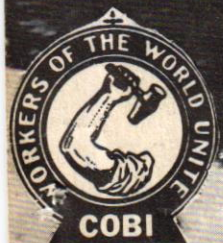


THE CRISIS OF BRITISH CAPITAL

part 1,
causes



Proletarian
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PREFACE TO THE SECOND EDITION (JUNE, 76)

There is no final crisis of capitalism - not in the absolute sense at least. There is no point at which capitalism as a mode of production simply falls off the cliff of history, whereupon the 'socialists' or 'revolutionaries' come around to pick up the pieces.

Capitalism is the only mode of production whose very existence depends upon revolutionising its productive base (due to the competitive pressures of capital accumulation). Accordingly it also happens that capitalism can and does revolutionise the social forms under which accumulation takes place, for its more efficient functioning. It is profoundly mistaken to look to the private ownership as the distinguishing feature of the bourgeois regime, as has been traditional in the countries of capitalism's original emergence. On the contrary, this is increasingly outmoded even in areas of Western Europe which are now well advanced towards a state capitalist mode with suitable social democratic/welfareist superstructure.

Change - sudden and qualitative - is inherent in capitalism. For instance in Britain we have seen the switch from the pre-war laissez faire norm to post war Keynesian orthodoxy. As predicted in the previous edition of this pamphlet, Keynesian indirect methods of demand management, are now being replaced by overt state dirigisme, predicated upon Labour Party/T.U.C. corporatism, and utilising massive capital injections drawn from state revenues.

Hence there is no point at which capitalism will by its own inertia, simply run smack into a brick wall, to be stopped dead. Only active confrontation by the proletariat can put an end to it.

Only when the proletariat is armed with class initiative and scientific socialism can this occur. And these vital ideological actions do not drop from the skies, nor do they spring out of the ground of immediate experience. They come only from the class party that has arisen in the course of the struggle to formulate and disseminate a scientific programme; one whose first prerequisite is to constitute the proletariat as a political class. In the first instance this means supplanting the defencist, sectorial trade unions with the offensive, consolidated, Industrial Unions.

It is to the causes of this crisis in world, but more especially British, capital that this pamphlet is addressed, so that by grasping the objective dynamic beneath appearances, it can be made the penultimate crisis. That means studying its lessons theoretically.

The substance of Proletarian Pamphlet No.2:- The Crisis of British Capital; its causes and consequences is essentially unchanged from the first edition of the pamphlet of June 75. But it has been extended and section 1 entirely rewritten as the previous edition contained errors in the estimation of exploitation. This edition, is also provided with better statistics (described in appendices). Further, Section 4 has been substantially lengthened, and again new appendices added. This makes the four sections together far too unwieldy to be a single pamphlet since the sections deal with different aspects of the crisis, we have accordingly split the pamphlet up into two parts of two sections each. We now have
Part 1 = Causes
Part 2 = Consequences

The Glossary of Terms is a new feature and appears at the end of section 1, though of relevance to both.

Further Reading (of items not cited in the text), plus a list of abbreviations appears at the end of part 2, and is likewise relevant to both parts.

COBI WELCOMES COMMENT UPON, AND CRITICISMS OF THIS PAMPHLET AND ALSO OF THE REST OF ITS PUBLICATIONS.

The Crisis

1. Britain was the country of the industrial revolution. It was here that a new form of society, industrial capitalism, was born. Having given birth to this capitalist mode of production, Britain has been dominated by it more completely than any other country. The present crisis, referred to in the press as "Britain's crisis" must be understood as a crisis of this capitalist mode of production. It is a crisis affecting capitalist society on a global scale, but one which manifests itself with special intensity in this the oldest and most decadent of all the capitalist nations.

The essential features of capitalism

2. Capitalist production has two essential features that distinguish it from all past and future systems of production.

(i) Social labour takes place in separate units of production, which can only maintain themselves by selling their products as commodities. Production is for society since goods are not directly consumed by those who make them; (shoes for example are produced for public consumption, not just those working in shoe factories). At the same time however, production is subordinated to private interests. Production takes place in separate enterprises each of which seeks only its own gain. The enterprises are not interested in the useful qualities of their products, but as these products are their private property they are unwilling to give them up unless they can receive something equivalent in return. Here we see the first contradiction of capitalist production; how can the product pass from the unit of production to the consumers without the former losing any of its property?

This paradox is only resolved by the product becoming a commodity and being sold for its equivalent in money. In what sense is money "equivalent" to the commodity that it purchases?

It is equivalent because with this money it is possible to purchase other commodities that have the same value as the original commodity. And what is the source of this value? Why are these commodities valuable?

The commodities are valuable because part of society's labour has been used up in their production. The value of a commodity is nothing other than the number of manhours of social labour that are required for its production. The more labour that society must devote to a commodity's

production, the more valuable it is. It is this underlying value that in the long run, determines prices of commodities. If the prices of commodities fall below their values, so that the producers are unable to sell them for their equivalent in terms of money, they will be unwilling to continue production. So we see that the system of commodity production already contains the seeds of crisis, arising from this contradiction between private property and social production.

- (ii) The second feature of capitalism is that the direct producers are separated from the means of production and reduced to the status of wage slaves.

The separation of the producers from the means of production, the concentration of these means of production in the hands of a class of capitalists, and the consequent creation of a propertyless proletariat is the result of a historical process that goes through two phases. The first of these is the formal subordination of labour to capital. The formal subordination of labour to capital arises on the basis of the forcible dissolution and destruction of precapitalist systems of production. At this stage the technology of production is based on simple manually operated tools. It is still technically possible for an individual worker to use these tools to produce on his own account without the intervention of a capitalist. As a result, if the capitalists are to obtain wage slaves, a class must be created that lacks the tools and other means of production required to produce independently. To achieve this, the rural population must be driven from the land into the cities where they can be brought under capitalist exploitation. The means by which the link between the peasantry and the land is broken by a landlord class, the flight of peasants from debts, war and its attendant destruction, all play their parts in the creation of a class with no property but their ability to expend labour power. Having no other means of subsistence, they are forced to sell this labour power to the capitalists.

The value of a commodity is determined by the labour required to produce it; the same applies to the commodity labour power. Its value is set by the labour necessary to maintain the worker and his family at their customary standard of life. In other words, the value of labour power is determined by the labour required to produce the food, clothing, housing etc, used by the labourer and his family. But one day's work produces more than is required for maintenance. The difference between the number of hours required to maintain the workers and the total number of hours worked each day is the surplus labour, (producing surplus value) which is the source of capitalist profit.

During this first stage of capitalism, the main means by which capitalists obtain surplus value is through the lengthening of the working day, so that the surplus labour results from an absolute increase in the amount of work performed. In consequence, a major feature of the proletariat's struggle against exploitation is the fight for a shorter working day.

The second stage in the separation of the producers from the means of production is what Marx termed the real subordination of labour to capital.

During the first stage independent production by artisans and other small producers was still technically possible. In this second stage where the production processes comes to be based upon large scale machine industry, the nature of the forces of production becomes such that they can only be worked by associated labour. Small scale, independent producers can't compete with capitalist industry. Driven into bankruptcy, they are forced down into the ranks of the proletariat. The work started by political and legal repression during the first stage of the separation of the producers from the means of production is now completed by the technical superiority of capitalist production.

The development of productivity that accompanies the real subordination of labour to capital opens up new possibilities for exploitation. Previously capital had relied upon the production of absolute surplus value through the lengthening of the working day; now it becomes possible to produce relative surplus value by reducing the value of labour power. The developing productivity of labour allows the value of labour power to be reduced without real wages having to fall, since, as labour becomes more productive, less labour is needed to produce the goods that workers consume. As the labour necessary to reproduce the workers falls, the surplus portion of labour must rise. *given no rise in 'C'!*

Some Contradictions of Capitalist Development

3. Once the real domination of labour by capital has been established, the production of relative surplus value becomes the driving force behind economic development. The nature of this development, however, is inherently contradictory. Each individual capitalist acts only to maximise his rate of profit. They invest in new machinery capable of improving labour productivity because this enables them to cut costs, undercut their competitors, gain a larger share of the market, and thus increase their profits. But by improving labour productivity and making the product easier to produce they reduce its value. At first, any gains they make are at the expense of their competitors who have not yet installed new machinery, and can't

produce so cheaply. The result is that these competitors are themselves driven out of business - just as they had previously contributed to the impoverishment of the independent artisans. The immediate result of the development of productivity is that each branch of production becomes dominated by fewer capitals. The process by which relative surplus value is produced leads to the concentration of capital ownership. Large capital grows at the expense of small because it is more efficient.

In addition to acting as a constant process of expropriation, the production of relative surplus value tends to result in a falling rate of profit. (for detailed explanation of this see appendix 1) The development of productivity usually involves the introduction of more complex and expensive machinery. The value of capital invested in machinery tends to increase relative to the number of workers employed. But since profit arises from the exploitation of living labour not inert machinery, this tends to mean that less profit is produced for each £ invested in machinery. Therefore the rate of profit per £ of capital invested tends to fall.

This decline in the rate of profit is at first only a relative tendency, a tendency offset by other factors. The first is that the production of relative surplus value, by reducing the value of labour power, allows a greater quantity of surplus value to be extracted from each worker. This increase in the quantity of surplus value at first tends to prevent the rate of profit from declining. Secondly; the improvement in productivity also affects those industries where machines are produced. The value of machinery tends to fall; it becomes cheaper. This means that although an increased mass of machinery may be employed per worker, the cheapening of this machinery could result in it representing a smaller value of capital. Where this is the case, an increase in the quantity of machinery used will not lead to a fall in the rate of profit. We shall see how this decline in the rate of profit becomes transformed in the course of capitalist development from a relative tendency into an absolute law.

* What is the Decadence of Capitalism

4. According to the Marxist conception you can't say that any social system is absolutely progressive or absolutely reactionary. Capitalism can only be judged progressive or reactionary compared to other social systems. Within a society capitalism enters its reactionary phase once its historic task is complete, once it has finished the work of expropriating and proletarianising the independent producers: the peasants and artisans.

In this historically reactionary phase, the contradictions of capital accumulation become increasingly difficult to solve. Capitalism is production for the sake of surplus value, but since this surplus value comes from the exploitation of wage labourers, the limit to the amount of surplus value that can be produced is set by the size of the proletariat. The more workers who are being exploited the greater the surplus value. Whilst capitalism exists alongside petty production, the production of relative surplus value is continually ruining masses of petty producers and forcing them down into the proletariat. This ensures a growing proletariat available for exploitation. When this is combined with the effects of the falling value of labour power the result is a rapid expansion in the production of surplus value.

The expansion in the quantity of surplus value produced would slow down the fall in the rate of profit. If this is not enough, there are two other effects that accompany this rapid expansion of the proletariat. The constant influx of new elements into the working class means that the trades union struggle is carried out under unfavourable conditions. The existence of a large reserve army of unemployed, constantly topped up by migration from the countryside, means intense competition for what jobs are available. Wages can be pushed down by employers till they are actually below the value of labour power. In other words, real living standards decline. Improvements in productivity lead to the increasing misery and impoverishment of the proletariat.

Secondly, a rapid expansion in the number of workers employed provides a ready outlet for capital investment, which slows down any tendency for the capital employed per worker to increase, since its value is spread over more workers. ?

During this expansionary phase of the capitalist mode of production such crises as occur are of the cyclical rather than the chronic sort. Prosperity and depression succeed each other in a 10 year cycle. During boom times, increasing production and employment accompanied a big expansion of credit. Capitalists borrow to finance an expanded scale of production. Low unemployment however, allows workers to win higher wages. This decreases profits. In response investment is cut back, and new orders slowed down. Capitalists who had borrowed on the expectation of a bouyant market find themselves with unsold stocks unable to meet their debts.

A round of bankruptcies and company failures follows. Prosperity is transformed into depression. Unemployment rises again, wages again fall preparing the way for the next round of profitable exploitation with a larger and worse-paid labour force whose morale and Trade Unions has crumbled in the meantime.

5. The Formation of a Surplus Population

The continued existence of a relative surplus population that can be drawn into the exploitation process is vital to the accumulation of capital. Marx identified three forms of such a Relative Surplus Population.

- (i) The floating reserve population. This is constantly generated by the development of technology that accompanies the production of relative surplus value. If machinery is introduced that is capable of doubling the output of every worker in the shoe industry, what will happen?

First the price of shoes will fall as each shoe will now contain less labour. This fall in price may stimulate an increase in sales but the rise in sales is unlikely to compensate for the fall in price.

If prices fell from £8 per pair to £6 per pair, and if at first 10 million shoes were sold a year we would start out with sales of £80 million a year. Suppose that as a result of the price cut sales rose by 2 million to 12 million we would end up with sales of only £72 million: a fall of £8 million. This decline in the value of sales means we have over-production of shoes. Under capitalism over-production leads to unemployment, in this case among shoe workers.

The production of relative surplus value thus necessarily entails the constant "setting free" of workers as a result of improvements in productivity. These workers "set free" are what might be called the internal surplus population generated by capitalism. They make up the floating reserve population.

- (ii) The latent reserve population. This is historically the most important part of the surplus population. It is made up of that part of the population employed in agriculture.

"Part of the agricultural population is therefore constantly on the point of passing over into an urban manufacturing population, and on the look out for circumstances favourable to this transformation. (Manufacture is here used in the sense of all non agricultural industries). This source of relative surplus population is thus constantly flowing". (capital I P.642).

- (iii) "The third category of the relative surplus population, the stagnant, forms a part of the active labour army, but with extremely irregular employment. Hence it furnishes to capital an inexhaustible reservoir of disposable labour power. Its conditions of life sink below the average normal level of the working class; this makes it at once the broad basis of special branches of capitalist exploitation. It is characterised by the maximum of working time and the minimum of wages. We have learned to know

its chief form under the rubric of "domestic industry". It recruits itself constantly from the supernumerary forces of modern industry and agriculture, and specially from those decaying branches of industry where handicraft is yielding to manufacture, manufacture to machinery".

(Capital I P.643).

The second and third forms of surplus population rely upon capitalism not yet having fully industrialised an economy. Once agriculture has been reduced to the status of a minor branch of the economy accepting only a few percent of the workforce then it ceases to supply industry with "a surplus" population. When manufacture and handicraft have fully given way to industry then the stagnant reserve also dries up. Capitalism is then left only with the floating reserve that is released by improvements in productivity. This reserve is the result of two conflicting tendencies. (a) the rise in the organic composition of capital, which means that a larger proportion of capital is invested in machinery so that each fl million of capital employs fewer workers. This rise in the organic composition of capital releases workers. (b) The accumulation of capital as profits are reinvested as capital in new enterprises thus creating demand for labour and absorbing the floating reserve army. Only if the first process exceeds the second i.e. if the organic composition of capital rises faster than the overall accumulation of capital, does capitalism find itself with a secure reserve population. If this does not happen, the accumulation of capital meets with a limit set by the supply of labour power. But this interruption of accumulation leads to unemployment and an expansion of the floating population. Hence the paradox that under capitalism a shortage of labour power results in unemployment!

"That the natural increase in the number of labourers does not satisfy the requirements of the accumulation of capital, yet in all times is in excess of them, is a contradiction inherent in the movement of capital itself. It wants larger numbers of youthful labourers, a smaller number of adults. The contradiction is not more glaring than that other one that there is a complaint of the want of hands, while at the same time many thousands are out of work, because the division of labour chains them to a particular branch of industry." (Capital P.641).

Even in the current depression, the most grave since the advent of Keynesianism over a generation ago, employers are often heard to lament dearth of "the right kind of labour" in the right place at the right time.

When capitalism has completed its historic task of proletarianisation, the balance of class forces changes. As the size of the working class stabilises, union organisation becomes stronger and more capable of defending and improving wage

Chart I : Agricultural in relation to total labour force

	1841	1851	1861	1871	1881	1891	1901	1911	1921
Agricultural Employees ('000s)	1515	2017	1942	1769	1633	1502	1406	1496	1434
Total Employees	6908	9737	10,523	12,752	12,731	14,499	16,280	18,286	19,354
Agricultural as % of total	22%	21%	18%	14%	13%	10%	9%	8%	7%

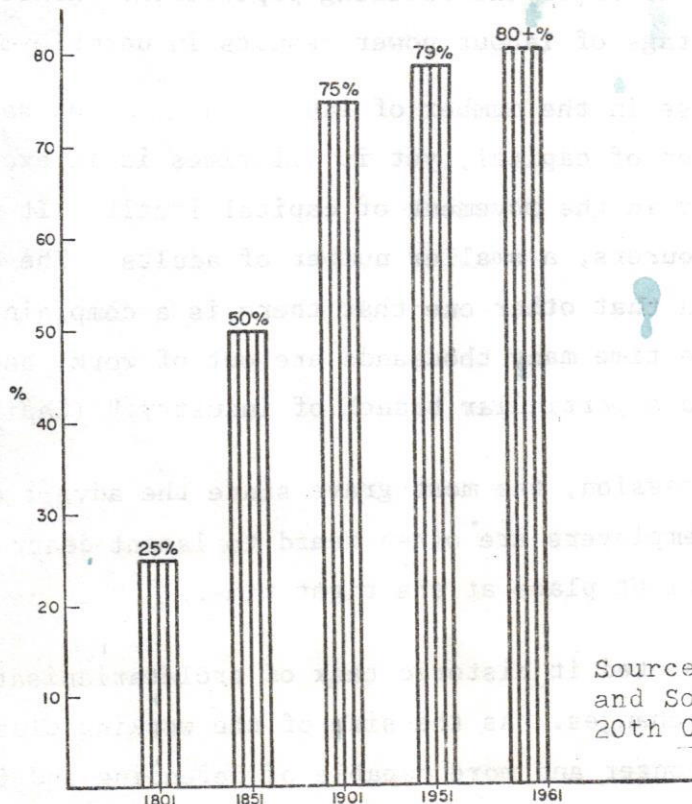
Source: Census.

Table I : POPULATION OF MAIN CONURBATIONS, 1901-1961 (To nearest thousand)

Conurbation	1901	1911	1921	1931	1951	1961
Greater London	6,586	7,256	7,488	8,215	8,348	8,172
SE Lancashire	2,117	2,328	2,361	2,427	2,423	2,427
West Midlands	1,488	1,634	1,773	1,938	2,237	2,344
West Yorkshire	1,524	1,590	1,614	1,655	1,693	1,702
Merseyside	1,080	1,157	1,263	1,347	1,382	1,386
Central Clydeside	1,343	1,461	1,638	1,690	1,760	1,802
Tyneside	678	761	816	827	835	852

SOURCE: Censuses of population, England and Wales and Scotland.

Histogram I : THE PERCENTAGE OF THE POPULATION CLASSIFIED AS URBAN



Source: Short Economic and Social History of 20th Century Britain.

rates. It now takes less time for boom conditions to wear down the level of exploitation. With no new groups of workers coming onto the labour market the field of capital investment narrows. Instead of developing extensively capitalism has no alternative but to develop intensively, investing more capital per worker. But as we said before this results in falling profit rates. When capitalism passes into its reactionary phase, the balance of forces in the economic class struggle shift in favour of the working class, whilst the fall in rate of profit becomes unavoidable.

The result of this fall in the rate of profit is chronic not cyclical depression.

* That is not to say that the cycles vanish, it is just that depressions get longer and more severe whilst the periods of prosperity get shorter.

6. Uneven development

The uneven and combined development of societies is a general law of human history. Different societies reach the same stages of social development at different times. Capitalism has existed in some areas of the world for longer than in others. By 1800 Britain was already a fully fledged capitalist country, but in Russia society was still feudal, slavery dominated the southern United States, whilst most of the rest of America, Africa, and much of Asia was still peopled by tribes at various stages of savagery and barbarism. We have already outlined the principle stages in the development of the capitalist mode of production. These stages provide the key to the understanding of the class struggles in modern Britain but by themselves they are too abstract to be of much use. To get any further we must look at the interaction between the capitalist mode of production and the other systems of production that surrounded it.

.. "new superior relations of production never replace older ones before the material conditions for their existence have matured within the framework of the old society" (Marx, Preface, Contribution to the Critique of Political Economy).

If capitalist industry developed first in Britain, this was not because of any innate genius in the British people, but because the conditions necessary for capitalism had been prepared by the breakdown of feudalism and the development of international trade. In this respect, the British bourgeoisie started off with a lead of several decades over its nearest rival the French. This lead meant that by the beginning of the 19th century British industry already dominated the world market, and the British state had already secured for itself the most valuable colonial empire of all the European powers. The world market centered on Britain consisted of four main parts. Western Europe and the Northern USA; where petty commodity production and the formal subordination of labour to capital were already laying the basis for independent development of capitalist industry. Eastern

Europe, where the economy was still based upon feudal agriculture which exported agricultural products, to the British market. The Southern USA and the colonies which participated in the world market on the basis of a plantation economy employing slaves or semi servile labour. In the case of the first two, their economies were the result of independent development towards commodity production. The case of the last was different, here the system of production arose as a result of the development of capitalism in Britain. These were subordinate economies geared to the needs of the British market, using the most primitive forms of exploitation for the benefit of the British bourgeoisie. At this initial stage the most important products of the colonies were agricultural. Finally the ancient class societies of the East; Turkey, India, China within which commodity production was relatively poorly developed, but whose sheer size nevertheless enabled them to constitute a significant part of the world market.

It was in this situation that the second wave of capitalist development took place, as the capitalist mode of production spread from Britain to the most developed societies in Western Europe and to North America. It was from the class struggles initiated by this second wave, that communism - the doctrine of the revolutionary proletariat - received its pure form. The revolutionary crisis that convulsed Europe in the late 1840s had a double character. In Germany, Italy and Hungary the risings were Nationalist and democratic, directed against feudal absolutism and parochialism. But these democratic revolutions combined with movements of a much more advanced nature in France and in Britain. In Britain the Chartist movement, though apparently aiming only at an extension of democracy was in practice overwhelmingly proletarian. Its victory would have meant the establishment of proletarian power in the one country in which economic development had already laid the foundation for a rapid development of communism. In France too, the second Republic was no sooner established than the proletariat was demanding the "Social Republic", and proved willing to back its demand by force of arms. The defeat of the proletarian movements in Britain and France sealed the fate of the revolutionary movements in the rest of Europe, and ensured the political stability necessary for the second wave of capitalist development. The expropriation and immiseration of the working people of Europe could proceed without fear of revolutionary resistance.

The immediate effects of this second wave of capitalist development were beneficial to the capitalists of Britain. The development of capitalism abroad meant an expansion of markets for British exports, whilst at the same time providing a profitable field for investment by British financiers. Returns from these investments were so profitable that by the end of the 1880s they had become self financing,

i.e. the profits flowing into Britain exceeded the flow of investment from out of Britain. In other words British capital was becoming increasingly parasitic. As industrialisation in the secondary capitalist countries progressed however, it brought with it competition and an undermining of the British monopoly of the world market.

7. British Capitalism Enters its Decadent Phase

By the end of the 19th century British capital had accomplished its historic task of proletarianising the productive population, and as chart 2 shows the rapid growth of the proletariat was coming to an end. British capitalism had entered into its decadent phase whilst its leading competitors were still in the process of developing the real subordination of labour to capital. Because of this the contradictions of capital accumulation were not so severe in these areas, when compared to Britain. Along with a still rapidly increasing proletariat the new capitalist powers were able to combine the most modern technology and industrial organisation. At the start of the 20th century although Britain was more completely dominated by the capitalist mode of production than any other country, its capitalism was already less modern than those of Germany or the USA. Higher rates of exploitation combined with a more concentrated ownership of capital in these countries meant that more surplus value was produced, and that a higher proportion of surplus value was re-invested than in Britain.

The rise of several industrial capitalisms created international competition and a struggle for markets and sources of raw materials: hence the drive by the powers to divide the world into colonial empires and spheres of influence. The drive for markets had to be restricted to those areas of the world where commodity exchange was already developing. This meant areas that were already class societies, the Balkans, Latin America, China, Turkey and India. The drive for new sources of raw materials knew of no such limits. The rise in the organic composition of capital with the ever more intensive use of machinery in the capitalist economies raised the demand for raw materials of every sort, but particularly for mineral products. The demand for mineral products made possible a new sort of colony. Previous colonies, like those in the West Indies had been devoted to the production of agricultural products, which required the establishment of a plantation system that dominated their whole economics. But plantation agriculture presupposes the separation of the producers from the means of production, either as slaves or wage slaves. This made the establishment of such plantation economies much more difficult in areas like tropical Africa where the separation of producers from means of production had not yet occurred. These difficulties however did not apply to

GRAPH 1 British Economic Growth 1867-1964

(13 year moving average)

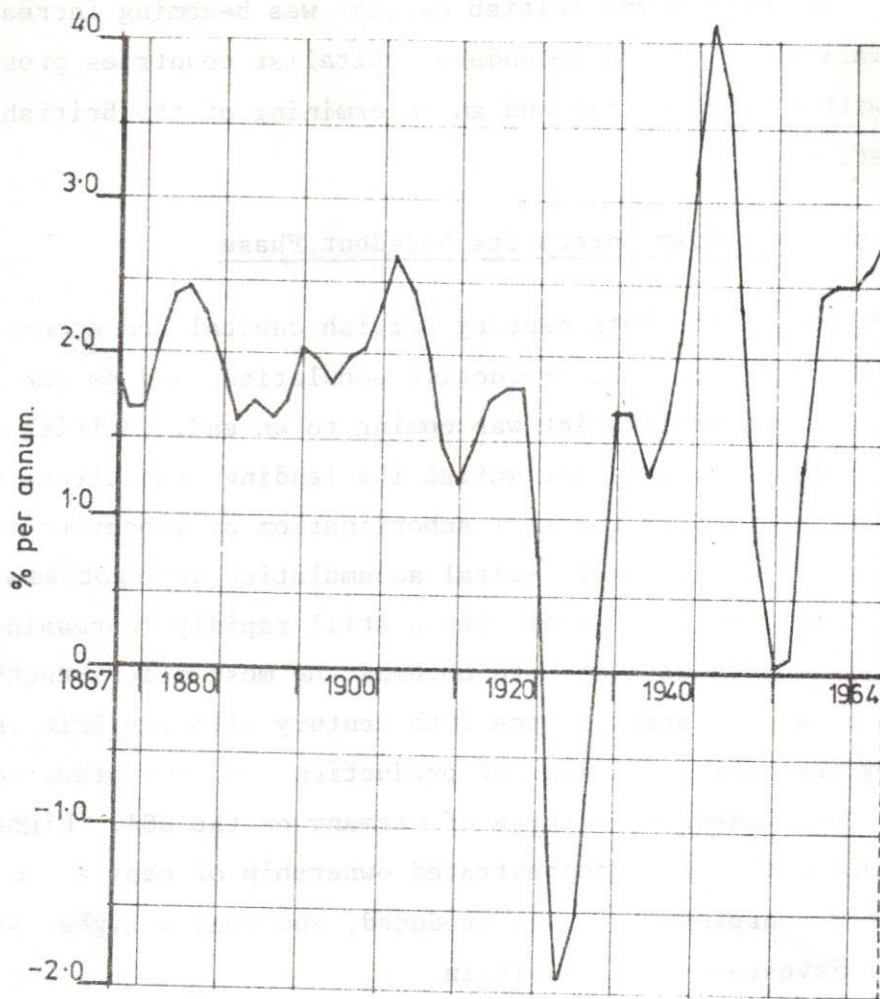


TABLE 2 Flow of Surplus Value into and out of U.K 1870-1965 in £m.

Decade	Property Income from Abroad	Net Investment Abroad	Flow of Surplus Value into Britain
1870 - 1879	421	544	-123
1880 - 1889	760	675	85
1890 - 1899	1035	571	464
1900 - 1909	1378	835	543
1910 - 1919	2159	715	1444
1920 - 1929	2965	1344	1621
1930 - 1939	333	-504	2837
1940 - 1949	3341	-4754	8095
1950 - 1959	8487	1319	7168
1956 - 1965	11,518	392	11,126

Source - Table 15. Feinstein: National Income Expenditure and Output of United Kingdom 1855 - 1965

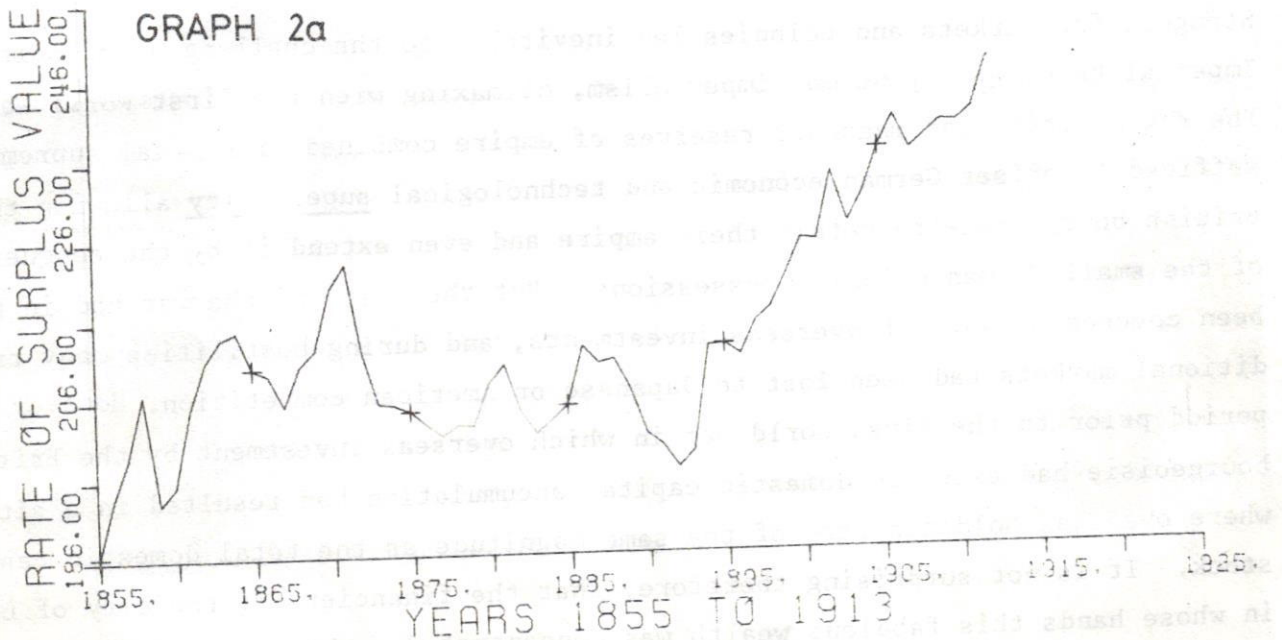
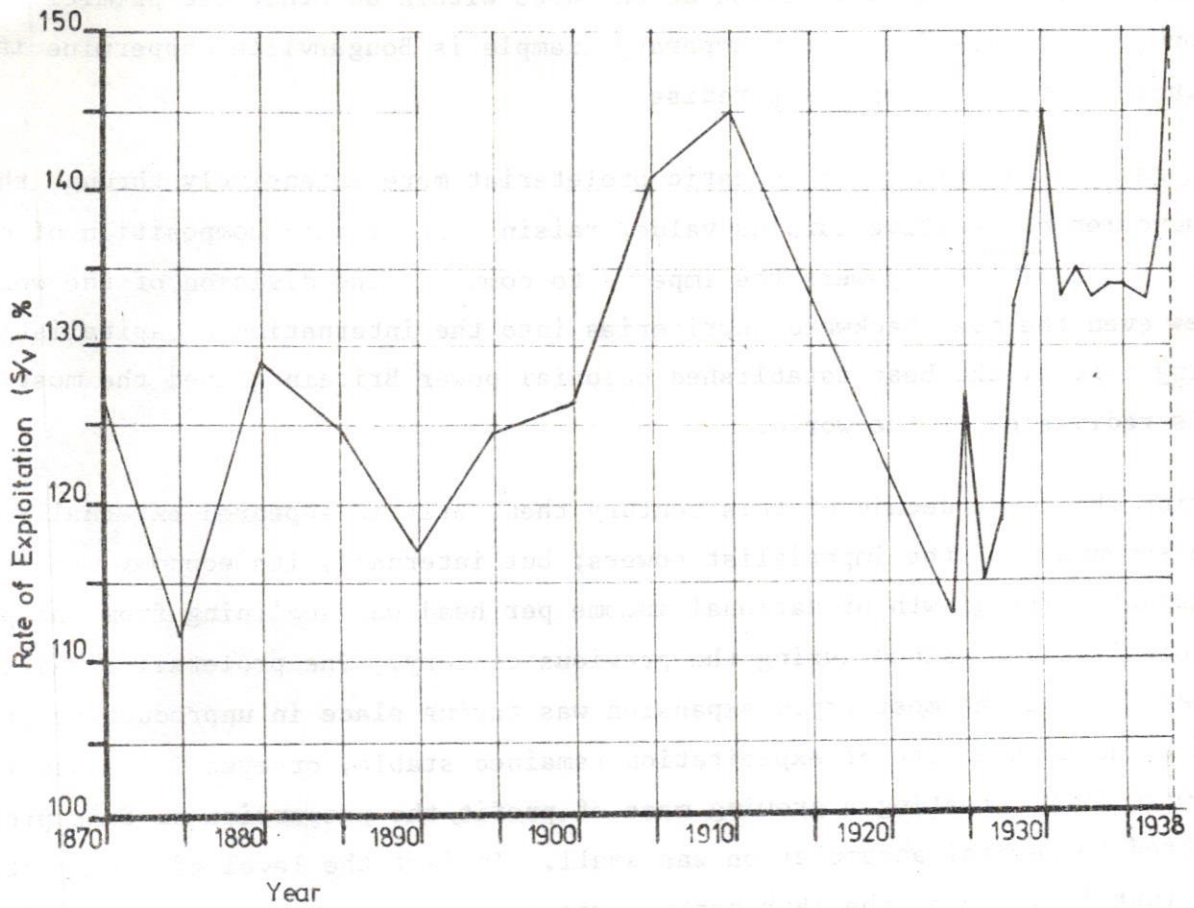
to the extraction of minerals. Mines do not require the transformation of a whole economy. They could exist as enclaves within an otherwise primitive economy. (A classic yet contemporary example is Bougainville coppermine in New Guinea - "an ethnographers paradise").

The need to exploit their domestic proletariat more intensively through the production of relative surplus value, raising the organic composition of capital, gave the capitalist powers the impetus to complete the division of the world and drew even the most backward territories into the international capitalist economy. Being already the best established colonial power Britain gained the most from this redivision of the world.

During the first decade of this century then, Britain appeared externally to be the strongest of the imperialist powers; but internally its economy was relatively stagnant. The growth of national income per head was declining from the peak levels it had attained during the previous century. The proletariat was still expanding but the most rapid expansion was taking place in unproductive sectors. And although the rate of exploitation remained stable, or even increased from 1900 to 1910, creating a growing mass of profit, the proportion of this profit devoted to capital accumulation was small. In fact the level of accumulation during the last 15 years of the 19th century was so low that the organic composition of capital actually fell, and in 1910 was lower than it had been in 1870. As Marx showed, a rise in the organic composition of capital leads to a fall in the rate of profit whilst a fall in the organic composition leads to a rise in the rate of profit. Thus the decline in the organic composition of capital - an indication of economic stagnation - had the paradoxical effect of producing a higher rate of profit, masking the disease.

Struggle for markets and colonies led inevitably to the challenging of British Imperial hegemony by German imperialism, climaxing with the First World War. The raw material and manpower reserves of empire combined with Naval supremacy sufficed to offset German economic and technological superiority allowing the British bourgeoisie to retain their empire and even extend it by the conquest of the small German colonial possessions. But the costs of the war had in part been covered by sale of overseas investments, and during hostilities many traditional markets had been lost to Japanese or American competition. However the long period prior to the first world war in which overseas investment by the British bourgeoisie had exceeded domestic capital accumulation had resulted in a situation where overseas holdings were of the same magnitude as the total domestic capital stock. It is not surprising therefore, that the financiers of the city of London in whose hands this fabulous wealth was concentrated, should prove to be politically the most important section of the British ruling class. In the post

GRAPH 2 Rate of Exploitation in Britain 1870-1938



war situation their first priority was to attempt to return to their idyllic pre-war prosperity. To achieve this an attempt was made to restore Sterling to its pre-war rate of exchange. During the course of the war the pound had been devalued as a result of the high level of government military expenditure; for British finance capital this was a disaster. Much of their overseas investment was in the form of loans to foreign companies or governments on which interest was paid back at a fixed rate in pounds. When the pound was devalued, the same thing happened to all the overseas loans made in Pounds. By revaluing the £1, or going back to the gold standard, it was hoped to increase the value of all the loans made by the City.

The return to the Gold standard involved a sharp deflationary policy aimed at reducing prices and thereby increasing the value of money. The Bank Rate was raised and the money supply reduced. This policy hit the interests of British manufacturing capital severely. Raising the value of the £ made British exports more expensive and less competitive on world markets. The restriction of the domestic money supply reduced home demand, whilst high interest rates discouraged investment. The combination of these had a catastrophic effect on internal capital accumulation and economic growth.

In the 12 years from 1924 to 1935 the share of profits reinvested in means of production never rose above 6.4% and on average was 1.8%. For all intents and purposes the accumulation of capital came to a halt. The stock of constant capital fell from £6,380,000,000 in 1924 to £5,560,000,000 in 1934.

The response of industrial capital in Britain was to try to drive down the standard of living of the proletariat. An aggressive policy of systematic wage reductions was adopted in order to increase the rate of exploitation. After the defeat of the General Strike this policy proved successful; the rate of exploitation increased from 115% in 1926 to 145% in 1930, raising profits from 7.6% in 1926 to 9.5% in 1928.

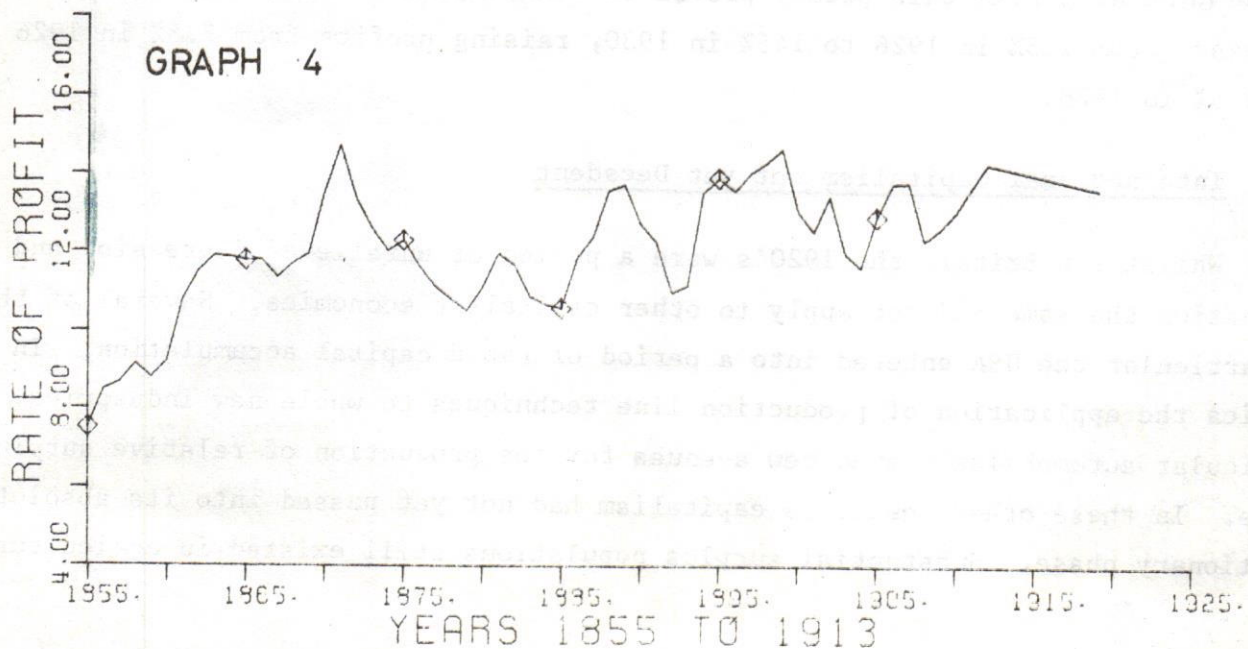
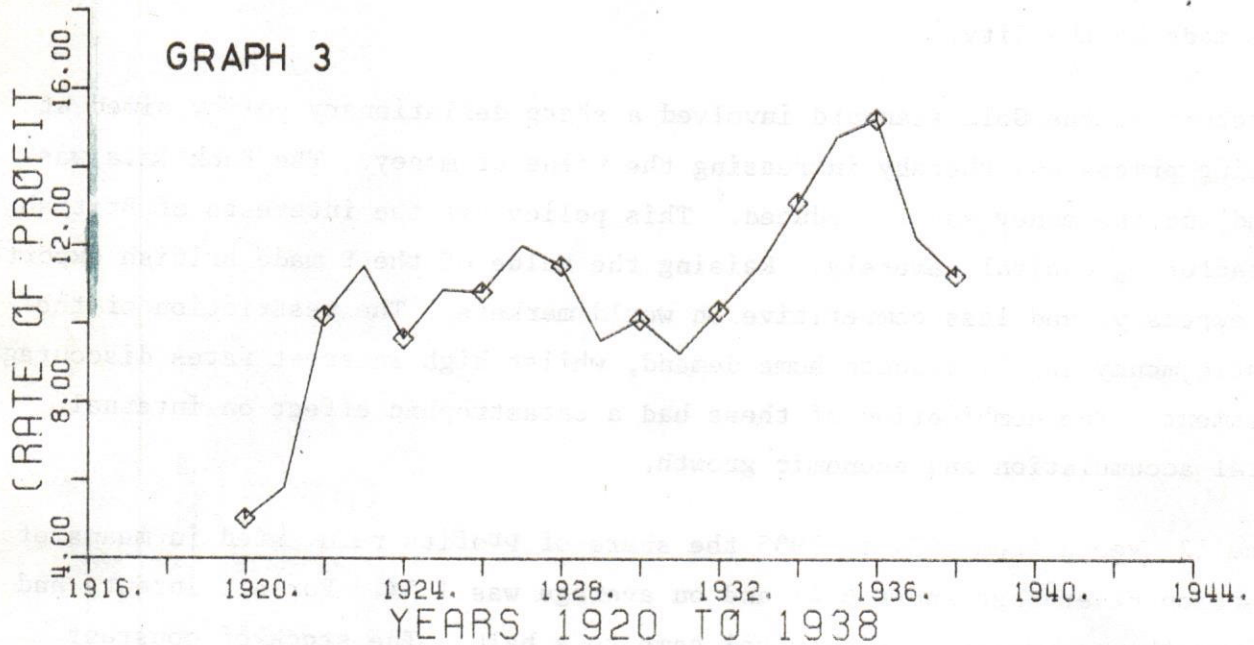
8. International Capitalism not yet Decadent

Whilst for Britain the 1920's were a period of unrelieved depression and stagnation the same did not apply to other capitalist economies. Several of them, in particular the USA entered into a period of rapid capital accumulation. In America the application of production line techniques to whole new industries, in particular automobiles opened new avenues for the production of relative surplus value. In these other countries capitalism had not yet passed into its absolutely reactionary phase. Substantial surplus populations still existed in agriculture.

CHART 2 Productive and Unproductive Workers in Britain 1841-1951

	1841	1851	1861	1871	1881	1891	1901	1901	1921	1931	1951
PRODUCTIVE WORKERS (000's)	4811	7531	8292	9036	10347	10853	12196	12480	12176	12526	12492
UNPRODUCTIVE WORKERS (000's)	1594	2014	2231	2418	3046	3652	4373	4717	7195	8589	9933

Source DEAN & MITCHELL.



In the USA for instance the agricultural crisis of the 20's which impoverished millions of small farmers and drove them from the land produced a ready supply of exploitable labour power.

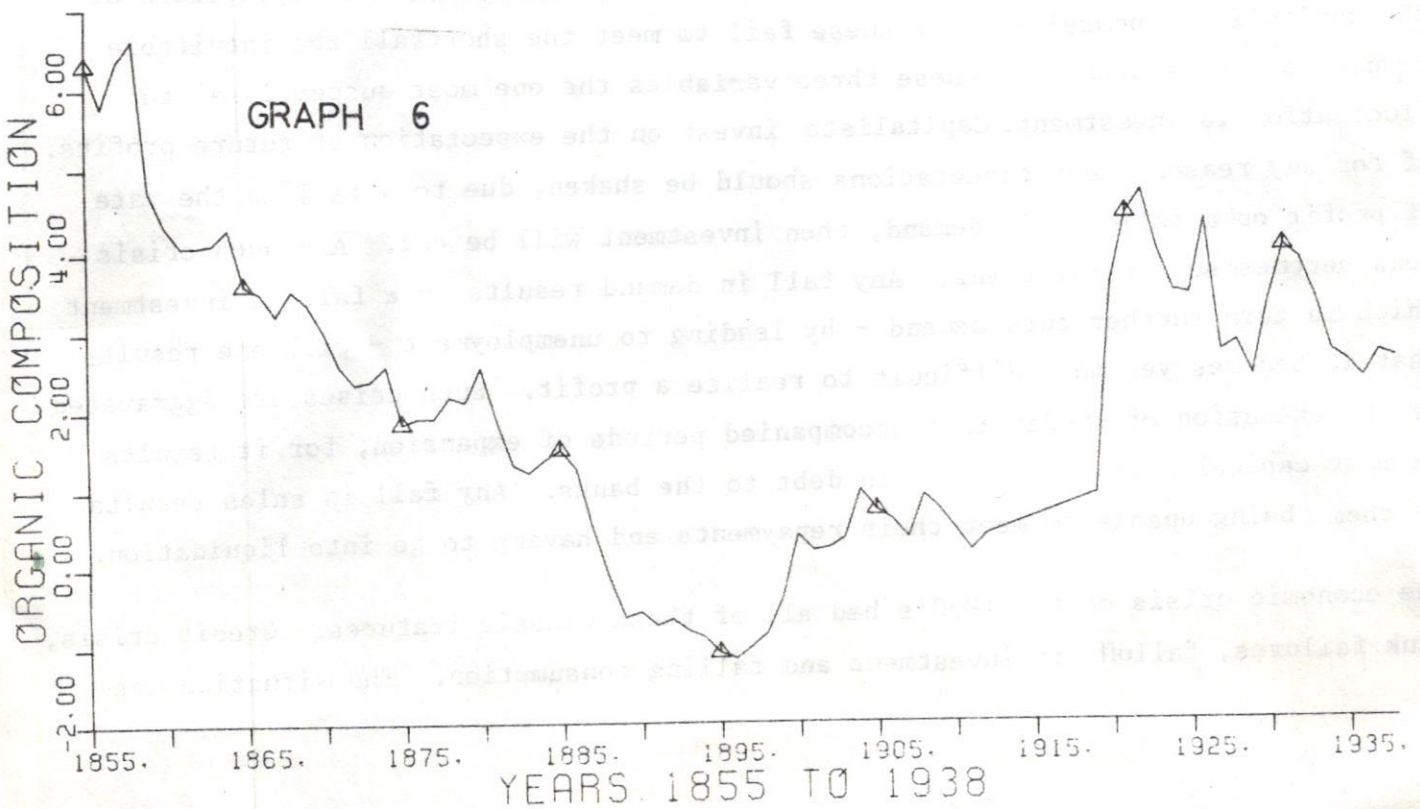
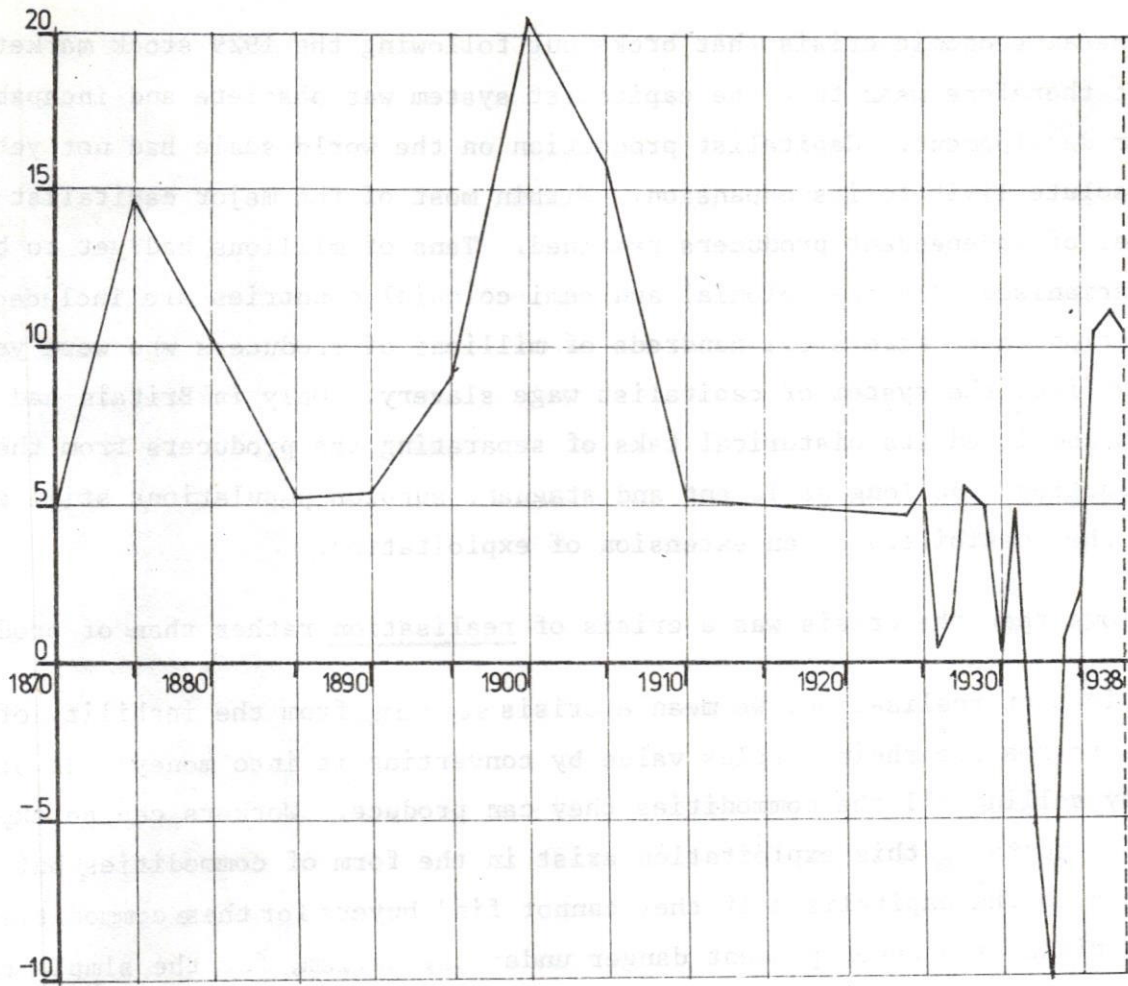
The general economic crisis that broke out following the 1929 stock market crash did not therefore mean that the capitalist system was obsolete and incapable of further development. Capitalist production on the world scale had not yet met any absolute limit to its expansion. Within most of the major capitalist powers reserves of independent producers remained. Tens of millions had yet to be proletarianised. If the colonial and semi colonial countries are included in the calculation there were still hundreds of millions of producers who were yet to be drawn into the system of capitalist wage slavery. Only in Britain had capitalism completed its historical task of separating the producers from the means of production. So long as latent and stagnant surplus populations still existed, so did the possibility of an extension of exploitation.

It follows that the crisis was a crisis of realisation rather than of production.

By a crisis of realisation, we mean a crisis stemming from the inability of capitalists to realise their surplus value by converting it into money: in other words by selling all the commodities they can produce. Workers can be exploited and the results of this exploitation exist in the form of commodities, but that is of no use to the capitalists if they cannot find buyers for these commodities. Such a crisis is an ever present danger under capitalism, for the simple reason that the most important source of demand for commodities - the consumption of the working class, - is restricted by the lowness of wages. The shortfall in demand must be met by the expenditure of the state, investments, and the expenditure of the capitalists themselves. If these fail to meet the shortfall the inevitable result is a recession. Of these three variables the one most susceptible to fluctuation is investment. Capitalists invest on the expectation of future profits. If for any reason these expectations should be shaken, due to a fall in the rate of profit or a fall-off in demand, then investment will be cut. Any such crisis thus becomes self-reinforcing. Any fall in demand results in a fall in investment which in turn further cuts demand - by leading to unemployment - with one result: that it becomes yet more difficult to realise a profit. Such crises are aggravated by the extension of credit that accompanied periods of expansion, for it results in most capitalists being heavily in debt to the banks. Any fall in sales results in them being unable to meet their repayments and having to go into liquidation.

The economic crisis of the 1930's had all of these classic features. Credit crisis, bank failures, falloff in investment and falling consumption. The situation was

GRAPH 5 Accumulation of Constant Capital as % of Profits in Britain 1870-1938



made worse by the way the international market had been disrupted by the war. There was no longer a single dominant currency, as the £ had been before. Now in the face of recession the various separate capitalist nations resorted to measures which tended to make the situation worse. To protect the home market, tariff barriers were set up against imports. To protect their currencies, states put restrictions on the international movement of money and capital. Fearing that "excessive" government expenditure would weaken the £, the British government resorted to expenditure cuts. These of course made the situation worse, since investment was almost non-existent, a reduction in government expenditure could only lead to more unemployment.

At the heart of the crisis of the 1930's lay the contradictions between the Great Powers that had already led to one world war and which were preparing a second. Each imperialist power sought to find way out of the crisis for itself by securing a protected market free from outside competition. For the USA with its vast population and territory this was no problem. Britain and France had their empires, but Italy, Germany and Japan had neither of these advantages. For them the only way out of recession was the militarisation of their economies with a view to foreign conquest.

The end of the second world war brought a radical change in the situation of British and international capital. The situation was quite unlike that which followed the first war.

1. The defeat of the axis powers was far more complete than the defeat of Germany and Austro-Hungary in the first war.
2. As a result one imperialist power, the USA, emerged in a position of almost complete dominance over its rivals.
3. The use of strategic bombing followed by actual invasion had destroyed vast amounts of capital throughout the European continent and Japan. Japanese and continental European industry was in ruins. This meant that economic dominance reinforced US military power.
4. The only obstacle to complete US world hegemony lay in the fact that the main burden of the defeat of fascism had been born by the USSR. As a result of their military success the only effective political power in Eastern Europe were the soviet armed forces. These prevented the old ruling classes of Eastern Europe from consolidating political power, and allowed communist parties to come to power within two or three years.

5. The first and second world wars differed in political character. The first was a purely imperialist predatory war. In the second, the imperialist essence was disguised by its form of a war against fascism in defence of democracy. Among the Allies at least, this gave the war a popular character and prevented the development of revolutionary feelings in the armed forces. The armed forces of the USA and UK thus provided a bulwark against the possibility of revolution in the west. The victory of democracy provided the best possible political conditions for the regeneration of capitalism.

As a war of naked power-politics WWI opened up a period of revolutionary crisis and economic instability; the second world war opened a period of political consolidation and unprecedented economic prosperity for capitalism. The capitalist powers were united into an alliance under the dominance of the USA, facing the USSR. The dollar was established as the stable world currency. Tariff barriers began to be reduced and huge dollar investments by the US bourgeoisie restarted the process of capital accumulation in Europe.

It was a period of international counter-revolution, with all the West mobilised for a political offensive against communism. But a successful counter-revolution need not be a matter of repression. A more effective method is reform. In the post war era the economic role of the state underwent a reform that in Britain at least goes under the name of Keynesianism.

9. Keynesian Reforms

It must be emphasised that keynesianism involved genuine social reforms. Like all genuine reformist developments under capitalism, it was in the immediate interests of the working class.

- (i) Whereas previously the economic policies of the British State had been dominated by the rentier interest - in other words by the most parasitic and reactionary fraction of the bourgeoisie - under keynesianism economic policy served the interest of the most progressive fraction - the industrial capitalist. We have already seen that during the 1920s and 30s the interests of industrial capital had been sacrificed to those of the rentiers and finance capitalists. This had led to capital accumulation making up only a minute portion of profits. In the post war period as graph 5 shows capital accumulation almost always stood at more than 50% of profits and has often been over 100%. Keynes argued that if the government increased its expenditure to keep demand high and at the same time

reduced the rate of interest this would encourage investment. If demand was high industrial capitalists would be sure of finding a sale for their commodities and would consequently be encouraged to invest. This would be made easier if they could borrow money at low rates of interest.

"The justification for a moderately high rate of interest has been found hitherto in the necessity for providing a sufficient inducement to save. But we have shown that the extent of effective saving is necessarily determined by the scale of investment and that the scale of investment is promoted by a low rate of interest, provided that we do not attempt to stimulate it in this way beyond the point which corresponds to full employment. Thus it is to our best advantage to reduce the rate of interest to that point relative to the schedule of the marginal efficiency of capital at which there is full employment".

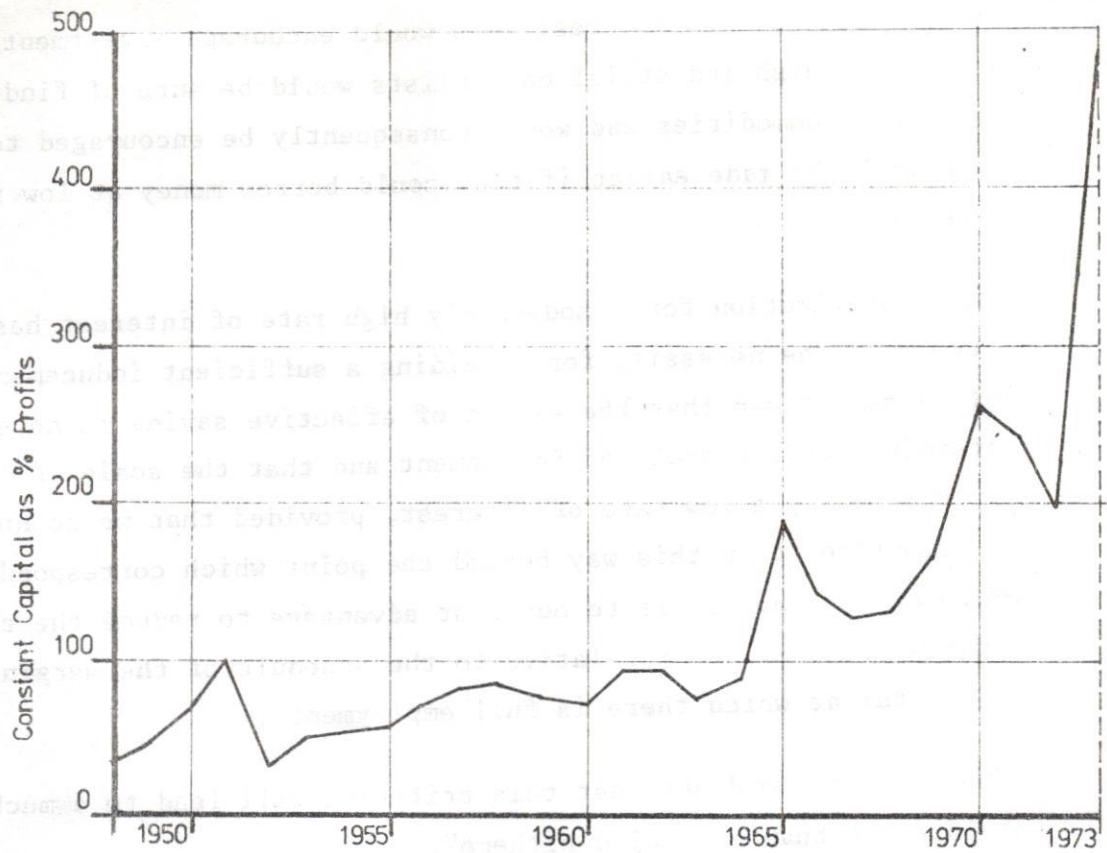
"There can be no doubt that this criterion will lead to a much lower rate of interest than has ruled hitherto".

"Now although this state of affairs would quite compatible with some measure of individualism, yet it would mean the euthanasia of the cumulative oppressive power of the capitalist to exploit the scarcity value of capital".

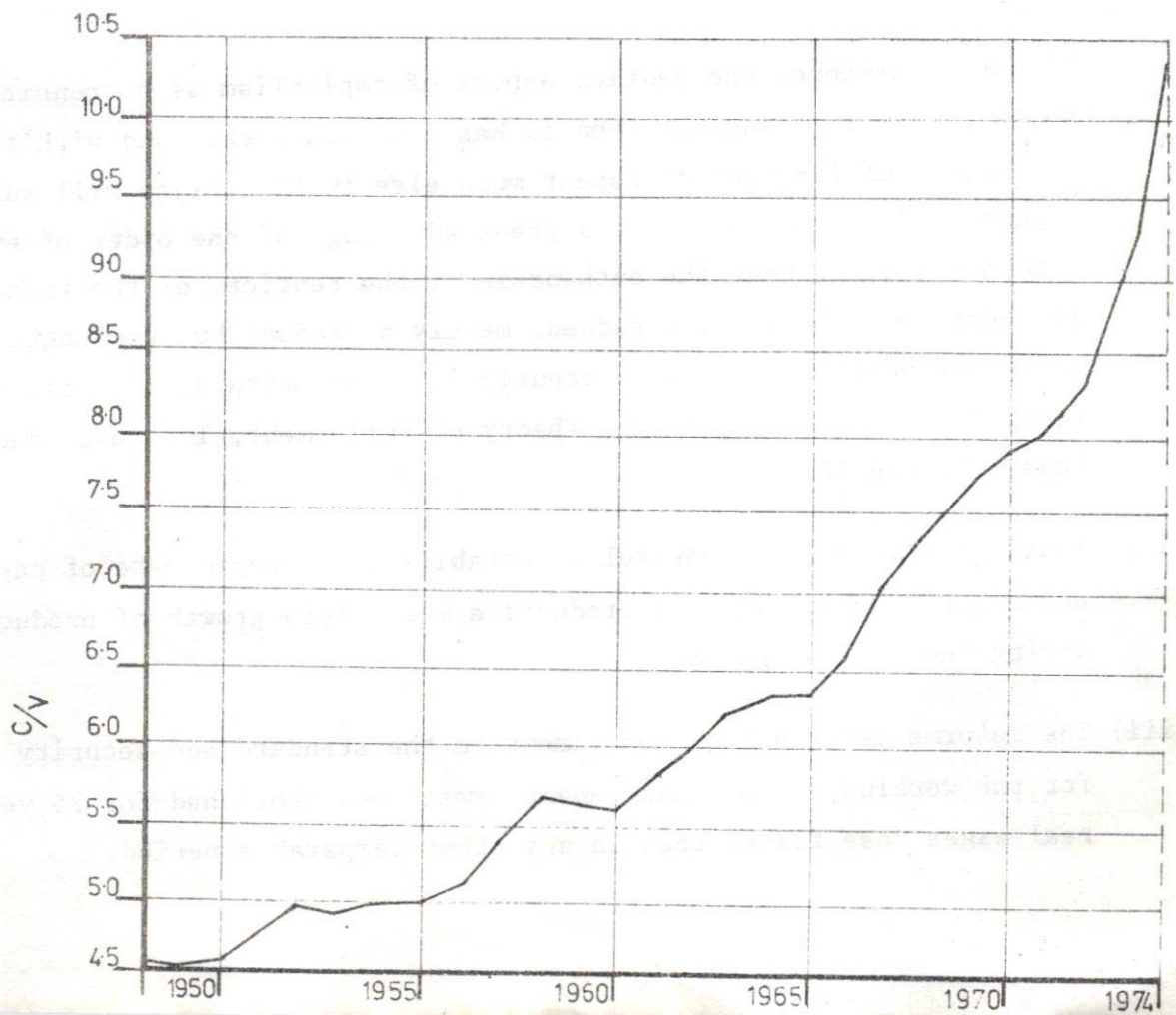
"I see, therefore, the rentier aspect of capitalism as a transitional phase that will disappear when it has done its work. And with the disappearance of its rentier aspect much else in it besides will suffer a sea-change. It will moreover be a great advantage of the order of events which I am advocating, that the euthanasia of the rentier, of the functionless investor, will be nothing sudden, merely a gradual but prolonged continuation of what we have seen recently in Great Britain, and will need no revolution". (Keynes, General Theory of Employment, Interest and Money Pages 375 and 376).

- (ii) These reforms were successful in establishing a rapid rate of capital accumulation which in turn produced a more rapid growth of production than during the pre war period.
- (iii) The reforms meant a big improvement in the standard and security of life for the working class. Mass unemployment was abolished for 25 years, and real wages rose faster than in any other comparable period.

GRAPH 5a Accumulation of Constant Capital as % of Profits in Britain 1948-1973



GRAPH 6a Organic Composition of Capital 1948-1974



These reforms were in no way socialist (with the exception of the NHS), despite the socialist rhetoric that accompanied them. But they were real and important reforms nevertheless. They removed the immediate blockage on the development of the productive forces, and set in train a process that was to lead to a gradual shift in the balance of class forces in British society.

10. The resumption of capital accumulation that these reforms brought about was paid for by the inevitable intensification of the contradictions of capital accumulation. These contradictions of accumulation had been held in abeyance as it were by the stagnation of the earlier years of the century when the accumulation process had almost come to a halt.

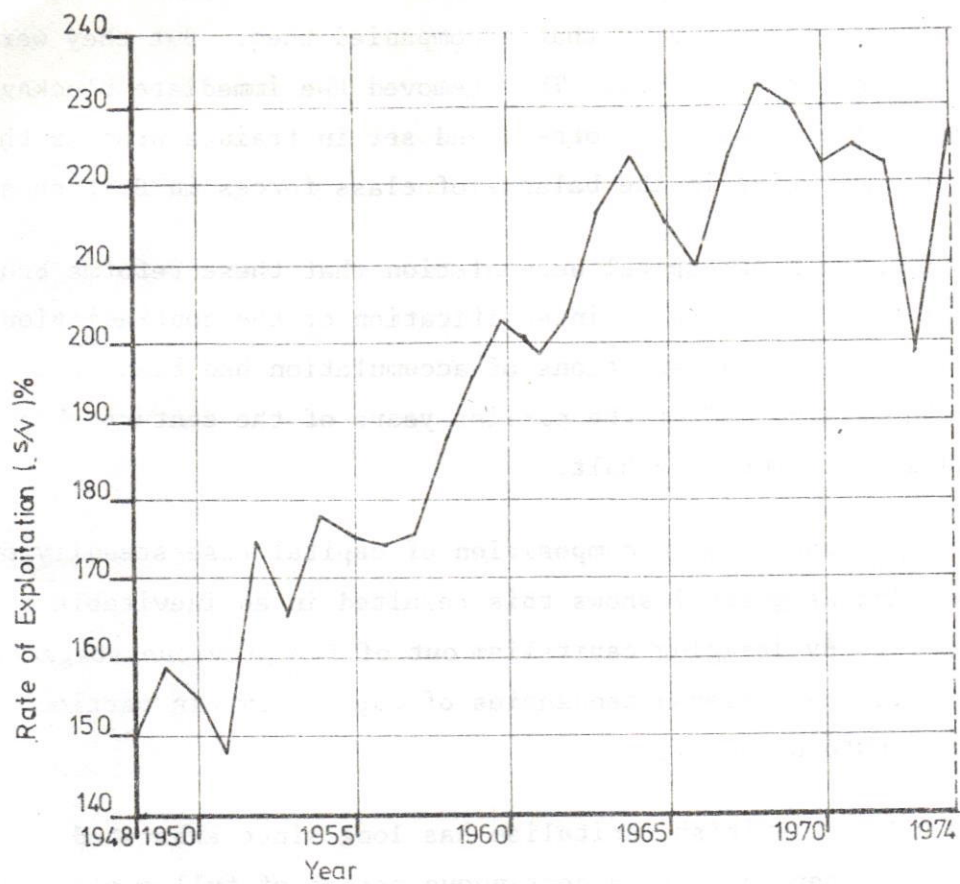
As graph 6 shows the organic composition of capital rose steadily over the post war period. And as graph 7 shows this resulted in an inevitable decline in the rate of profit. By dragging capitalism out of its previous stagnation Keynesianism accelerated all the long-run tendencies of capitalism, in particular the law of the declining rate of profit.

Given the fact that British capitalism has long since exhausted its latent and stagnant surplus populations, a continuous period of full employment meant a strengthening of the bargaining power of the working class and wage earners in general. As a result the share in the national income going to profits declined as is shown in graph 7. You might think that this would have led to a lower rate of exploitation, but not so. Two factors prevented the rate of exploitation from falling along with the share of profits.

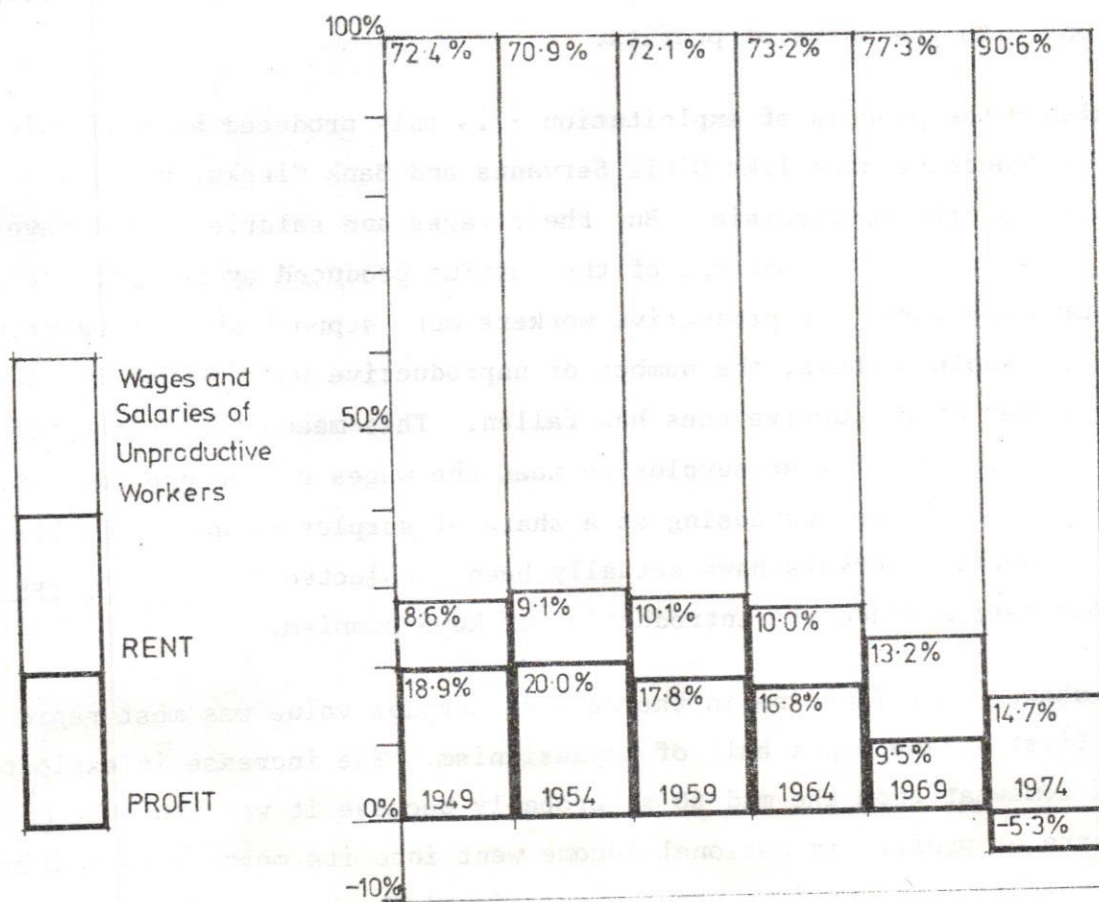
Surplus value - the process of exploitation - is only produced by productive workers. Unproductive ones like Civil Servants and Bank Clerks, produce no surplus value for the bourgeoisie. But their wages and salaries still have to be paid. These can only be met out of the surplus produced by the productive workers. In other words the productive workers must support the unproductive ones. In Britain as table 3 shows, the number of unproductive workers has increased whilst the number of productive ones has fallen. This means that each productive worker has to produce a bigger surplus to meet the wages of the unproductive ones. In addition rent has been increasing as a share of surplus value. This has meant that productive workers have actually been subjected to an increased rate of exploitation since the introduction of keynesianism.

As Graph 8 shows, this increase in the rate of surplus value was most rapid during the first decade and a half of keynesianism. The increase in exploitation levelled off somewhat from the mid 60's, probably because it was from the mid 60's that the share of profits in national income went into its most rapid decline. This means that although profits were being reduced the benefit from this reduction

GRAPH 8 Postwar Rate of Exploitation



HISTOGRAM II : Division of Surplus Value 1949 - 1974



was not going to productive workers but to landowners and unproductive workers. This redistribution of income is clearly shown in Histogram II.

11. The low rates of profit pertaining in Britain and the very limited supply of exploitable labour power available led to a lower level of investment here than in the other leading capitalist countries. As a consequence the growth was $\frac{1}{2}$ of that of the West German economy and less than $\frac{1}{3}$ of that achieved by Japan. This meant a decline in the ability of the British bourgeoisie to compete on the world market. Hence the chronic balance of payments difficulties experienced by the British economy.

The gradual decline in profits which squeezed investment, created the need for continuously rising government expenditure to maintain full employment. However, any attempt to expand the economy at more than about 2 - 3% a year led to a rise in imports and a balance of payments deficit. This would lead to what was known as a "run on the £". In other words foreign money capital that had been deposited with banks in London would start to be withdrawn as capitalists became anxious about the ability of the British government to meet its debts. Now, although the power of the City of London bankers and financiers had declined since the 1920's they still remained an important section of the capitalist class. The profits of finance capital based in London was vital to the balance of payments. Faced with such a run on the £ British politicians would unite to proclaim the necessity to "defend the £". The very honour of the nation (and more importantly the profits of finance capital) were at stake. To defend the £ and right the balance of payments what was prescribed was a dose of deflation. Taxes would be raised in an emergency budget, restrictions would be placed on hire purchase, and other types of credit, the bank rate (of interest) would be raised. The pound would be saved, but only by seriously cutting the rate of growth. Unemployment would be raised, in the hope that a "shake out" would release sufficient labour power to feed an "export led boom".

A vain hope! Very little could be gained by reshuffling the same number of workers from one industry to another; even if workers had been willing to cooperate with such "shake outs" by "rationalisations" in the "national interest". Needless to say the working class had better sense than to respond to appeals to show the "Dunkirk spirit" and to "back Britain". With their strong trade and craft organisation they were able to block any attempts to create a large mobile reserve army of unemployed workers.

For other leading capitalist countries the long post war boom could be fuelled by drawing on still unconsumed surplus populations. We have not yet been able to calculate detailed figures for the rate of surplus value and its distribution between wages, salaries, profits and rents for other leading capitalist countries. Instead,

TABLE 6 Growth in Industrial Workforce 1960-1970

COUNTRY	CANADA	U.S.A	JAPAN	AUSTRALIA	BELGIUM	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	SPAIN	SWEDEN	TURKEY	U.K.
Growth of Workforce as %	25.0	14.7	43.8	24.4	4.0	18.2	12.5	4.3	31.3	25.8	9.9	26.0	1.9	37.3	-2.9

TABLE 3 The Shift from Productive to Unproductive Work in Britain 1960-1973.

Year	Employees in Employment ●	Productive Employees ●●	% Productive Employees (1)	% Productive Employees (2)
1960	22 459	13 822	58.8	46.3
1961	22 824	13 992	61.3	47.8
1962	23 024	13 903	60.4	46.7
1963	23 060	13 703	59.4	45.8
1964	23 356	13 842	59.3	45.6
1965	23 621	13 928	59.0	45.1
1966	23 784	13 963	58.7	44.4
1967	23 305	13 528	58.0	43.3
1968	23 125	13 287	57.5	42.7
1969	23 085	13 242	57.4	42.5
1970	22 891	13 058	57.0	41.8
1971	22 122	12 092	54.6	39.6
1972	22 120	11 784	53.3	38.9
1973	22 662	11 873	52.4	38.2

- Obtained from Annual Abstract of Statistics, in thousands.
- Obtained from Annual Abstract of Statistics by totalling Manufacture, Agriculture, Forestry, Fishing, Mining, Quarrying, Construction, Gas, Electricity, Water, Transport and Communication, in thousands.
- (1) Productive Employees (as defined above) as percentage of total employed population.
- (2) Productive Employees as percentage of employed population after subtracting from productive employees figure, a percentage equal to the percentage of clerical workers in manufacture, on the assumption that the same percentage of unproductive workers will be present in all sectors.

in table 4 we reproduce data published by Glyn & Sutcliffe in their book "British Capitalism, Workers, and the The Profit Squeeze". The table compares the rates of growth of what they call the "wage ratio" by which they mean the share of wages in national income, with what they call the "employee ratio" by which they mean the proportion that employees (wage and salary earners) make up out of the total active population. A rapid rise in the employee ratio would indicate that workers were being drawn into the capitalist sector of the economy and out of agriculture at great speed. In other words it would indicate that in Marxist terms the latent surplus population was being depleted to swell the population of wage slaves. The big deficiency with this figure is that it does not differentiate between productive and unproductive workers, within the capitalist economy. The "wage ratio" is also unsatisfactory from a Marxist viewpoint since it utilises the concept of gross national product which lumps together all sources of income whether they come from the capitalist sector or not. Nevertheless, taken together, they provide a striking confirmation of our Marxist doctrine that:

"The reproduction of a mass of labour-power which must incessantly re-incorporate itself with capital for that capital's self expansion; which cannot get free from capital, and whose enslavement to capital is only concealed by the variety of individual capitalists to whom it sells itself, this reproduction of labour power forms, in fact, an essential of the reproduction of capital itself. Accumulation of capital is therefore increase of the proletariat". (Cap Vol I p.673).

Looking at the table we can see that the countries where the population of wage labourers is expanding faster than 0.6% per year all have a rate of increase in the wage ratio that is smaller than the increase in the employee ratio.

What does this mean?

It means that in these countries:- France, Germany, Italy, Japan and Canada, the share of national income going to employees is growing more slowly than the number of employees. This shows that employees as a whole are getting a smaller share of the value that they produce. In other words where the proletariat is expanding rapidly the mass of surplus value grows still more rapidly and exploitation becomes more intense. When on the other hand we look at those countries where the proletariat is growing more slowly, we see that workers are able to gain a larger share of the value that they produce, i.e. Belgium and the Netherlands. Here the opposite process holds.

Where do the first group of countries find their surplus population?

TABLE 4 Trend Rates of Growth of
Wage and Employee Ratios
1950-1969

COUNTRY	Proportionate Rate of Growth of Wage Ratio % P.A. 1950-69	Proportional Rate of Growth of Employee Ratio % P.A. 1950-69
FRANCE	0.52	0.88
GERMANY	0.47	0.77
ITALY	1.03	1.27
NETHERLANDS	0.79	0.54
CANADA	0.47	0.68
BELGIUM	1.15	0.51
JAPAN	0.26	2.68

TABLE 5 All O.E.C.D. Countries Distribution
of Civilian Employment.

YEAR	All OECD Countries % of Civilian Employment in		
	AGRICULTURE	INDUSTRY	OTHER
1960	21.9	35.5	42.6
1962	20.3	36.3	43.5
1964	18.4	36.6	45.0
1966	16.9	37.1	46.1
1968	15.7	36.9	47.5
1970	14.2	36.9	48.9
1972	13.1	36.2	50.7

Partly from agriculture, and in Japan almost entirely from agriculture; partly from immigration. France and Germany have converted the whole of the Iberian peninsula, North Africa, and most of the Balkans into one vast latent reserve army. Migrant workers subjected to more intensive, longer work with lower wages than Frenchmen or Germans serve the same function as the Irish in 19th century England. They are a seemingly inexhaustible source of profit, purchased at minimal prices.

With their higher rates of accumulation the leading capitalist countries - France, Germany, Japan are able to achieve higher organic compositions of capital. It might be thought that this would mean that they would have lower rates of profit, not so. It is one of the ironies of capitalism, that those capitalists with the highest organic compositions of capital, are those least affected by the overall fall in the rate of profit that such high organic compositions bring about. Those capitals with high organic compositions enjoy a competitive advantage that enables them to foist the burden of falling profits onto those more obsolete capitals with a low organic composition. Thus Germany with the most efficient capitalist industry can "export" the falling rate of profit which in consequence is felt more intensively by the less efficient capitalisms like Britain and Italy. National frontiers are no protection against the Iron Laws of capitalist production.

For the British bourgeoisie, heirs to a decadent and decaying economy and society, there has been no way out. The laws of historical development that govern the rise and decline of class societies have finally condemned them. An orderly retreat from World Hegemony during the first half of the century turned in the 1960s, into a complete rout, ending in national bankruptcy by the end of the 3rd quarter of the century. Even when, after the mid 60's they abandoned the losing battle to defend the £, and allowed it to float, or, gently sink, no remedy could be found. Any attempt to expand the economy came up against the limit set by a stagnant proletariat.

The full employment that expansion caused would allow the working class as a whole to raise wages and force down profit still further. If, on the other hand, the ruling class decided to opt for a policy of deflation, deliberately allowing unemployment to rise in order to be able to push wages down, the situation would be no better. If for a moment we ignore the political danger to any government opting for this policy, there were two objections. First the increased strength of workers organisation meant that a higher level of unemployment was now needed to ensure that wages fell than had previously been the case. Second, such a recession would initially cut profits more than wages and prevent the modernisation that British capitalism needed. Only a steadily growing economy would ensure new investment.

In other words, competition forced the British bourgeoisie to try and accumulate, but to accumulate meant to further depress the rate of profit and reduce the share of income going to capital. It was in the jargon of bourgeois economics a "vicious circle".

As profits fell, so the recessionary tendency of the economy increased and could only be offset by more and more inflationary government expenditure. So British inflation accelerated out-stripping that of other capitalist countries. As the value of the £ fell imports became more expensive. This increase in raw material costs then became yet another factor decreasing the rate of profit.

12. The Third Wave of Capitalism

The first wave of capitalist development took place in Britain. The second took place in Western Europe, North America and Japan. A third wave took place in Russia and Eastern Europe, but the state capitalist economies of the East are *isolated from the world market and do not present an economic threat to the Western Imperialist system. In terms of the capitalist world economy the third wave of industrialisation is that now occurring in areas of Africa, Asia and Latin America. Again the areas of capitalist industrialisation are those where commodity production and class differentiation of society have prepared the soil for the broadscale growth of capitalism. Capitalism is developing more readily in Iran and Brazil, for instance, where class societies have existed for centuries, than in Botswana and Dahomey which have scarcely emerged from barbarism. But in areas of South and Central America, North Africa, the Middle East, and the periphery of Asia capitalism is undergoing a meteoric rise. The previous history of capitalism shows that with each wave of industrialisation the rate of development becomes faster. New capitalist economies can leap into the most modern technologies without having to make a painful progression through intermediate stages. Brazil, Argentine and Iran are going straight to the stage of nuclear energy without first having to develop a fossil fuel national electric grid.

This industrialisation, combined with the success of nationalist movements in the more primitive 3rd world countries is shaking the foundations of the old imperialist systems. New states, even if they lack industrial power, can utilise their political independence to take over their own natural resources. The expansion of capitalism is accompanied by a wanton consumption of scarce raw materials. This puts Third World states in a position to obtain monopolistic rents from the resources beneath their soil. Most important of these is oil. The vast revenues of the oil states are not derived from the exploitation of a domestic proletariat. Instead their

profits are a deduction from the profits of European and Japanese capital, and are ultimately produced by the workers of the industrialised countries. The oil price rises have reversed the previous flow of super-profits, which now flow from Europe to the Middle East. The end of the period when a handful of imperialist powers could dominate and plunder the earth is now in sight.

The present economic crisis of the imperialist economy, stems not from the development of socialism, or the political challenge of the proletariat, but from the generalisation of capitalism. It is in this sense, that capitalism on a world scale is still progressive. As always with capitalism it is progress along a road through poverty, misery, exploitation and oppression. But it is undermining the relative privilege of European and American working classes: privileges on which the past period of counter revolution has been sustained. The generalisation of capitals' rule is creating a world proletariat. "Accumulation of capital is, therefore, increase of the proletariat". Class antagonism becomes simplified, on the one hand international capital, on the other, the world proletariat. The third wave of capitalism prepares the rebirth of an international communist party.

As table 5 shows the OECD countries under went a sharp decline in their relative surplus populations from 1960 to 1972. But an indication of the general decadence affecting the metropolitan capitalist countries is that this shift of population out of agriculture largely went into non industrial activities. As table 6 shows growth in the industrial work force was low in the older metropolitan countries and most rapid in those countries who still have a big Agrarian population such as Spain or Japan, or which could rely on immigration like Canada and Australia. We can conclude that the capitalist states, with a few exceptions, are entering their period of decadence when the declining rate of profit becomes an irreversible tendency.

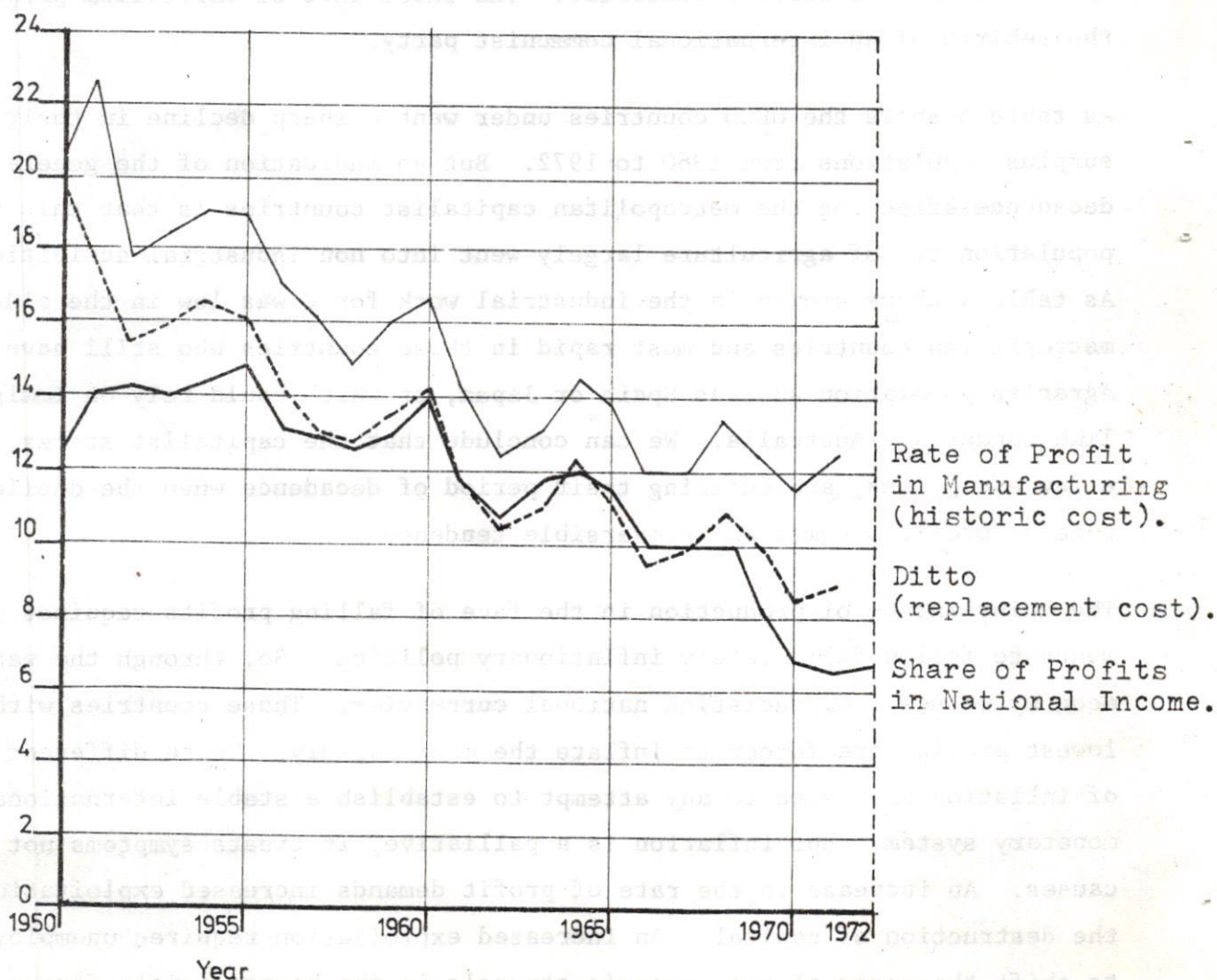
The maintainance of production in the face of falling profits requires governments to follow deliberately inflationary policies. So, through the western economy we see a depreciation national currencies. Those countries with lowest profits are forced to inflate the most rapidly. These different rates of inflation are death to any attempt to establish a stable international monetary system. But inflation is a palliative, it treats symptoms not causes. An increase in the rate of profit demands increased exploitation or the destruction of capital. An increased exploitation requires unemployment to shift the terms of the economic struggle in the bourgeoisie's favour. Thus the dilemma of all capitalist powers: either inflation or more unemployment with all the lost production and political dangers that entails.

In this general crisis of the imperialist economy Britain is affected with special severity. It has the smallest margins of labour power. It has the biggest proportion of workers unproductively employed by the state and commercial bureaucracy. It has an obsolete capital stock and the lowest rate of profit.

Keynesianism has come to its limits. In Britain the productive forces are scarcely developing at all. The social crisis demands a resolution. What are the possible outcomes of this crisis? Reforms, or revolution?

It is to these questions that the rest of the pamphlet is directed.

GRAPH 7 Rate of Profit and Share of Profits
in National Income 1950 - 72



II. THE EMERGENCE OF ELEMENTARY WORKING CLASS ORGANISATION AND CONSCIOUSNESS

In the preceding chapter we gave a schematic outline of the course of capitalist development in Britain over the last century in order to explain the chronic and acute aspects of the current crisis. But economic contradictions are resolved by political struggle, so it is the development of class politics that we must now examine.

The bourgeoisie came into existence as a fully fledged class - indeed as the ruling class - before the advent of the industrial proletariat; so the working class drank in bourgeois ideology with their mothers milk. And that bourgeois ideology, be it noted, had never even been the revolutionary materialist variety created by the French bourgeoisie in its fight to the death with feudalism. On the contrary, the British bourgeois revolution was played out in obscurantist religious terms, coming as it did hard on the heels of the Reformation itself, in a country where the bourgeoisie had already gained substantial economic hegemony without political struggle. The wholesale accommodation between the aristocracy and bourgeoisie after the latter had quickly shown (by the 1640's) that they held the upper hand, politically as well as economically, was never thereafter to be ruptured. Hence Britain's devious empirical tradition! Hence methodist and radical christian socialism as an important social force inconceivable in France! Hence the British left as heirs to all sorts of socialism but the scientific sort - since materialism never caught on in these empirically befettered isles.

"The most repulsive thing here is the bourgeois 'respectability' bred into the bones of the workers. The social division of society into innumerable gradations, each recognised without question, each with its own pride but also with its inborn respect for its 'betters' and 'superiors', is so old and firmly established that the bourgeoisie still find it pretty easy to get their bait accepted. I am not at all sure, for instance, that John Burns is not secretly prouder of his popularity with Cardinal Manning, the Lord Mayor and the bourgeoisie in general, than of his popularity with his own class. And Champion - an ex-Lieutenant - intrigued years ago with conservative elements, preached socialism at the parsons' Church Congress, etc. Even Tom Mann, whom I regard as the finest of them, is fond of mentioning that he will be lunching with the Lord Mayor. If one compares all of this with the French, one can see what a revolution is good for after all." (Engels to Sorge 7.12.89)

And this, be it noted, was the year of the New Unionism, and Mann its most prominent and political leader.

Imperialist consolidation acted to freeze-in the on-going ideology in the minds, traditions and behaviour of the working class. Only now are the chill economic winds blowing in through the cracks of Britain's industrial structure, and beginning to blow away the cobwebs of 'colonialism and freeborn Britons', of the 'wealthiest country in the world and its civilising mission of empire' to name only the most obvious.

"As regards the workers it must be stated, to begin with, that no separate political working class party has existed in England since the downfall of the Chartist Party in the fifties. This is understandable in a country in which the working class has shared more than anywhere else in the advantages of the immense expansion of large scale industry. Nor could it have been otherwise in an England that ruled the world market; certainly not in a country where the ruling class have set themselves the task of carrying out, parallel with other concessions, one point of the Chartists' programme, the Peoples' Charter, after another." (Engels on 'The English Elections')

So a great series of ideological barriers existed between a proletariat economically constituted for many generations, and a proletariat politically constituted i.e. as a class having an awareness of its own distinct political interests. So the British working class has never created a socialist party with mass allegiance. It created trade unions and they created the Labour Party - a quite different beast. "As you see, it is the trade union that will enter parliament. It is the branch of industry and not

the class that demands representation", wrote Engels to Plekhanov on the origins of the ILP in 1894. Trades unions are as inevitable a product of capitalism as are commodities; and like the latter are destined to disappear along with capitalism; i.e. when labour power ceases to sell as a commodity. For trades unions were created by workers to negotiate the sale of their only commodity, labour power, at the best rate that could be obtained. So trades unions presuppose, indeed are integral parts of, capitalist production relations and cannot outlive them. And that tells us something of their political behaviour under capitalism. They will be just as political as is necessary for them to discharge their basic economic functions, their *raison d'etre*. If as is inevitable at first, there are political obstacles in the way of selling labour power to the best advantage of its vendors; if they are disabled from selling as free agencies on a free market by specifically political impediments, then political struggle must be used.

The economically dominant class controls the state and uses it to consolidate its economic mastery. As Engels put it: "Force (that is state power) is also an economic power!" The state has the prerogative of law making, since it claims to be the agency of something "outside of and above society". Because of the economic and political stability of British society, brought about by the compromise of contending ruling classes, and largely insulated by geography from the ideological and military blasts of the continent, the ruling class are wont to take some advice on the smooth running of society from those immediately below them. The origins of "Parliamentary Government" are in the King's council which was composed of landowners of various sizes, their ideological estate, (Church), and merchants/burgers; in various balances at various times. The bourgeoisie, after their revolution did not radically change this, merely ensuring that parliament contained representatives of all fractions of the bourgeoisie, and that they had final hegemony over the Monarch rather than vice versa. But the monarchic constitution was retained since loyalty to the Monarch was a vital component of the ideological state apparatus.

As the mercantile/manufacturing bourgeoisie became a predominantly machine-industrial one, with the advent of the Industrial Revolution, they called into the world their own gravediggers: the industrial proletarians, the sine qua non of capitalist industry.

Realising full well that this was a class in fundamental contradiction to capital, they saw the need to reinforce their ideological defenses. The only way to prevent rupture was to take a step back once pushed - that way the masters were not caught off balance and could retain the initiative vital to ruling. When the working class demand more control over their conditions of life, draw them into administering their own exploitation by giving them political rights - representative democracy; direct all energy and attention onto the talk shop of parliament; let the workers have their MPs, and make it seem that great concessions are being made in so doing. Just how strong these mediating ideological barriers were (and are), can be seen from the very dates of the franchise reforms and the strata that gained the vote - with universal suffrage not being conceded until 1928, and the first working class MPs not being returned until 1874 (Thomas Burt and Alexander Macdonald, miners MPs and both liberals).

It is a remarkable fact, often passed over, that in this the 'homeland of democracy' with its 'mother of parliaments', the working class alone of all social classes had no participation in the deliberative and legislative body of 'the nation' before the last 1/4 of the 19th century. Only then did cracks appear in the ideological framework that made all true born Britons know their place and stick to it. Even then it would be a good half century before even nominal representatives of the working class could gain executive power.

The advent of the New Unionism with the Great Dock Strike of 1889 saw an employers offensive against trades unions in general that went on for a decade and a half. But at the State level, the level of political overview, the structural accommodation went on - e.g. 1894 saw the advent of Graduated Death Duties, the 1896 Conciliation Act, and the 1897 Workmens Compensation Act.

"The political movement of the working class has as its object, of course, the conquest of political power for the working class, and for this it is naturally necessary that a previous organisation of the working class itself arising from their economic struggles, should have been developed up to a certain point.

On the other hand, however, every movement in which the working class comes out as a class against the ruling classes and attempts to force them by pressure from without is a political movement. For instance, the attempt in a particular factory or even a particular industry to force a shorter working day out of the capitalists by strikes, etc., is a purely economic movement. On the other hand the movement to force an eight hour day, etc., law is a political movement. And in this way, out of the separate economic movements of the workers there grows up everywhere a political movement, that is to say a movement of the class, with the object of achieving its interests in a general form, in a form presupposing a general social force of compulsion. If these movements presuppose a certain degree of previous organisation, they are themselves equally a means for the development of this organisation

Where the working class is not yet far enough advanced in its organisation to undertake a decisive campaign against the collective power, i.e., the political power of the ruling classes, it must at any rate be trained for this by continual agitation against and a hostile attitude towards the policy of the ruling classes. Otherwise it will remain a plaything in their hands, as the September revolution in France showed, and as is also proved up to a certain point by the game of Messrs. Gladstone & Co. are bringing off in England even up to the present time." (Marx to Bolte 23.11.71)

The other role is to give the working class sufficient physical and mental basis for the revolutionary struggle to come. This indeed is why we fight for social reforms at all.

"After a thirty years struggle, fought with a most admirable perseverance, the English working classes, improving a momentous split between the landlords and money lords, succeeded in carrying the Ten Hours Bill. The immense physical, moral, and intellectual benefits hence accruing to the factory operatives, half-yearly chronicled in the reports of the inspectors of factories are now acknowledged on all sides." (Marx Inaugural Address to the WMIA, 1864).

Thus the functions of unions are highly contingent; they must not be fetishised as ends in themselves; especially they must not be confused with political organisations of the working class. If they are so confused, their existence becomes a major obstacle to the working class in its self development out of a condition in which its 'leaders' are mere vendors of labour power.

As early as 1879 Engels could write to Bernstein on how the working class could become trapped in its own self defence organisations.

"For a number of years past (and at the present time) the English working class movement has been hopelessly describing a narrow circle of strikes for higher wages and shorter hours, not, however, as an expedient means of propaganda and organisation but as the ultimate aim. The trade unions even bar all political action on principle and in their charters, and thereby also ban participation in any general activity of the working class as a class. The workers are divided politically into Conservatives and Liberal-Radicals (whose role is now undertaken by the Labour Party - COBI) ... One can speak here of a labour movement (proper) only insofar as strikes take place here, which, whether they are won or not, do not get the movement one step further. To inflate such strikes -- which often enough have been brought about during the last few years of bad business by the capitalists to have a pretext of closing down their factories and mills, strikes in which the working class movement does not make the slightest headway -- into struggles of world importance, as is done, for instance, in the London Freiheit, can, in my opinion, only do harm. No attempt should be made to conceal the fact that no real labour movement in the Continental sense exists here." (Engels to Bernstein, 17.6.79)

Writing of the engenderment of social reforms 20 years earlier, Engels had pointed out :

"That England in general is far more advanced than the continent in social matters is a matter of course. England is the motherland of large scale industry; the capitalist mode of production has developed here most freely and extensively of all, and therefore it is likewise here that it has first produced a reaction in the sphere of legislation. If however Herr Sax thinks that an act of parliament only requires to become legally effective in order to be carried immediately into practice as well, he is grievously mistaken. And this is true of the Local Government Act more than any other Act (with the exception of course of the Workshops Act). The administration of this law was entrusted to the urban authorities, which almost everywhere in England are recognised centres of corruption of all kinds, nepotism and jobbery." (The Housing Question.)

But political action at the social level did not remove the barrier to trade union activities on the economic level - in the workplace itself. On the contrary, employers reaction grew apace, culminating in the notorious Taff Vale decision of 1901. As J Saville puts it: "The effects of the judgement in Quinn versus Leatham was that a strike or boycott, a threat of a strike or boycott, could be held in certain circumstances as a conspiracy to injure for which the union funds as a result of the Taff Vale case, were now liable for damages.

"The unions were now in an extremely dangerous position. Not only did these legal decisions open the way to the increasing use of the 'free labour' weapon, but now the skilled unions were as vulnerable to the actions of the employers in the courts as were their unskilled brethren. The industrial defeats of the last decade, especially the failure of the engineers in 1897, underlined the difficulties of the general situation. Inevitably the leadership of the trade union movement, however slowly the rank and file appreciated the position, were pushed into political action to remedy the situation by legislation. The strengthening of the Labour Representation Committee, the greatly increased Labour representation in the 1906 General Election and the Trades Disputes Act of 1906, were short term results." (Essays in Social Hist)

So, protectionist organisations created a political wing to support them in the elevated sphere of state legislation i.e. to give vital air cover for their operations of day to day conflict on the shop floor.

In the so called Labour Movement, it is often conceded that the New Model craft unions like the ASE, dating from the mid century, were exclusively defensive organisations concerned only about their own members' interests in a spirit of 'defence not defiance'. But it is held with much heat that the same did not apply to the New Unionism of the last decade of the 19th century, since they organised the semi and unskilled, doing so on a general cwa industrial basis; i.e. without the sort of exclusiveness that still characterises the craft unions. Also, nearly all of the new organisations were politically motivated; e.g. Will Thorne - a member of the Canning Town Social Democratic Federation - really got the ball rolling when he organised Beckton Gas Works, so initiating the National Union of Gasworkers and General Labourers. The Left would like to think that the New Unionism marks the decisive break with Lib-Labourism on the part of the British working class, so putting it on the same socialist base as the Continental workers movements. But this merely shows that the British Left are themselves too Labourist to see the wood for the traditional trees. For the Left forgets, if it has ever known, what trades unions themselves are actually for, what their members get out of them; better terms for the sale of their labour power. That unionism, craft or general, ameliorated the conditions of life of the proletariat is not open to dispute. And because this is so, scientific socialists have sought to promote on this very basis. It is significant to note that utopian and sentimental socialists have been either hostile, or indifferent to unionism e.g. Fourier, Proudhon. Scientific socialism favoured trades unions for specific instrumental reasons that the British Left have never (with the exception of the Socialist Labour Party) been clear about. Marx and Engels saw only two functions for unions. One was as a primary school for workers as a class, to learn the rudiments of class organisation.

Two years later he reinforced the point, writing under the title 'Trades Unions' in an article for the Labour Standard.

"Thus it is through the actions of trade unions that the law of wages is enforced as against the employers, and that the workpeople of any well organised trade are enabled to obtain, at least approximately, the full value of the working power which they hire to their employer; and that, with the help of state laws, the hours of labour are made at least not to exceed to much that maximum length beyond which the working powers are prematurely exhausted. This, however, is the utmost trades unions as presently organised, can hope to obtain, and that by constant struggle only, by an immense waste of strength and money; and then the fluctuations of trade, once every ten years at least, break down for the moment what has been conquered, and the fight has to be fought over again. It is a vicious circle from which there is no issue. The working class remains what it was, a class of wage slaves. Is this to be the final result of this labour, self sacrifice, and suffering? Is this to remain for ever the highest aim of British workmen? Or is the working class of this country at last to attempt breaking through this vicious circle, and find an issue out of it in a movement for the ABOLITION OF THE WAGES SYSTEM ALTOGETHER?" (original emphasis)

A week later Engels showed how the job should be undertaken;

"...there are plenty of symptoms that the working class of this country is awakening to the consciousness that it has for some time been moving in the wrong groove; that the present movement for higher wages and shorter hours exclusively, keep it in a vicious circle out of which there is no issue; that it is not the lowness of wages that forms the fundamental evil, but the wages system itself. This knowledge once generally spread among the working class, the position of Trades Unions must change considerably. They will no longer enjoy the privilege of being the only organisations of the working class. At the side of, or above, the Unions of special trades there must spring up a General Union, a political organisation of the working class as a whole." (Articles in the Labour Standard May 28 and June 24 1881)

However, the advent of the New Unionism at the end of the decade still did not fulfill this unifying and politicising function for the class, because:

"In a country with such an old political and labour movement there is always a tremendous heap of traditionally inherited rubbish which has to be got rid of by degrees. There are the prejudices of the skilled unions - Engineers, Bricklayers, Carpenters and Joiners, Type Compositors, etc. - which have all to be broken down; the petty jealousies of the particular trades, which become intensified in the hands of leaders to direct hostility and secret struggle; there are the mutually obstructive intrigues of the leaders: one wants to get into parliament and so does somebody else, another wants to get onto the County Council or School Board. In short there is friction galore." (Engels to Sorge 19.4.90)

So E.J. Hobsbawm could comment with the benefit of hindsight on how like the old craft unionism and unlike a new class unionism, the New Unionism really was:

"The 'new unionism' of 1889 thus became uncomfortably like the 'old unionism' which it had once fought, and the politics of its leaders changed accordingly. The revolutionary Marxists who led the Dockers and Gas-workers then were increasingly replaced by much milder socialists (though for auld lang syne some of them continued to call themselves Marxian Social Democrats). Ernest Bevin, not Tom Mann, was to dominate the dockers after their second expansion. The Gas-workers, a very markedly 'party dominated' organisation, whose leader was a protege of Engels, whose eminences grises in the early 1890's were the Marx-Avelings and most of whose positions were held by social democrats, became the union of the right honourable J.R. Clynes, and a distinctly moderate body.

"...Whether their growth, in spite of the flexibility it has given to British Trade Union expansion has not raised more problems than it has solved, is another question." (General Labour Unions in Britain, 1889-1914, in Labouring Men).

So what were Marx and Engels saying about fundamentals? They were pointedly saying that economic and political struggle were complementary, and indispensibly so. They were saying that workers had to be clear as to the separate distinguishing features of the two, so that politics was not reduced to economics. Particularly, they were saying that there were different levels within each - that each consisted, or rather should consist, of a distinct practice that interlocked with the other. For neither could stand on its own or do the job of the other.

Economic struggle is inherent in capitalist production. The production of surplus value, exploitation, is necessarily the result of struggle: a continuous offensive struggle waged by capital against the proletariat, a struggle to compel the workers to perform unpaid labour for the bourgeoisie. This inevitably generates a defensive struggle on the part of the workers. So long as the workers struggle goes no further than attempt to regulate the conditions of sale of labour power, to achieve the best price for this commodity, then it remains analogous to the market competition between capitals. And the organisation for the sale of the labour power commodity is the trade union, 'pure and simple'. That is why Marx, Engels, DeLeon and Lenin repeatedly stressed that trade unions and their functions should not be idealised as the be-all and end-all, of proletarian organisation, with or without a political party tacked on the end (in the style of the Labour Party, or the Mensheviks etc.).

But trade unions are the starting point, as they are the primary realities of proletarian response to the charnel house of capitalist production; the first step in the coalescence of workers into a fighting class capable of conducting its own political struggles. Trades unions do begin political struggle whenever they are forced to realise that even purely economic results within industry are to a large extent dependent on decisions made at the level of society as a whole; by the state. Trades unions can initiate political struggle, but cannot develop it into a struggle for the historic objectives of proletarians as a class, into a struggle for socialism. Therein lies the key contradiction; the deep power, the abstractly invincible power of the proletariat, is precisely its economic power as the working class -- increasingly the only indispensible class of industrial society.

It is not coincidental that the only massive communist parties in existence in the monopoly capitalist countries are those (d spite their degeneration) linked to trade union organisations in an organic fashion; the French and Italian parties - linked to their respective general confederations of labour.

What is immediately apparent about the unions cited is that they are not trade unions in the British sense. They are general confederations of unions organised on the basis of political allegiance, which means that they are not so besotted with the specific, narrow, trade characteristics that obsess British unions. Here, even the general unions are mere amalgams of semi and unskilled workers trying to organise on the same lines as their skilled bretheren. In confederations, by contrast, it can be the unitary organisation that is primary and dominant, with the individual trades part of a whole that is consequently greater than the sum of its parts.

Advanced workers in our country, in particular members of the old Socialist Labour Party, have in the past recognised the inherent limitations of our unions, and tried to replace them with a confederation structure able to raise its horizons above craft economic considerations to those of general political import. The SLP called this Industrial Unionism - not in the sense that bourgeois labour relations experts have degenerated the term - but in the sense in which Engels used it above; to encompass industrial workers as a whole, as a class; their slogan was 'One Big Industrial Union'. To further this objective, the 'Advocates of Industrial Unionism' were founded in 1905, becoming the 'Industrial Workers of Great Britain' in 1910. But the SLP were under no illusions that industrial unions and the political party were themselves enough to effect proletarian revolution; and the functioning of the Continental Confederations since then should leave us in no doubt either. They realised that the fight for and within industrial unions was a political training of working class militants alongside a sizeable chunk of their fellow workers in 'normal' times

so that when a potential revolutionary crisis developed not only would there be trained class conscious fighters in both economic and political spheres, but crucially, there would also be a significant portion of the working class behind the vanguard party. The party would not need a majority of the workers, as the SLP recognised; a point later emphasised by Comintern:

"Until the proletariat has seized state power and consolidated its rule once and for all, and made it secure against bourgeois restoration, the communist party will have in its ranks only a minority of workers. Before the seizure of power, and in the transition period, the communist party can, in favourable circumstances, exercise an undivided intellectual and political influence on all proletarian and semi-proletarian strata of the population but it cannot unite them all organisationally in its ranks." (From the Theses on the Role of the Communist Party in the Proletarian Revolution adopted by the Second Comintern Conference)

Specifically, the working class does not need the ostensible support provided by the petit-bourgeoisie: "...the workers once more find themselves entirely deserted by all the petit-bourgeois. This is very good..." (Encls to Schluter 11.1.90): but a party trying to make a revolution on its own, without roots deserves to fail.

Even the defeat suffered by the SLP's industrial union in this country (due to there having been nothing like it since Robert Owen and his Grand National Consolidated Trade Union, plus the small size and spread of the SLP) served to foster proletarian consciousness of a quality not seen before or since in Britain. So when the imperialist war broke out, not only did the political organisation have no doubts as to its class character and their own class stance of outright opposition, but through the Clyde Workers' Committee were even able to turn the potentially reactionary anti-dilution struggle of those archetypal skilled unionists (the ASE) into something approaching that seminal form of proletarian power - soviets!

"Apart from Gallacher, Kirkwood and Messer all the other leaders of the CWC were members of the Socialist Labour Party. Johnny Muir, convenor at Barr & Stroud (Annie's land), the leading theorist of the Committee during 1915 to 1916 and editor of its paper, 'The Worker', had been the editor of the SLP paper, 'The Socialist' until 1914. Arthur MacManus had been a leader in the abortive SLP attempt to organise the Singer's works at Clydebank on dual unionist lines. The mass victimization which followed the defeat of this attempt - 400 militants were sacked - helped to establish a network of SLP and SLP-influenced shop stewards throughout the Clyde, a network that was undoubtedly to play an important part in the organisation of the CWC. Tom Clark, treasurer of the Committee and a shop steward at Parkhead, was another leading SLP agitator: 'Glasgow's greatest declaimer', wrote Gallacher from the safe distance of the 1930's, 'of De Leon's petty bourgeois phantasies'.

"For many years Glasgow had been the center of revolutionary propagandist activity in Britain. Both the SLP and the John Maclean group in the BSP laid heavy emphasis on educational work. The SLP's influence was felt, typically, through the education classes which, year after year, turned out more 'worker-tutors'. Small groups of SLP members, trained in these classes, ran mealtime discussion circles in many of the Clydeside factories, instilling the principles of Marxism and the ideas of Industrial Unionism and distributing revolutionary literature." (James Hinton: The First Shop Stewards' Movement, pp 123-4)

The qualitative breakthrough by the SLP, no matter how pronounced, was too new and on too narrow a front to dispose on its own of the dross of ages constituting the British Labour movement. But using similar methods on more propitious terrain, the world's first proletarian revolution had taken place in Russia. When, to their always latent desire for unity on a principled basis, was added the command of the leader of that epoch making event, Lenin, then the best elements of the SLP could but swallow their misgivings and fuse with the much larger, quasi-Fabian BSP. Therein the invaluable SLP experience - the missing link if the British working class is ever to move from Labourism to Socialism - was swamped and lost from sight. Far from resolutely studying historical materialism and deriving the laws therefrom, the British left cannot even study enough to isolate particular positive and

negative historical examples to serve as models; so they are determined to follow their noses round in circles, learning nothing and forgetting everything except magic phrases about 'dogmatism' and 'sectarianism' and similar spells to ward off the evil spirits of an uncompromisingly scientific past.

WW I was the first clash of industrial empires. As such, the degree of total mobilisation required was a wholly new historical phenomenon.

Piece by piece, the necessities of war forced the British government to assume full social control - conscription, direction of labour, rationing, etc. As a crucial part of this, Trades Unionism had, by the 1915 Treasury Agreement, been incorporated into the state machinery, through official encouragement, (not merely recognition) of Trade Unions, by arbitration and conciliation; everything in fact to prevent the dreaded 'unofficial action', against which government and union officials strove in brotherly communion.

For Fabian Socialism this was the true destiny of THE STATE (not a class instrument but a neutral, meritocratic management of, and for, 'society'), reaching its logical conclusion. The most prominent Fabians - indeed the originators - were the Webbs, and so it was 'inevitable', with The State at last assuming its true destiny, that Sidney Webb should have written the 1918 Labour Party Election Platform: 'Labour and the New Social Order'. It was this archetypally British piece of class compromise that organisationally and politically created the Labour Party, and indeed Labourism as we know it today.

Miliband has well said of this epoch-making farago:

"Shorn of its rehtoric, 'Labour and the New Social Order' was a Fabian blueprint for a more advanced, more regulated form of capitalism, which had been in the making over the past decades and whose image had been given more definite shape by the war. With the adoption of 'Labour and the New Social Order', the Labour Party became the most consistent advocate of State action to control and humanise the operation of private enterprise, to extend the social services, to guarantee employment, to secure a more ample life for working men and women, and to create greater opportunities for the latter's sons and daughters." (Parliamentary Socialis., p.62)

1918 saw the Labour Party established, replacing the former loose coalition that had gone under that name. But the restructuring made the overwhelming force in the Party that of the Trade Unions, and within a couple of years the TUC had replaced its Parliamentary Committee, the movement's central organ, by a General Council "with functions of coordination much wider than those of the Parliamentary Committee". (ibid)

"The new constitution also provided for a much larger financial contribution from the Trade Unions, whose predominant influence was clearly reflected in the structure of the National Executive Committee. Under the old Constitution, the affiliated Socialist societies had elected their own representatives to the Committee and they had been allotted three seats on it (the Trade Unions had eleven). Under the 1918 constitution, there was an Executive of twenty-three members, of whom thirteen were to represent all nationally affiliated organisations as a single group, including Socialist societies and Trade Unions; five were to represent local Labour Parties; four seats were reserved to women; the Treasurer was elected separately. But, while nominations were to be made separately for each section, it was the whole Annual Conference, where the Trade Unions wielded an overwhelming majority of votes, which was to elect the representatives of all groups." (ibid, p.60).

In the light of the above, it is an ironic reflection of the way the British left lacks an elementary grasp of historical materialism, that the 'International Marxist Group' should present as the fundamental cause of the Labour Party's reformism its 'Social Democratic separation of the economic and political wings of the movement'. As if the unity of economic and political wings was not Labourism's greatest strength. Since Owen British Trades Unions have never been socialist bodies, merely vehicles for

the vending of labour power, whose logical outcome is best seen in the nature of American unions. So while trades unions assumed total control of their party, they were camouflaging their real social role (and that of their political organisation) behind a socialist facade. But it was the pre-1918 Labour Party that Lenin had in mind when he dished out this anachronistic advice in 'Theses on the Main Tasks of the Second Congress of the Communist International' (July 1920):

"... the second Congress of the Third International should express itself in favour of groups and organisations in Britain that are communist, or sympathise with communism, affiliating to the Labour Party, notwithstanding the fact that the latter is affiliated to the Second International. For, so long as this Party permits its affiliated organisations to enjoy the present freedom of criticism and freedom to carry on propagandist, agitational and organisational activity in favour of the dictatorship of the proletariat and Soviet Government, so long as that party preserves its character of an association of all trade union organisations of the working class, the Communists must without fail take all measures and agree to certain compromises in order to have the opportunity of influencing the broadest masses of workers..etc."

At the same Congress, on August 6th, Lenin went on:

"... the British Labour Party is in a particularly peculiar position; it is a very original sort of party, or more correctly, it is not a party at all in the ordinary sense of the word. It is made up of the members of trades unions with a membership of about 4 million, and allows sufficient liberty to all the affiliated political parties."

But Lenin was here guilty of not bearing in mind his own strictures in 'Left Wing Communism':

"... it is beyond doubt that in this question too, as always, the thing is to be able to apply the general and basic principles of communism to the specific relations between classes and parties, to the specific features of the objective development towards communism which are characteristic of each country and which one must be able to study, discover, divine.

"... To investigate, study, seek, divine, grasp that which is nationally peculiar, nationally specific in the concrete manner in which each country approaches the fulfilment of the single international task, in which it approaches the victory over opportunism and Left doctrinarism within the working class movement, the overthrow of the bourgeoisie, and the establishment of a Soviet republic and a proletarian dictatorship - such is the main task of the historical period through which the advanced countries (and not only the advanced ones) are now passing."

At the last session, on August 6th, specifically directed to "Affiliation to the British Labour Party", "Callacher ironically said that in the present case we are under the influence of the British Socialist Party", in that instance through the person of William McLaine, whom Lenin had earlier (on July 23rd) characterised (correctly) as being in contradistinction to "comrades like Tanner, whom we particularly reckon with as being representatives of a mass movement - a thing which cannot, without stretching a point, be said of the BSP representatives."

Now Tanner was present representing the Industrial Workers of the World and Gallacher the Shop Stewards Movement, whom Lenin described as follows on July 4th:

"... particularly in regard to the IWW in America and Australia, as well as in regard to the Shop Stewards' Committees in Britain, we are dealing with a profoundly proletarian and mass movement, which, in the main, is based in fact on the fundamental principles of the Communist International." (The CPGB was not formed until August 1920)

Yet it was W. McLaine's advice and information on which Lenin relied throughout, (and previously, the Bolsheviks had continuous contact with the BSP and none with the SLP - information from Harry McShane - and on this basis Lenin had made up his mind on the issue before the second Congress had even met; as evidenced by his letter

dated 8.7.20 to the Communist Unity Convention, held from July 31-August 1 in London).

"... in regard to the British Labour Party, it is only a matter of the advanced minority of the British workers collaborating with the overwhelming majority. The members of the Labour Party are all members of trade unions. The structure of this party is very peculiar, unlike that in any other country. This organisation embraces 4 million of the 6 to 7 million workers belonging to trade unions. They are not asked what their political convictions are. Let Comrade Serrati prove to me that somebody will prevent us from exercising the right of criticism. Only when you prove that will you prove Comrade McLaine is wrong." (Lenin, The Role of the Communist Party).

But whatever likeness the Labour Party had to a single umbrella body for the "labour movement" had ceased in 1918. It was a duly constituted, centralised, bourgeois parliamentary party, that could not possibly tolerate "freedom of criticism" from within, or even from affiliated organisations, hangovers of its former incarnation. So the CPGB, acting on Comintern instruction (and the proclivities of its dominant British Socialist Party membership) repeatedly sought, without success, affiliated status. But the whole attempt did succeed in confusing the revolutionary politics of the fledgling CPGB (and caused the permanent loss of Sylvia Pankhurst among others) and confirmed the quasi-Fabian politics of the BSP, whom the contemporary CPGB looks (correctly) back upon as its immediate forebear.

Even when W. McLaine was correct, Lenin knew too little about British conditions to appreciate, and (at cross-purposes) castigated him (mildly) for his one correct (because obvious) piece of reportage: "First of all I should like to observe that Comrade McLaine was guilty of a slight inaccuracy which it is impossible to agree with. He calls the Labour Party the political organisation of the trade union movement. Later on he repeated this when he said: the Labour Party 'is the political expression of the trade union movement'. I have read the same view several times in the paper of the British Socialist Party. It is wrong, and partly is the cause of opposition, to some degree quite justified, of British revolutionary workers. Indeed, the concepts: 'political organisation of the trade-union movement' or 'political expression' of this movement, are wrong ones." (Lenin, Affiliation to the British Labour Party).

Indeed that was precisely the premiss that the whole tactical logic for British Communists had (and has) to be predicated upon. As the party of labour aristocrats, social pacifists and pacifiers, Fabians and middle class careerists generally, the only way to expose the Labour Party was not to identify with it in any shape or form, thus lending it credence, but to acquaint workers with the social, scientific reality - the Labour Party is nothing but the political expression of the organisations (Trades Unions) for the sale of labour power as a commodity - i.e. both are intrinsic parts and upholders of the system of wage slavery! How little Labourism has advanced from being the Party and movement of working class integration into monopoly capitalism can be seen from its classical expression, the Webbs, as compared with recent pronouncements. Writing in 1920 the Webbs said:

"We ourselves look for the admission of nominees of the manual workers, as well as technicians, upon the executive boards and committees, of complete equality with the other members, in all publicly owned industries and services; not merely, or even mainly, for the sake of the advantages of counsel and criticism that the new owners may bring from a new standpoint, but principally for the sake of inspiring and satisfying the increasing sense of corporate self consciousness and public spirit among those employed in these enterprises." (Quoted in J.T. Murphy, Modern Trade Unionism).

The concluding paragraphs of 'Industrial Democracy; a Statement by the National Executive Committee to the Annual Conference of the Labour Party, 1968', under the heading of 'The Need for Action', read:

"The existing ferment in the economy is bringing about far-reaching industrial changes at a speed that is often alarming. Our socialist beliefs and principles urge us towards actions on the lines proposed in this statement.

"We have sought to define a way in which participation by workers and their trade unions in this process of change and in the continuing development of British Industry can grow in a way beneficial to the whole community. The gains will be in terms of the fullest development of the abilities of individual workers; the protection of workers as a body in a period of change; the extension of "government by consent" in industry, which can have effects in industry as far reaching as the extension of the franchise had on politics; better morale and increased efficiency. What we propose will also strengthen the structure of social accountability, within which it is increasingly recognised all firms must operate."

Benn's current "socialist" antics are the obvious implementation of this line, and as such need no further comment here.

It could be argued, as Lenin did in 'Left Wing Communism', that the workers had first to experience the Labour Party in Government (i.e. prior to January 1924) before it could be exposed as bankrupt; and to which end Communists should support the return of a Labour Government 'as a rope supports a hanging man'. But after the first Labour Government in 1924, the experience of this 'Labour' Party in power had to be brought to the workers in scientific formulations and slogans, and this could only be confused (and has been ever since) by 'conditional support for' and work within the Labour Party. Scientific socialism cannot dispose of the overburden of British ideological hypocrisy by tactical contributions to it. Only the clearest, most direct and deep analysis can do that.

What was the situation until then? In fact, as Lenin himself alluded, the question of Labour Party affiliation and of 'revolutionary parliamentarism' are inextricably linked; for the workers are chained to the Labour Party - 'political head' of a 'labour movement' that is, thereby enmeshed in a 'constitutional parliamentary' spider's web of bourgeois respectability and 'due process'. Lenin's main basis was the success of Bolshevik 'revolutionary parliamentarism' (and one such, be it noted, that did not have to reckon with the albatross of a British-type Labour Party around workers' necks). Here is how he characterised Russia, writing as late as 1912:

"A huge country, with a population of 150,000,000 spread over a vast area, scattered, oppressed, deprived of all rights, ignorant, fenced off from "evil influences" by a swarm of authorities, police, spies - the whole of this country is beginning to get into a ferment..."

"But Russia today is still in the period of her bourgeois and not her proletarian transformation; it is not the question of the economic emancipation of the proletariat that has become supremely mature, but the question of political emancipation, i.e. (at the bottom) the question of complete bourgeois liberty." (The Revolutionary Rise, and Two Utopias)

Obviously these conditions were nothing like those prevailing in Britain at the time. So much so, that Marx could write almost half a century earlier: "In this work I have to examine the capitalist mode of production, and the conditions of production and exchange corresponding to that mode. Up to the present time, their classic ground is England. That is the reason why England is used as the chief illustration in the development of my theoretical ideas...."

This is nothing other than Marx' Preface to Capital Volume I.

Lenin lacked the basic socioeconomic facts, upon which alone a really scientific analysis of the class struggle in Britain could have been based. As late as August 1921, in a letter to Tom Bell, we find him asking for basic data like: "How many miners are there in England? More than 500,000? How much in South Wales? 25,000? How many miners were really represented at Cardiff 24.7.21.?"

And this question asked not of some minor insignificant detail, but of something central, both to the British economy and to the very fabric of the existence of the organised working class in this country (as we shall shortly examine); plus of course the importance of coal as a crucial international commodity as Lenin himself previously recognised, as in the next speech.

But this quote is notable for an even worse confusion - or rather an ultimate and devastating confusion, inevitable when building castles on sand. In it not only does he confuse radical lib-lab defensist organisations of a purely ad hoc basis (the councils of action) with Soviets, (offensive organisations of proletarian political power having at least a semi-permanent basis, and some at least rudimentary coercive powers), but in several speeches during 1920 even went so far as to maintain that the very functioning of the Councils of Action represented nothing less than a revolution in state power!

"I repeat, this marked a tremendous change in British politics as a whole. It has the same significance for England as the Revolution of February 1917 had for us."

We now quote at length from this Speech at the Congress of Workers in the Leather Industry, 2nd October 1920:

"It should be said that bolshevism is gaining ground among the British workers. But the Communists are as weak over there now as we were in our country in March, April and May 1917, when at the Conference and congresses we received only one tenth of the votes. The same situation now obtains in Britain. There the Bolsheviks are only a tiny minority. The point is that the British Mensheviks have always been against Bolshevism and direct revolution and favoured alliances with the bourgeoisie. Now the old leaders of the British workers began to waver and change their point of view. (sic!) They were opposed to the dictatorship of the working class but now came over to our side. They set up a Council of Action in Britain. This marks a great turning point in the whole of British politics. Alongside of Parliament, which is nowadays elected in Britain by almost universal suffrage (this has been the case only since 1918), there arose the self-authorized Council of Action, which is backed by the trade unions, which have a membership of over six millions. In reply to the government's desire to wage war on Soviet Russia the workers declared that they would not allow it, and said: 'We won't permit the French to fight, either; the French live on British coal and if its industry is brought to a halt it will be a big blow to France.'

"I repeat this was a great turning point in the whole of British Politics. To Britain it is of the same significance as the February 1917 Revolution was to us."

"... What is the Council of Action? The Council of Action goes over the head of Parliament and on behalf of the workers presents an ultimatum to the government; (sic) This is a transition to dictatorship, and there is no way out of the situation." It seems however, that there is a flaw in the reasoning that produced this logical and historical entailment. Only someone with a poor knowledge of the British super-structure could imagine that the ever so responsible and respectable operators of what Lenin himself had called the "bourgeois politics of the working class", (the ILP, LP, union leaders, etc.) could thus be won over to the side of the revolution - and for no apparent reason other than a change of heart. Still less was (or is) it thinkable that the Mother of Parliaments could be so easily swept away in a spontaneous upsurge. This impressionism, of the type that we normally associate with our Trotskyists, shows that Lenin had either forgotten the lessons on the nature of soviets that he hammered home in his writings from July to October 1917, or had at the very least, failed to think out how soviets must fight for hegemony against the state in a developed democracy; where not only is the latter not a weakly hothouse growth as it was in Russia, but on the contrary where soviets are the 'illegitimate upstarts'.

In Britain, urban and industrial, saturated in bourgeois democracy and ideology, but without even a bourgeois revolutionary tradition, participation in the swamp of parliamentary parties or politics is not a tactical but a strategic decision, to be undertaken only in the most exceptional circumstances; when our normal attitude of outright hostility to bourgeois democracy has to be overridden, e.g. when a fascist movement poses a serious threat but the working class is incapable of going onto the offensive. But this is only an exception to the rule of making a clear break to constitute communism in revolutionary opposition to evolutionary democracy; and with exceptional participation in elections only under specific circumstances as elucidated in Proletarian Pamphlet No: 3, Communism and Parliamentarism.

Thus in contradicting those actually knew and had to operate within 'the specific relations between classes and parties' characteristic of bourgeois democracy, Lenin's line was doomed to bankruptcy from the first. Faith alone has hitherto blinded us to the obvious.

"Comrade Gallacher is wrong" said Lenin on August 6th, "when he claims that by advocating affiliation to the Labour Party we will repel the best elements among the British workers". If it only resulted in the loss of Sylvia Pankhurst (who accepted the Comintern line and joined the CPGB but subsequently lost the battle against parliamentarism and was expelled), then Gallacher was sufficiently borne out. But objection was not in fact confined to her. In autumn 1922 many members resigned, and two whole branches in Glasgow had to be dissolved.

Sylvia Pankhurst's line was in accordance with British realities when she argued: "We must not dissipate our energy in adding to the strength of the Labour Party; its rise to power is inevitable. We must concentrate on making a communist movement that will vanquish it. The Labour Party will soon be forming a government; the revolutionary opposition must be ready to attack it..." (quoted in 'Left Wing Communism').

Lenin basically recognised the insular peculiarities of Britain as the country of the industrial revolution: "Comrades emphasise the point that the aristocracy of labour is stronger in Britain than in any other country. That is really the case. After all, it has existed in Britain not for decades but for a century. In Britain, the bourgeoisie which has had more experience, more democratic experience, managed to bribe the workers and to create among them a big stratum, bigger there than in any other country, but which is not so big when compared to the broad masses of workers. This stratum is thoroughly imbued with bourgeois prejudices and pursues a definitely bourgeois, reformist policy." (Affiliation to the British Labour Party).

Precisely because of this, the question is one of finding the means by which the working class can liberate themselves from the structures by which bourgeois ideology is reproduced and made operative. That, surely can only come from a qualitative rupture with the apparatuses of bourgeois hegemony. The dominant class must be directly challenged over political power by the development of proletarian organisation for state power. In the British context this could only start if a conscious attempt was made to build upon the experience of the Shop Stewards' and Workers' Committee Movement, but the opportunity to do so was lost after the SS&WCM merged with the Red International of Labour Unions in June '22. From this emerged the National Minority Movement, which was committed not to organic contact with the masses for the establishment of qualitative alternatives, but to functioning as radical ginger-groups within established Trades Unionism. So much so, that when workers themselves repudiated mere orthodox Trades Unionism, the CPGB drove the disillusioned back into the fold.

Bourgeois democracy thrives on diversity - it is no less than its stuff of life - and that is all that could (and can) be achieved by thus attempting to 'use' bourgeois democratic mechanisms like Parliament, etc, the erection of yet another democratic option which the workers can take or leave at will. Of course they leave it - after all, an MP is an MP no matter what he says in Hansard (not exactly everyday reading for workers anyway), and can only be a rather better or worse parliamentarian or 'constituency man', neither of which is central to working class interests. So they might as well vote for a Party likely to form a government and at least lay hands on some sort of Executive/Legislative power, however limited. Hence the real choice is Labour or Tory. Thus Parliament as an institution has won again; the Party adopts a Parliamentary 'tactic': to get there it has to function as a Parliamentary Party; the only Parliamentary Parties that can 'take advantage' of the system are bourgeois Parliamentary Parties; so increasingly the Party, 'to be effective in Parliament', is constrained to become a bourgeois parliamentary party, so tactics have become strategy; the circle is closed; hence the CPGB and its bankruptcy, evident to the CI as early as the end of 1922, early

"... The affiliation issue thus came to affect every member of the Party by becoming one of the principle forms of Party activity - activity was intensified with the adoption of the 'united front' policy at the end of 1921.

"The superimposition of the 'united front' policy on the affiliation policy brought out an already strong latent tendency (especially among ex-BSP members) to see the task as the transformation of the Labour Party into an instrument of revolution. In the elections of November, 1922, and December, 1923, this tendency was given full rein

by the party leadership. On both occasions the Communist International was forced to intervene and insist that the Communist Party must maintain a sharply critical and independent attitude to the Labour Party. But while the 1924 Party Congress might endorse the Comintern's characterisation of the Labour Government as 'inevitably bankrupt' and 'treacherous' many members clung to the idea that it would be more feasible to transform the powerful Labour Party into a revolutionary instrument for socialism than to give the tiny British Communist Party the task of fighting the Labour Party as well as the capitalist class." (MacFarlane, The British Communist Party, p.109).

Just as it is absurd to think that the system as a whole was, or is, susceptible to expedient 'use' so it was to think that a key part of it, the Labour Party, was thus amenable. The negotiations - August 1920 to June 1922 - resulted not only in the rebuff of the CPGB's advances, but in the barring of communists from the Labour Party as representatives of already recognised bodies like trades unions. This was reiterated in 1924, and additionally, members of the CP were barred from individual membership of the Labour Party. Whoever the 'tactics' did eventually fool, get the better of, it was not the leadership of the Labour Party. As Miliband has said:

"There never was any ground for thinking that the Labour leaders, industrial or political, would ever be willing to accept the Communist Party as a constituent body of the Labour Party. The differences were indeed 'insuperable'. What is more significant is that the leaderships attitude should have been endorsed by the vast majority of Labour's rank and file. Do what it might, the Communist Party's ardent courtship of the working classes remained unrequited. How unrequited was well demonstrated by its total failure to benefit from the catastrophic defeat which the Labour movement suffered on the 15th of April, 1921, 'Black Friday'." (Parliamentary Socialism, p.77).

'Black Friday', April 1921, was the date on which the 1926 General Strike was lost.

But first, why did both occur? As WWI had been a clash of industrial empires, it resulted in changed conditions at the conclusion of hostilities: "There was no doubt that the United States had replaced Britain as the principal source of foreign investment for the rest of the world. Britain had in fact sold over one-tenth of her foreign investments during the war, in order to secure supplies, and a further one-twentieth had been lost in Europe. Although some four-fifths of her foreign investments still remained, her balance of payments was not such as to enable her to add extensively to their total. The war itself had dislocated her foreign trade and thus given many of her competitors, especially the neutral countries, an opportunity to win her markets. Some of the less developed countries with which she had traded had been forced to develop their own industries, and having done so were naturally reluctant to resume their pre-war trade with Britain on the old basis. There was also the important fact that the staple exports of Britain, coal and textiles, were commodities whose share in world trade was in rapid decline. British coal exports declined from 82 million tons in 1907 to 70 million tons in 1930, owing to the loss of such markets as Italy, now rapidly developing its hydro electric resources; and British cotton exports declined in the same period from £105 million to £86 millions, and their proportion in respect of total British manufactured exports dropped from 31 per cent to 23.5 per cent. These figures indicate the principal causes of the chronic depression which affected the coal and textile industries in these years.

"There were of course new industries which were now developing rapidly, many of them having been stimulated by the needs of war. Prominent among them were the electrical and chemical industries and the manufacture of motor cars and aircraft. But their products, though in demand at home, could not yet compete satisfactorily in foreign markets with the manufacturers of other nations. America, former neutral countries such as Holland and Switzerland, and even defeated Germany, were outstripping Britain in the new industries. The result was that total exports in the 1920's remained at not much more than 80 per cent of the pre-war figure, and the unemployment figures were never much less than a million throughout the decade. Nor was this due

to a reduction in total world trade: the fact was that Britain's share of the total of all nations exports had fallen from over 13 per cent in 1913 to under 11 per cent in 1929; and the United States, which had taken the lead in so many other respects, had also replaced Britain as the chief exporting nation of the world.

"At the same time Britain's share of world imports did not decline but actually increased." (Pelling, Modern Britain, 1885-1955, pp.98-9).

Labourism - the political administration of the working class on behalf of the capitalist class by the Trades Union full timers and the Labour Party - which could not/would not fully take advantage of the Wartime and immediate post-WWI boom to advance working class conditions, social and economic - could only ensure that when slump followed boom, retreat would turn into rout.

Against falling demand, with the depression beginning in the winter of 1920, the government had announced during February 1921 that it was decontrolling the coalmines and handing them back to their private owners; a move attained on April 1st. The owners announced heavy wage cuts and a return to the bad old days of district rather than national agreements. The Miner's Federation refused these terms and invoked the Triple Alliance to resist. After a fortnight of machination in and around Parliament and Government, the transport and railway unions reneged on their pact with the miners and left them on their own. They struck until June, the Government making full use of the Emergency Powers they had adopted in 1920 to break it; and they succeeded. Mili-band has described well the intrinsic reasons making defeat inevitable.

"... Much more important, however, is the fact that the leaders of the railwaymen, and of the transport workers, crippled by lack of confidence in their own strength, were throughout desperately eager to avert a challenge to the Government. There was, as G. A. Cole noted at the time, a 'failure of courage'. But that failure was not the product of a character deficiency; it was inherent in the limited view which the trade union leaders took of their purpose. They could only have acted otherwise if they had been driven by a purpose which transcended the immediate issues involved; if they had seen themselves, that is, as soldiers in a much wider battle, upon whose outcome must depend Labour's place in society. When it came to concrete action this is not how they viewed themselves. The skill they knew was that of patient negotiators, oppressed by the fear that to insist on even half a loaf must spell disaster, and therefore eager to settle for the crumbs." (p.69)

Winston Churchill's return to the Gold Standard in 1925, at the behest of British Finance Capital and his own Imperial ideology, was a major factor in triggering off a similar mining crisis in 1926, resulting in the General Strike and outright defeat. This nine day wonder, only one of whose consequences was the punitive Trades Disputes Act (1927), again resulted from the "Labour Leadership" holding down the working class to limited, "constitutional" action for purely economic aims that were not even attained.

On the contrary, militants were everywhere hounded out of industry and once out many would not get jobs until the next war started. From 1921 till 1939 the number of unemployed never fell below 1 million - in 1932 it exceeded 2½ million, i.e. 22.1% of the whole working population.

In 1926, as in 1921, the miners were left after TUC capitulation to fight to ruin on their own. This time though, the damage was fundamental to working class combativity in the face of the coming great depression, as the following table of strike activity shows.

It can be seen that the number of striker-days in the period 1922-25 (11,968,000) fell back disastrously after 1926, not to be matched again until 1970-71. As the graph on the Rate of Surplus value shows (see section 1 of pamphlet), the defeat of the General Strike ushered in a period of intensified exploitation, with a 26% increase in the rate of exploitation and a 25% increase in the rate of profit within the next four years.

.....
British Strike Statistics: annual averages 1900-71.
.....

	Number of Strikes	Workers involved ('000s)	Striker days ('000,)
1900-10	529	240	4570
1911-13	1074	1034	20908
1914-18	844	632	5292
1919-21	1241	2108	49053
1922-25	629	503	11908
1926	323	2734	162235
1927-32	379	344	4740
1933-39	735	295	1694
1940-44	1491	499	1816
1945-54	1791	545	2073
1955-64	2521	1116	2889
1965	2354	868	2932
1966	1937	530	2395
1967	2116	731	2785
1968	2378	2255	4719
1969	3116	1654	6925
1970	3906	1793	10908
1971	2223	1173	13558

.....
From James Hyman, 'Strikes': source: Department of Employment Gazette.
NB. Striker days are the no. of workers involved multiplied by the no. of days out.
.....

Pointing to the similarities of the present period and that of the run-up to WWI, H. Phelps Brown has recognised (in the Three Banks Review, March '75) why the inter war period saw a hiatus in British Working Class assertiveness.

"... 'Black Friday' marked the break up of the Triple Alliance. But the sense remained that the power of the strike was decisive when exerted over a wide front, and that its use in defense of the workers' living standards was constitutional. In 1926 when the miners were again resisting the coalowners' demands for a wage cut, the Trades Union Congress called a general strike. When nine days later the General Council called it off, without obtaining any assurances of better terms for the miners, the unions lost their sense of being able to wield at need an irresistible weapon. In this way the General Strike became the turning point in trade union policy.

"But it did so by completing on the political side a lowering of expectations about the power of direct action, that had already been brought about on the industrial side by the experience of the abrupt deflation in 1921...." (our emphasis)

"... In the United Kingdom the first period was brought to an end by the experiences of 1920-26. These inhibited the industrial militancy manifest before, and left wage bargaining and industrial relations to be actuated by the cautious attitudes and limited expectations to which the 'machinery' of the times was well suited. (p.14&20)

This shows another aspect of the danger to the working class arising from the Trade Unions being regarded as mass political bodies: entities they are physiologically incapable of being and a 'purpose' which they must therefore 'betray'.

In many ways the 1939-45 War (actually the 1936-45) was a continuation of WWI, except mainly that the USSR did most of the fighting and had most of the casualties/damage. The Soviet Union caused four-fifths of German losses in manpower and three quarters of the losses in material, destroying in all 607 Divisions against 176 for Britain and the US combined. The war accelerated Britain's loss of economic, military and political grip in, and on, the world.

" The sale of Britain's overseas investments had drastically reduced her income from invisible exports (read colonial exploitation. COBI), as had the loss of a quarter of her merchant shipping. After the war net invisible exports were only sufficient to pay for 7 per cent of total imports, compared with 30 per cent before the war, and with increasing government military expenditure abroad this percentage continued to fall. In order, therefore, to balance overall trade and repay foreign debts Britain needed to increase her exports substantially by between 50 and 70 percent compared with the 1930's. The government achieved this by the use of direct controls on the economy which forced firms to export a certain percentage of their total output. Despite these efforts Britain continued to find herself with an adverse trade balance, particularly with the United States, and in 1949 the pound was devalued in an attempt to remedy the situation by making exports cheaper and imports dearer. With the movement of the terms of trade in Britain's favour after 1951 and with a continued increase in exports, trade deficits began to turn into trade surpluses during the 1950's." (Johnson, Whyman & Wykes, A Short Economic and Social History of 20th Century Britain. p. 15).

Unfortunately nothing has broken the grip of Labourism after either war, nor between them.

On the contrary the thorough state control demanded by full war mobilisation has fostered Fabian socialist illusions in the aftermath of each war. WWI concluded on a wave of Wilsonite democratic euphoria, that relapsed into (at least) a decade of pacifism and passivism. In Britain, without any sort of mass revolutionary tradition, those inspired by the lessons and example of October 1917 were too few and confused to make significant inroads into moralising, metaphysical, traditional Labourism.

" England's (and Scotland's) own revolution had been a religious one, preceding the Enlightenment, and militant protestantism had long been the principal tradition of opposition and protest within 'bourgeois' society". Hence,

"... that famous 'British Socialism', at once Christian and national, which has always been recognised as the peculiar property of Labourism." (Tom Nairn, The Left Against Europe ?)

In fact bourgeois materialism never caught on in this Sceptred Isle, so what chance did the dialectical and historical materialism indispensable to communism have? "Thus, if materialism became the creed of the French Revolution, the God-fearing English bourgeois held all the faster to religion. Had not the reign of terror in Paris proved what was the upshot, if the religious instincts of the masses were lost? The more materialism spread from France to neighbouring countries, and was reinforced by similar doctrinal currents, notably German philosophy, the more, in fact, materialism and free thought generally became, on the Continent, the necessary qualifications of a cultivated man, the more stubbornly the English middle-class stuck to its manifold religious creeds. These creeds might differ from one another, but they were, all of them, distinctly religious, Christian creeds." (Engels, Socialism: Utopian and Scientific)

In talking about the Second International, and especially Second Internationalism, it is usual to subsume the British Labour Party under the head "Social Democracy", along with the Continental Social-Democratic Parties. But this is misleading, even bearing in mind that Social Democracy was never Communism. The Continental parties were nominally committed to, or at least actively revising, Marxism. In contrast the British Labour Party has never, and is still not, a party in any way informed by Marxism (or even by a materialist world view, merely a pragmatist one). More importantly, this condition of the 'mass' party of the working class, is itself symptomatic of the fact that not only has Marxism never been a major current (still less the major current) in working class consciousness in Britain, but even consistent materialism has never become a pervasive element in mass ideology. The crippling effect of this on the development of Marxism - historical and dialectical materialism - as a mass force, the British Left refuse to face or are just too insular/ignorant to comprehend. For the Labour Party is in fact ideologically nearest to Continental "Christian" not Social Democracy, and of course a Communist strategy must take full account of this fact.

Similarly, WWII concluded with a bout of Social-Democratic euphoria, of such momentum that it is still a force today. The Soviet experience of socialist construction had become generally known to the British working class, thanks to the joint war effort, and the run up in the thirties. Consequently there could be no collapse into deadbeat Lib-Labist laissez-faire and slump as there had been post 1920. This time the working class insisted on something qualitatively better, a fundamental restructuring, as the 'Short Economic and Social History' cited earlier coyly puts it: "... The dangers and difficulties that had to be faced built up a spirit of determination to build a better Britain once hostilities had ceased." (p.165)

And as Tom Nairn has spelt it out:

"The second vital historical experience which 'fixed' Labour in its peculiar nationalism was that of 1945 to 1948. This was, in a sense, the continuation and conclusion of the first. From 1905 to 1914 the Labour Party had taken its first steps nationally in class association with the Liberal Party, as the latter laid the foundations of social imperialism. By 1945 Labourism had completely taken the place of Liberalism in the national political spectrum; and in the years following, it was able to complete the old programme launched in Edwardian times (with few modifications). It was now called the Welfare State. But it represented essentially the same policy of a social liberalism designed, through the agency of an expanded State, to integrate the working class more adequately into national life - a national life, one must remember still located firmly in an imperialist context.

"During the earlier, formative, moment Labourism had been (so to speak) in apprenticeship to Liberalism; in the second, it had become Liberalism. Why does anyone think that the last two Labour leaders, Gaitskell and Wilson, have been Simon-pure Liberals - and that the most serious new contender for leadership, Jenkins, is not merely a Liberal but an ardent historian of liberalism? The great 'working-class' party had taken over the content of social-liberalism and made it its own. The way in which this happened was politically decisive, amounting almost to a second 'founding period'. The point was, of course, that now the working class was the agent of its own integration; it was able to nationalise itself. The only really successful alienation is self-alienation. In 1945 the Labour Party became (as its leaders tirelessly proclaimed, and have never since ceased to prove) a national and responsible party, a 'party of government'. At last, it measured up to the nation, was worthy of it. Marriage replaced the somewhat primitive and furtive liaisons of the '20s and '30s. In this way, the full admission of the working class into the political nation appeared (and to some extent really was) its own achievement. And on the other hand, if through Labourism the class had become worthy of the nation, had not the nation (likewise) shown itself worthy of all the democratic evolutionist hopes placed in it? It had said 'Yes'. The national 'British way' appeared vindicated." (pp. 71-2).

Ever the willing reformers of capitalism, Labour brought in the Welfare State, whose greatest landmark was the NHS in 1946 - and Nationalisation: the raising of capital out of taxation to equip and fund industries vital to the function of the capitalist mode of production as a whole. The Conservatives commenced the process by making Imperial Airways into BOAC in 1939 and have continued it with Rolls Royce. But just as they continue to refer to the Labour Party as "The Socialists", so they perfectly consistently leave the Labour Party (with its 'revolutionary' tail) to provide the requisite social momentum and ideological cover for radical restructuring (the Tories after all are the party of conservation), whereby both parties argue that Nationalisation equals Socialism. What it does mean in fact is Socialisation; i.e. technological advance has demanded the removal of market anarchy in the areas of production concerned, in the securing of capital funding and the removal of wasteful competition/duplication. So, to the extent that this is possible within the overall confines of commodity production, it has been done; but it remains commodity production, and will be so long as the 'mixed economy' produces according to market rather than social use criteria.

Of course Labourism continues apace "Socialising" like mad to keep British capitalism afloat. The tragedy is that the few professed 'revolutionaries' in Britain fail to make up in quality for their lack of numbers, being permeated through and through with Labourism. And this of course is why they unanimously (and instinctively, with only post facto rationalisation) opposed the EEC. For Labourism is, as we have shown, a peculiar

product of specific British historical development, and is unable to survive an internal break in the continuity of British tradition, either superstructural or economic. In just whose interest this tradition operates, Nairn again brings out well:

"What the European question provided was the perfect catalyst of such unity, subjectively. Hard-pressed, in the middle of the game, the ruling class simply changed the rules to make quite shure that they stayed on top. This is part of what 'ruling class' signifies. If the national 'game' is not theirs, then whose is it? Objectively the strategy was to work out well: the opposition was forced into playing according to these rules - that is (as will be argued below) into a political campaign that did not express and articulate, but betrayed the reality of the class struggle. Such a fatal confusion and diversion, in turn, provided the Heath government with a vital breathing-space for the best part of a year from the spring of 1971 until the great miners' strike of February and March 1972, their first serious defeat.

"To understand further the machinery of what occurred we must look, next, at the position of the Labour Party during the debate; and then at the variety of stances adopted by the left outside Labour. But to some extent the outline of the drama is clear already. The ruling class put class before nation: they redefined that old scarecrow, 'the national interest', to suit a renewed and changed class interest. This move forward gave it new political elan and a desperately needed sense of achievement and purpose. And, at the same time, it left the opposition clinging to what was left behind. In order to oppose, the left let itself be coerced into putting nation before class. While the Conservatives advanced to their new positions, socialism was left in occupation of the old trenches, among the fag-ends and old boots defending 'national sovereignty'. That Powell should have been left behind playing with the wish-bones and scarabs, groaning the old songs of patriot destiny, was the appropriate humour of history, her ironic revenge on one who had stupidly and too often taken her name in vain. But that most of the left should have stood beside him, in the name of socialism and the working class, was an altogether different, and more serious, matter." (pp.40-1)

Rather than seize the profound changes consequent upon integration with the Continent and working to promote it, to accentuate the state of flux induced by this process, the British Left, as always, prefers the easy way out - back further into the womb of Labourism; and **LABOURISM IS UNQUESTIONABLY THE MAJOR OBSTACLE TO WORKING CLASS REVOLUTIONARY CONSCIOUSNESS**. But we will show in the ensuing sections that the womb of Labourism is cancer-ridden and cannot survive in its present state, still less bring forth healthy revolutionary offspring.

"By its eternal compromises gradual, peaceful political development such as exists in England brings about a contradictory state of affairs. Because of the superior advantages it affords, this state can within certain limits be tolerated in practice, but its logical incongruities are a sore trial to the reasoning mind. Hence the need felt by all "state sustaining" parties for theoretical camouflage, even justification, which, naturally, are feasible only by means of sophisms, distortions and, finally, underhand tricks. Thus a literature is being reared in the sphere of politics which repeats all the wretched hypocrisy and mendacity of theological apologetics and transplants the theological intellectual vices to secular soil. Thus the soil of specifically Liberal hypocrisy is manured, sown and cultivated by the Conservatives themselves. And so the following argument occurs to the mind of the ordinary person in support of theological apologetics, an argument that elsewhere it lacks: what if the facts related in the gospels and the dogmas preached in the New Testament in general do contradict each other? Does that mean that they are not true? The British Constitution contains many more conflicting statements, constantly contradicts itself, and yet exists, hence must be true!" (Engels, *On Certain Peculiarities Of The Economic And Political Development Of England, 1892*).

With such superstructural obfuscation, Labourism became the sump into which the workers' socialist strivings were channelled, where they stagnate and rot, and from which there can be no productive outcome until smashed.

The choice then is not between 'brands' of socialism: it is between Labourism - bourgeois power - and Socialism, ie working class power.

THE PURPOSE OF THE APPENDICES.

We said in the introduction that we were "convinced that the whole revolutionary struggle must be undertaken on a qualitatively higher level of knowledge if the substantive breakthrough to mobilising the majority of the class (or at least a sizeable minority) is to be accomplished. To achieve this, scientific socialist literature and practice must replace the moral magical stuff beloved of the left."

We have tried to demonstrate the required approach in this pamphlet. The scientific procedure has two components. One: rigorous examination and development of theory; two: the use of the theory thus elaborated to examine concrete conditions. The appendices therefore attempt to supply further theoretical rigour by the definition and elucidation of terms, concepts, and statistical methods.

It will be seen that this is in fundamental opposition to the methodology common to the British Left. These fall under the heads:

- 1) general unrigorous "theoretical" speculations;
- 2) detailed empirical accounts using unclear or unconcious theoretical premisses (e.g. Glyn and Sutcliffe);
- 3) attempting the elaboration of Marxist theory, not to produce new knowledge of reality, but to justify existing political practices that arose spontaneously out of the historically given labour movement.

A classical example of the latter is the Revolutionary Communist Group (led by David Yaffe) that split from the I.S. over their very lack of theoretical justification for existing Trotskyite/ Labourite practices. A similar tendency exists in France in the form of the group 'Pour le Communisme'. That this is an international and continuing trend, is further demonstrated by the launching recently of a new Dublin based theoretical journal entitled 'The Ripening of Time'. In this case we have a further attempt to provide some theoretical underpinning for bankrupt Irish nationalism in its populist disguise of republicanism; a deviation not confined to Irish based groups but well nigh universal among British and European Trotskyite groups.

APPENDIX.A : -THE RATE OF PROFIT.

In general, the theory of the tendency of the rate of profit to fall has been poorly presented in the communist literature, and in consequence the question is much obscured. The most common error is to fail to recognise the historical character of the theory, which has been underemphasised by all writers from Marx on. As a result, much time has been wasted in rather fruitless speculations as to whether a falling rate of profit is the inevitable result of a rising organic composition of capital, or whether it may be offset by changes in the rate of surplus value, or whether the cheapening of the elements of constant capital might not offset the tendency of the organic composition to rise. The only firm conclusion that can be drawn from discussion is that it is not possible to draw any firm conclusion about the rate of profit and its tendencies from an abstract and ahistorical examination of the mode of production.

- To get any further we have to divide capitalist development into three periods.
- 1) Machinery being applied to the production of consumer goods but not to the production of means of production. Organic composition tends to rise in parallel with technical composition, due to slower development of productivity in dept 1. This may be offset by increased production of relative surplus value. Whether the rate of profit rises or falls is determined by technological factors, all that we can say is that there is a relative tendency, no more, for it to fall. This is the period with which Marx was familiar, hence his emphasis on the technical composition.
 - 2) Machinery applied to both depts 1 and 2, but latent reserve population not exhausted. In Britain this roughly corresponds to the second half of the 19th century. The accelerating development of productivity in dept 1 cheapens the elements of constant capital, both the rate of surplus value and the employed population continue to rise. At this stage, the rate of profit tends to rise and the organic composition may even fall. See graphs 2,2a,4,and 6 plus chart 2.
 - 3) Latent reserve population exhausted, size of proletariat stabilised. Unavoidable long run tendency of rate of profit to fall since mass of surplus value bounded above by size of proletariat and length of working day, whilst mass of constant capital has no upper bound. This tendency independent of technical change.

PROOF:

Since population constant, define $(s+v)=1$ (1)
 thus the rate of profit: $p = (1-v)/(c+v)$ (2)

Theorem I: the limit of p as t (time) tends to infinity is zero, if capital accumulation greater than zero for all t .

Proved using:

Theorem II: the limit of c as t tends to infinity is infinity.

Proof: Since accumulation always +ve there exists an ϵ such that:

zero less than ϵ less than or equal to 1 and $d(c+v)/dt \geq \epsilon s$ (3)

thus $dc/dt \geq \epsilon s - dv/dt$ (4)

theorem II is equivalent to saying that $\int_0^{\infty} dc/dt dt$ diverges to $+\infty$

but $\int_0^{\infty} \frac{dc}{dt} dt \geq \int_0^{\infty} \epsilon s dt - \int_0^{\infty} \frac{dv}{dt} dt \geq \int_0^{\infty} \epsilon s dt - 1$ using (1) (5)

if there exists a z such that $\epsilon s \geq z > 0$ for all t then $\int_0^{\infty} z dt$ tends to infinity and thus theorem II proved else p tends to zero and theorem I proved.

given theorem II, then the limit of $(1-v)/(c+v)$ as t tends to infinity must be zero QED.

It should be noted however, that the rate of profit also falls because of the growing number of unproductive employees employed out of surplus value, in the state and private capitalist bureaucracies. This is more important than the rising organic composition as a cause of declining profits in the UK. The following figures give what the rate of profit would be here if all surplus value went in profits.
 1950, 21.3% / 1955, 24.3% / 1960, 24.6% / 1965, 24.0% / 1970, 20.9% / 1974, 17.0% .
 Contrasting this with graph 7 and histogram II, we see how slight the fall would have been had it not been for the sharp fall in the share of surplus value going as profit. The figures above are calculated as $s/(c+v)$ using s, c, v calculated as described in Appendix B. This incidentally confirms the bourgeois analysis that asserts public expenditure to be a cause of falling profit rates.

Since the rising organic composition of capital is not yet the principle cause of the decline in the rate of profit in Britain, it follows that the high organic composition that has already been achieved by no means constitutes an absolute limit to the accumulation of capital. Accumulation could be accelerated once more if the bourgeoisie found itself able to reduce the proportion of unproductive to productive labour. It should be noted that if unproductive workers are shifted into productive work, their whole working day counts as surplus value and thus has a disproportionate effect on the rate of profit. This is because the formula for the rate of profit taking into account the effects of unproductive wage labour is: $p = (vs' - u) / (c + v + u)$ and since $dv/du = -1$, it follows that $dp/du = -(1+s') / (c + v + u)$.

where v is variable capital, c is constant capital, p is the rate of profit, s' is the rate of surplus value, and u is wages of unproductive wage labour.

The viability of the bourgeois project of decreasing the mass of unproductive labour depends upon the causes of the tendential increase in the proportion of unproductive labour. This is a matter of some importance since on the assessment of this must depend our analysis of capital's anticipated recovery from the crisis. We must reject as simplistic the analysis advanced by P. Howell in an otherwise excellent article in Revolutionary Communist, according to which the decline in the number of productive workers is the necessary result of a rising organic composition of capital. It would only be a necessary result if the rate of accumulation were lower than the proportionate rate of change of the organic composition. If on the other hand $dc/(c+v)$ is greater than $d(c/v)/(c/v)$ then dv/v must be +ve. A decline in the mass of productive workers is a necessary result if and only if there is no possible rate of accumulation such that $As/(c+v) > d(c/v)/(c/v)$ where A is the share of surplus value devoted to the accumulation of constant capital.

Let us look at the year 1971 to 1972. Over that period the organic composition rose from 8.03 to 8.39, an increase of 3.9%. Over the same period we find that in 1971 the rate of profit calculated according to the formula $s/(c+v)$ was 24.9%, so that for all $A > 15.6\%$ we know that $As/(c+v)$ is greater than $d(c/v)/(c/v)$. If we are to accept the argument put forward in Revolutionary Communist, we must assume that a value of A greater than 15.6% would be impossibly high. Unfortunately for Howell we find that over the years 1964 to 1970, the mean value of A was 15.3% and that for three years of the period it was greater than 15.6%. Put in the light of the concrete situation, the RCG's argument is demonstrably absurd. Instead, we must attribute the decline in the number of productive workers to: the low rate of accumulation out of surplus value, the rate of investment here being notoriously below that of competing capitalist powers; the growth of a parasitic state apparatus in response to the increasing need by the bourgeoisie to contain and incorporate the proletarian class struggle; the ever increasing mass of labour power absorbed by the unproductive circulation process of capital; the growth of the administrative bureaucracy within the corporate sector itself.

Overall we would say that the bourgeois project of increasing the rate of profit through reducing unproductive labour is viable within limits set by their practical ability to cut back on unproductive labour, and by the ability of the state to foster accumulation at a higher rate. The precise nature of these limits, and the extent to which unproductive labour can in practice form an internal latent reserve, are questions that we cannot deal with adequately here, but readers can refer to our forthcoming publications such as the 4th issue of Proletarian Journal or the second Proletarian Broadside, for a further analysis if they are interested. Taking the long term historical viewpoint, however, it is clear that such a strategy cannot indefinitely postpone the decline in the rate of profit.

To conclude, it is perhaps appropriate to remark that the RCG's error on this question seems symptomatic of an attitude that seeks in Marxist theory an immediate justification for existing political practice (in this case 'fighting the cuts'); needless to say this reduces Marxism from science to sophisticated ideological apologetics.

The Use of Statistics in this Pamphlet

The statistics used in this second edition of the pamphlet have been almost completely revised, and greatly extended. In contrast to the standard practice among the 'Marxist' left an attempt has been made to prepare the statistical indices in terms of scientific Marxist categories, rather than uncritically reproducing the statistical output of bourgeois state agencies. Without such evidence, Marxist economic analysis can degenerate into empty sloganising that has little contact with concrete development. Still worse, the uncritical acceptance of bourgeois categories, which are drawn up by government agencies for their own purposes can lead to misleading conclusions. The most notorious example of this is the almost unquestioned acceptance among the self styled Marxist Political Economists of our left, of the analysis of British Capitalism by two Oxford University economists: Glyn & Sutcliffe. Their book 'British Capitalism, Workers, and the Profits Squeeze', in which you would be hard put to find a single Marxist concept, attributes the falling rate of profit here primarily to the effects of wage increases. The implication being that trade union militancy has succeeded in drastically reducing the rate of exploitation .

Such a notion obviously fits in well with the economist mentality and eulogising of pure and simple trades unionism that the British left is prone to, but as the statistics we provide show, it is a serious distortion of the facts. As far back as we were able to calculate (i.e. from 1855) the long term tendency for the rate of exploitation has been upwards. As predicted by Marx in his theory of the General Law of Capitalist Accumulation, the rate of exploitation or surplus value fluctuates during the course of the trade cycle as a result of changes in the rhythm of capital accumulation, but the long run movement in the rate of exploitation has been a steadily rising one. We provide three graphs to show this. One extends over the period between 1855 to 1913, another from 1870 to 1938, the last from 1948 to 1974. Every one of them paints the same picture of intensifying exploitation, in which any partial gains made by the proletariat are wiped out in the succeeding economic cycle in which the rate of exploitation mounts to ever greater heights. These figures have been calculated with a more sophisticated method than, and replace, all previous figures that we have published. How are the results that COBI obtains so different from those obtained by reputable Oxford economists; why should our results be considered more worthy of trust than those of highly qualified 'experts'?

Because we base ourselves upon the theories of Communism, not academic economics. As Marx said "Just as the economists are the scientific representatives of the bourgeois class, so the Socialists and the Communists are the theoreticians of the proletarian class." (Poverty of Philosophy, p106). Glyn and Sutcliffe do not in fact produce any measures of the rate of exploitation, the idea of exploitation after all smacks of vulgar communism. Instead they use the suitably 'neutral' concepts of the wage and profit ratios.

Marx showed that the rate of exploitation must be measured by dividing the value created by the unpaid labour that workers are forced to perform by the value that they get back in wages. This is the only method that fully reveals the extent of exploitation under capitalism. Instead of this the economists show the shares of wages and profits in the total national income. What is wrong with their method?

1. By talking of shares in the national income, they disguise the fact that the proletariat alone produces value, and that the incomes of all other classes derive from the surplus labour of the working class.
2. By dividing profits by the total national income, their profit ratio results in a gross under estimate of the rate of exploitation. If wages and profits were the only components of national income and if all workers were productive, then if wages are £6000 m and profits £4000 m the economists would say that we had a profit ratio of 40% : 4000/10000. The Communists would say that we had a rate of exploitation of 67% : 4000/6000.

3. Even more seriously they ignore all revenues coming from exploitation apart from profits. Rents, the salaries of the state bureaucracy, and the wages of commercial wage labourers are all ultimately derived from the unpaid labour of the proletariat. This makes up by far the largest share of surplus value, but it would not do for the economists to enquire too deeply into this matter for they would then be faced with the delicate question of the origins of their own income.

4. Finally they make a corresponding overestimate of the income received by the working class, since they indiscriminately lump together all wages and salaries whether or not these are received for productive labour. On this basis, the more economists that the state employs to dupe the working class, the richer the working class appears to become - a truly economical result!

An additional difficulty enters into the calculation of the rate of exploitation for the earlier period, in that with a smaller degree of concentration of capital, a portion of surplus value appears in the national accounts under the heading: Income From Self Employment. This includes, besides the income of independent artisans, that of small employers who generously extend their 'selves' to include their workmen and apprentices. The inclusion of this element explains why the graph for the years 1855-1913 gives higher figures than that covering the years 1870-1938.

So far, Britain is the only country for which COBI has been able to prepare adequate statistical series. Our main problem is that the figures given for other countries by international agencies such as OECD & UN go into far less detail than the UK government figures. For instance the OECD does not give capital stock figures, so all attempts to produce comparative estimates of organic compositions of capital and investigate the international ramifications of the declining rate of profit are thwarted, at least until sufficiently detailed work is done in other countries using local figures. Other difficulties that prevent us analysing the state of international capitalism (apart from theoretical difficulties) are the almost universal confusion of profits with income from self employment, and the difficulty of separating the incomes of productive and unproductive workers. COBI would welcome correspondence on these questions from communist groups operating in other areas of world capitalism.

Sources used were:

- "Historical Abstract of British Labour Statistics" Dept of Employment. HMSO.
- "National Income Expenditure and Output of the United Kingdom 1855-1965" C H Feinstein Cambridge University Press.
- "National Income and Expenditure" Blue Book, CSO.
- "Annual Abstract of Statistics" "
- "Share of Wages in National Income" Phelps Brown. Economic Journal 1952.
- "The Profits of British Industry" Burgess and Webb, Lloyds Bank Review No 112.
- "British Capitalism Workers and the Profits Squeeze" Glyn and Sutcliffe, Penguin.
- "Employment and Labour Statistics" OECD.

We reproduce below tables giving selected values from the time series used in the compilation of the graphs in section 1.

Year	s/v(1) %	s/v(2) %	c/v	p/(c-v) %	a/p %
1855	186		6.52	7.35	-3.72
1860	195		5.73	9.20	0.53
1865	210		5.44	11.47	6.97
1870	220	127	5.21	13.1	5.88
1875	204	112	4.73	11.9	12.8
1880	208	128	5.01	10.7	7.84
1885	205	125	4.60	10.2	1.49
1890	201	117	3.77	12.2	6.46
1895	212	124	3.56	13.2	9.06
1900	225	126	4.16	12.3	18.2

Year	s/v(1) %	s/v(2) %	c/v	p' %	a/p %
1905	237	140	4.28	12.1	13.6
1910	240	144	4.18	12.1	4.33
1920	297		5.41	4.44	15.0
1925	374	127	5.36	9.34	3.76
1930	400	145	5.32	8.50	3.98
1935	443	134	5.01	12.2	7.00
1938	414	150	5.03	9.31	4.09
1948		150	4.57		34.0
1950		156	4.58	19.6*	68
1955		176	4.99	16.0*	59
1960		203	5.59	14.1*	72
1965		215	6.37	11.3*	95
1966		210	6.57	9.6*	141
1967		224	7.02	9.9*	127
1968		233	7.39	10.9*	129
1969		230	7.72	9.9*	163
1970		222	7.85	8.5*	262
1971		225	8.03	8.9*	246
1972		222	8.35		197
1973		198	9.30		485
1974		227	10.4		@

Key:

s/v(1) = rate of surplus value calculated on first basis. Here surplus value is taken to include profits net of capital consumption and stock appreciation, plus rent, plus income from self employment, plus income of unproductive workers. To obtain the rate of surplus value, this is divided by variable capital. Variable capital prior to 1920 is taken to be the total annual wages as given in Table 21, column (1) of Feinstein. Prior to 1920 income of unproductive workers is here calculated by summing cols (2)&(3) of the same table. After 1920 a more accurate breakdown of wages and salaries becomes possible since Feinstein gives them on an industry by industry basis; so from then on variable capital is taken to be wages in agriculture, forestry, fishing, mining, manufacturing and transport i.e. the first 6 categories of table 22 of Feinstein. All other income from employment was taken to be unproductive.

s/v(2) = rate of surplus value calculated on second basis. This differs from the first method in that income from self employment is not included in surplus value. Also the calculation of variable capital and of income of unproductive workers is different. Prior to 1948 variable capital is taken to be total annual wages as given by Phelps-Brown, and unproductive workers income is taken to be the figure for salaries given by him. Post 1948 surplus value includes income of nationalised enterprises, figures coming from the Blue Book. Variable capital is now taken to be wages in productive industries, and all other wages and salaries are assumed to be unproductive. Productive industry taken to be agriculture, forestry, fishing, mining, quarrying, manufacturing, construction, gas electricity and water, transport and communication. From 1966 onwards the Blue Book does not separate out wages and salaries so an estimate of wages was made by using the figures provided in the Annual Abstract for the % of clerical managerial and technical workers in different industries, and the mean levels of wages and salaries in these industries. Clearly all such methods of estimating variable capital are approximations, since Official Statistics are too crude, at least in published form to allow the identification of the precise Marxist categories.

c/v = Organic composition of capital. Up to 1938 v calculated as in example (1) above, from 1948 on calculated as in example (2) above. Capital stock excluding dwellings, taken from Feinstein, Blue Books, and Annual Abstract, used as measure of constant capital (c).

p' = rate of profit. Prior to 1950 calculated as profit/(c+v), where figure for profit taken from Feinstein and (c+v) calculated as in example (1) above. From 1950 onwards taken from Lloyds Bank Review No 112.

a/p = Accumulation as a percent of profit. Strictly speaking this should be accumulation of constant capital. Accumulation of constant capital taken as net capital formation excluding dwellings . . Sources, Feinstein table 46 and Blue Books for post 1948 data.
The @ in the last column is due to the figure for profits in 1974 (net of stock appreciation and capital consumption) being negative. The result would thus be meaningless.
The contrast between the pre and post WWII rates of accumulation is striking as a testimony to the effectiveness of Keynesianism.

The figures in Table 1 showing the growth of the productive proletariat is calculated from the decennial census data given in the Historical Abstract of British Labour Statistics.

SCIENTIFIC LITERATURE from COBI :-

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GLOSSARY

Accumulation of Capital: the process by which surplus-value extracted from the proletariat is converted into new constant and variable capital, thereby enabling the exploitation of the proletariat to proceed on a larger scale.

Capital: an accumulation of value in the form of money or other commodities, used to produce commodities by means of the exploitation of wage labourers, whose labour-power has itself become a commodity.

Commodity: good produced for exchange on a market.

Conjuncture: what Lenin called 'the present moment': the particular set of class plus economic contradictions operating in the base and superstructure of a society at a given point in time. The concept therefore takes into account the contradictory combination of modes of production (eg handicraft production within a regime of large scale machine industry) that may coexist in a society, along with the balance of class forces these generate.

Constant Capital; that part of capital that is materialised in means of production: eg machinery and stocks of raw materials. So called because its value is reproduced unchanged in the value of the product.

Contradiction: for Marxists the dynamic of natural and social processes, constituted by opposed tendencies or poles within an entity; eg north and south poles in a magnet, opposed classes and their struggle in history.

Cost of Production: the cost to the capitalist of producing a commodity. This is equal to the sum of wages and the price of raw materials and other means of consumption used to produce a commodity. It differs from the cost to society of producing the commodity, in that to the capitalist the surplus labour which produces the surplus value is free.

Labour Power: the ability to perform labour that is sold by the proletarian (for wages) to the owner of the means of production (capitalist) to create values upon conditions laid down by the capitalist. He then owns the product of labour which is a determinate commodity incorporating surplus labour (and hence surplus -value), the whole point of buying labour-power in the first place.

Law of the Falling rate of Profit: in the longrun tendency of a capitalist economy the value of accumulated capital will grow faster than the number of workers being exploited, the result is that less surplus value is produced for every pound of capital invested. In other words, the rate of profit falls as the organic composition (q.v.) rises.

Mode of Production: Marxism traditionally recognises five distinct modes of production:-

1. Primitive Communism
2. Slave society
3. Feudalism
4. Capitalist Production
5. Advanced Communism

The structured combination of a system of productive forces with a set of production relations. Where:-

the system of productive forces refers to the set of means of labour (tools, machines) used to act upon objects of labour (nature, raw materials) together with the division of labour between branches of social production, and types of labour processes that these entail.

The set of relations of production refers to the relations between agents of production (producers and exploiters), the units of production (house-

holds, enterprises, companies), the means of production (means and object of labour), the products (who they belong to), that ensure the continued reproduction of the mode of production in its totality; ie, as just such a structured combination of productive forces and relations. Under class society these always include relations of exploitation, that enable a class of non-workers to live off the labour of the working population, plus a system of distribution relations that reproduce the monopolisation of the means of labour by this exploiting class.

Organic Composition of Capital: the ratio of variable to constant capital. Thus if an industry paid £150 million a year in wages and used a constant capital of £350 million invested in means of production, the organic composition of capital would be $150/350 = 42.8\%$. As organic composition rises, the rate of profit falls in inverse proportion since only living labour (variable capital) generates surplus value.

Over-Accumulation of capital: the process by which surplus-value is re-invested in new constant and variable capital without there being any increase in the number of workers being exploited. As a consequence the total amount of surplus value extracted from the workers fails to increase commensurately.

Price of Production: the equilibrium price of a commodity under capitalist production. Equal to the cost of production plus the average profit, which is the profit that accrues to each capital as if it were but a component part of the total national capital.

Productive Workers: workers exploited under capitalist relations of production; ie workers who produce use-values (of whatever description) and perform surplus-labour for the capital which employs them.

Profit: that part of s-v accruing to capital as opposed to landed property (rent), the state or unproductive wage labour.

Rate of Exploitation: the same as the rate of surplus value. Hence this is a scientific term designating a determinate ratio, not a moralistic pejorative. Neither is it synonymous with oppression.

Rate of Profit: the ratio between annual profits of a branch of production and the value of total capital invested in it. Thus if profits were £25 million and capital invested was £500 million then the rate of profit would be $25/500 = 1/20 = 5\%$

Rate of Surplus Value: the ratio between the surplus-value that workers produce and the value represented by the wages they receive. Thus if workers in an industry produce a surplus-value of £30 million and receive wages of £150 million a year, then the rate of surplus value would be $30/150 = 1/5 = 20\%$.

Self-Expansion of Capital: see Capital Accumulation and Surplus-Value.

Superstructure: refers to the political, moral and cultural system that is established on the economic foundation of society. According to Marxism the nature of this superstructure is determined by the economic base.

Superstructure/Base: in Marxist theory the term base refers to the economic foundations of society, ie the social and technical conditions of production.

Surplus-Value: the value that workers produce additional to that which is required to pay for their wages, and which provides the source of profit interest, and rent.

Unproductive Workers: Workers employed either: (1) by capital not to produce use-values, but to account for, channel, and realise (by selling) the values produced by the productive workers, such that surplus value accrues to their employers, (with a share also going to the capital that employs the unproductive workers): or (2) by the state to maintain overall social conditions of capitalist production eg. teachers, and (3) workers employed to provide personal services to their employer (eg domestic services) and not to produce commodities.

Value: of a commodity - the quantity of labour time that society must use to produce it under the technical conditions of production then prevailing.

Variable Capital: that portion of capital used for the paying of wages, and thereby becomes converted into living labour-power. So called because its nature expands in the production process by the generation of surplus value.

WHAT IS COMMUNIST ORGANISATION IN THE BRITISH ISLES ?

1. COBI is a Marxist-Leninist Collective, formed on 1st January, 1974. Its purpose is to integrate Marxist-Leninist theory with the concrete conditions prevailing in the British Isles, and guided by this concrete development of Marxism-Leninism, to promote the development of communist politics among the working class. It aims, through its activities, to help bring about political and ideological conditions in which the formation of a new communist party will be a meaningful step in the dissemination of communist politics as a link in the chain of proletarian internationalism.
2. The history of the struggle to build such a party in the British Isles has been largely one of failure. The conspicuous exception to this was the Socialist Labour Party of Great Britain, whose emblem we have adopted, and whose valuable experience we intend to assimilate.
3. A major reason for general failure has been the inability of revolutionaries in the British Isles to make a complete break with capitalist ideology; their failure to break with the pragmatist outlook of the British capitalist class has led them to underestimate the importance of Marxist-Leninist theory for scientific socialism. Without the guidance of this theory there can be no communist politics.
4. We take the natural economic unit of the British Isles as the area of our organisation and oppose any attempts by bourgeois or populist nationalism to fragment working class organisation and solidarity within the above socio-economic unit. We resolutely base ourselves on the proletariat of the whole British Isles without exception, and will strive to strengthen their consciousness of belonging to an international class. Hence as a European state develops we shall extend ourselves accordingly.
5. In terms of the development and strength of its economic organisation, the working class of Britain has long ago pioneered and achieved adequate organisations of economic defence; ie Trades Unions. However the working class has so far failed to get from the defensive to the offensive developmental forms of organisation that Industrial Unions represent; and accordingly to get beyond the political expression of trades unionism - the Labour Party - to the class party of communists, although both were foreshadowed by the Socialist Labour Party.
6. Thus COBI has as its immediate task the launching of a Mobilisation Programme for the proletariat in Britain, designed to constitute the proletariat as a political class under capitalism, for its overthrow. This Programme will not be the Transitional Programme of Trotskyite hallucination, under which an amalgam of social-democratic reforms and possibilist demands addressed to the sovereign state (thereby confirmed as such) is supposed to make the existence and functioning of the bourgeois state impossible and so propel the masses willy-nilly into socialism. Instead, and directly

to the constitutional passivism of the revisionists, our Programme shall develop proletarian assertiveness and the initiative vital for ruling. We openly proclaim the dictatorship of the proletariat as our goal. We commence the movement for building proletarian organs of power (soviets) by advocating abstention from the legitimating process of bourgeois power (elections).

In parallel we pursue research to thoroughly analyse the capitalist mode of production at national and international levels, under these main heads:

- I. Communist Organisation: its nature and relationship to the class, and to other organisations and parties.
- II. Capitalist Production: in general and on a world scale.
- III. British Society: its modes of production, class structure, state and political superstructures.
- IV. Proletarian Dictatorship: its political form, social and economic tasks.

These are the areas that must be scientifically understood before a party programme can be formulated, and in its turn this programme is the objective condition for the existence of a real communist party; ie one that continuously functions to provide strategic leadership for the class. Hence the struggle to create the Party Programme is simultaneously the struggle whereby the Communist Party itself comes into existence. None other is dialectical development.

7. COBI demands the maximum ideological unity amongst its members. All members, in addition to engaging in practical work, must continuously improve their understanding of scientific socialism and contribute to the ideological struggle. Nobody will be admitted to full membership of the organisation unless they have demonstrated their commitment to the class struggle and their understanding of scientific socialism.

8. To supplement the efforts of its full membership, COBI encourages a wider group of Associate members to work in cooperation with it.

We call upon all those who consider themselves Marxist-Leninists to work with us and to join the Communist Organisation, if they agree with what we have said above.

We call upon all those who regard themselves as revolutionary socialists, whether organised or not, to work with us as associates.

For full elucidation of these points, see:

THE PRESENT PLATFORM OF THE COMMUNIST ORGANISATION IN THE BRITISH ISLES

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