTERNATIVE, by Bob Sutcliffe

How did the post-war boom change capitalism?

And how is the continuing collapse of that boom, over the last decade or so, changing it?

Where is capitalism's economic crisis taking the world?

In this study, Bob Sutcliffe sets out to map the terrain set for the class struggle by economic reality.

The Establishment economists' picture of a 'mixed economy' with all contradictions reconciled, all problems outgrown, has crumbled. Increasingly anyone seriously seeking to understand the course of the economy has to turn to the weapons of Marxist analysis, to a view of capitalism as a historically limited system with inherent contradictions and racked by class struggle.

But many Marxist analyses, Bob Sutcliffe argues, have constructed abstract and incomplete theoretical schemes, then mechanically linked up empirical facts to those schemes. This study takes its starting point from a wide-ranging and well-documented survey of the facts of recent development, guided by a Marxist method, but drawing theoretical conclusions cautiously and in line with the facts.

It is focused towards political conclusions, written to avoid jargon, and concludes with a critique of the 'Alternative Economic Strategy' and an outline of a revolutionary socialist alternative.

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