The Economics of Genocide

PART 2

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155, Fortess Rd., London, NW5

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THE ECONOMICS OF GENOCIDE PART II

INTRODUCTION

The "workshop of the world" isn't working. National output is falling, factories lie idle, millions are unemployed or are on short-time, school leavers are doomed to years without work, communities are destroyed.

A whole nation is laid to waste and Sir Keith Joseph discovers "good news" in this wasteland. Sir Geoffrey Howe is reported "confident and happy" that the government's plans are on target. They preside over chaos and destruction and are content that their grand design is working.

A new priesthood of politicians and economists intone that there is no other way to cure Britain's ills except to go through the fire of an old-fashioned depression. Inflation is identified as the main enemy, and with the zeal of converts to a new religion, monetarists, whether followers of Hayek or Friedman, see the money supply and a return to the free market as the key to purity. But inflation is not the real crisis, merely a symptom .

Economists concentrate upon the appearance of crisis, upon market phenomena such as wages, costs, prices and eventually admit bafflement at the existence of the twin evils of inflation and recession. Few, however, disagree that the working class must pay for the sins of the system. They fail to relate the movement of economies to the sphere of production, to the social basis of capitalism underlying all economic activity, where, as Marx demonstrated, the two great classes of modern times, capitalists and workers, contend for the social product.

Capitalism stands indicted of committing genocide upon the British people. It is only through the method of Marx that we can understand why it is guilty.

THE POLITICAL ECONOMY OF MARX

The pivot of Marx's critique of capitalism is the labour theory of value which says commodities have value according to the amount of labour which is used to create them. Labour is the creator of all wealth, and to understand how the labour process is organised is the key to understanding an economy and the entire social system.

The salient feature of capitalism is that the means of production are in the hands of the capitalists. In producing the social product of society labour only receives a portion of the product in wages, the remainder becomes, as Marx said, surplus value expropriated by the capitalists. Workers sell their labour power in exchange for wages. Capitalists must ensure that the labour power they buy creates more exchange value than they first paid for it in order to make surplus value. Owners of the means of production turn themselves into capitalists by consuming labour power in the process of production. This is the origin of all property under capitalism. Capital is brought into being in the unequal exchange on the market between the owners of money and the sellers of labour power.

Workers can only live by selling their labour power, by being exploited. If there is no exploitation there is no capitalism. The ratio between what the worker is paid and what the capitalist keeps is the rate of exploitation.

Marx considered the concept of exploitation to be crucial. There can be no profit without exploitation and hence no capitalism. Profits are the only incentive to produce. Thus production is only undertaken to continue the accumulation of capital. The entire labour process is directed not primarily for human need but for profits. Capitalism is a system which has a compulsion to expand production and raise productivity - but only

for profit. Yet the contradiction of capitalism is that in its development, as Marx showed, there are inherent tendencies to stagnation and decay.

In studying the reproduction of social capital Marx analysed the ratio between constant and variable capital, which he called the organic composition of capitalism. He believed the organic composition of capital would rise over time, ie the amount of raw materials and technical equipment in relation to the amount of labour used in production. As long as the rate of exploitation remains constant the rate of profit will fall. Technological advance, therefore, produces a race for the capitalists between an increasing organic composition of capital, forced on them by competition, and an increasing rate of exploitation.

This is likely to be a partial reason for the unwillingness of British capitalists to invest in Britain, but Marx was a political economist before the days when politics was taken out of economics and the discipline became "neutral". He saw that the relationship between things was really a relationship between people and so it is to the working class that we must turn - the "gravediggers of capitalism" - for a full explanation of the crisis of capitalism.

Capitalists constantly seek new ways to increase the exploitation of their labour force to increase profits, but the labour force resists this exploitation, and in his analysis of the trade cycle Marx demonstrated how rising wages will encroach on surplus value - tantamount to a decline in the rate of exploitation. The exploited working class through the class struggle can increase their share of the product and thereby, both relative and absolute wages. When profitability is reduced, inevitably accumulation slackens and falls and unemployment rises. A period of rising unemployment, falling real wages and bankruptcies ensues. This is the obvious reaction of

capital to defeat the working class and restore the conditions for capital accumulation.

Within the very process of accumulation therefore lie barriers to further progress. Capitalism's fatal contradiction is that the creators of all wealth, the working class, become for the capitalists the most severe threat to continued wealth creation. Hence, their exhortations for greater productivity and lower wages. In rising up against their exploited state the working class not only reduces the rate of profit but creates an unfavourable political climate for investment.

It is the balance of forces between Capital and Labour which determines the economic and political direction of a society.

A HUNDRED YEARS OF DECLINE

The present crisis has its roots a long way back. Britain's decline has been all but continuous since 1870 when the country produced one third of the world's industrial goods. A failure to innovate led to British capitalism losing its technological lead. At the turn of the century Britain was being overtaken by Germany and the USA and as early as that time it was obvious that British capitalists were failing to maintain an adequate level of investment - only 5 per cent of national income. The amount of capital equipment per worker remained constant between 1870 and 1913, and it has been estimated that there was no rise in productivity of labour or capital from 1900. However, with 8 per cent of its industrial workers in unions by 1890 and 27 per cent by 1914 Britain had the most organised labour force of any country.

British capitalists went overseas to invest. Between 1905 and 1914 they invested 7 per cent of national income abroad so that by 1913 one third of total profits were from overseas.

International competition was afflicting British industry after the First World War; a measure of the straits which competition, the War and the post-war slump wreaked was that world manufacturing output grew by one fifth between 1913 and 1925 but Britain's fell by 14 per cent. The return to the Gold Standard and the forcing down of wages ensured that the rest of the 1920s was a period of recesssion. Between 1921 and 1940 unemployment never went below 1 million.

Rearmament and the war rescued capitalism and the long boom after the Second World War produced a historically high growth rate. Between 1950 and 1975 Britain grew by 2.8 per cent per annum but all other advanced capitalist countries exceeded this. Periods of "Stop-Go" punctuated the 25 years as the balance of payments sank into deficit.

The underlying performance of British capitalism was deteriorating as the effects of 50 years of low or negative investment were felt. An unprecedented growth in trade unionism squeezed profits from one side as growing international competition attacked from the other.

By the late 1960s the "Stop-Go" cycle was becoming increasingly more violent until in 1974 industrial production actually fell. Investment declined even further so that by 1975 the Labour government was complaining of an investment strike.

Accession to the Common Market rendered the acceleration of industrial decay inevitable, restricting any possibility of protection for industry. Britain's trading deficit with the 6 original members has risen from £257m in 1972 to £4,092m in 1979.

The economy is now actually declining in size. We no longer have stagnation or zero growth, we are collapsing internally. A new nation of paupers and itinerant workers is being created amidst the ruins of the workshop of the world.

Like guests at a funeral, various pundits, quacks, journalists, politicians and a few honest men have been surveying the corpse of British industry in recent years and have coined a new word for the horrifying process of putrefaction taking place. Many are strong on analysis but few are willing to place the blame squarely at capitalism's door for the misery, poverty and extinction of a national identity that deindustrialisation entails.

A process long in maturing is now producing a holocaust. Britain, the oldest industrial country is the classic example that capitalism doesn't work. Since 1964 Britain's share of the world car market has fallen from 11 per cent to 5 per cent, shipbuilding from 8 per cent to 4 per cent, steel from 6.2 per cent to 3 per cent, chemicals from 13.1 per cent to 9.7 per cent, non-electrical machinery from 16.2 per cent to 10.2 per cent, electrical machinery from 13.6 per cent to 7.6 per cent and transport equipment from 16.3 per cent to 6.1 per cent. Since 1970 manufacturing output has grown by 4 per cent - an appalling performance, but in key sectors it has declined: down 4.5 per cent in mechanical engineering, down 6.7 per cent in vehicles and in engineering, the heart of industry, nil growth. Between 1973 and 1979 manufacturing output has contracted by 6.1 per cent.

These lists of figures constantly underestimate the true decline as each new set issued is worse than the last. Whole industries are disappearing. Britain no longer makes typewriters, or motor cycles, sewing machines or office equipment. The aircraft industry has no large civil aircraft planned, and the nuclear industry, once world leader, is to be based on an American light water reactor made under licence.

Each year there is a large absolute deterioration in Britain's balance of trade in manufactures as import

penetration accelerates. In the year to November 1979 the volume of imports of manufactured goods increased by 18 per cent, or nearly five times the growth in exports. The deterioration of this country's manufacturing base is now so fast that the traditional surplus earned on manufactured goods will soon disappear.

If we examine investment, between 1953 and 1976, UK investment amounted to 17.3 per cent of GNP, by far the lowest figure for industrial countries, bringing about a slow spread of new techniques and low utilisation of new capacity. The outcome of such a situation is that Japanese asset values per man employed in manufacturing are four times as high as in Britain and the value added per man is 2.4 times higher. In the UK the figures are £7,500 per man, in Japan £30,000. It would need an additional investment of £100,000m to bring Britain level. An impossible task for British capitalism.

In 1964 it was known that thousands of miles of large diameter pipe would be needed for the national natural gas network. No capacity was built to manufacture such pipes, they were all imported. So much for free enterprise.

Apologists for what is now taking place often suggest that it is the 'old' industries which are declining and a shift of resources will take place to 'new' industries such as services, computers and micro-chips. Such assertions have about as much foundation as Tory economic theories.

The Sunday Times March 14th 1980 reported a Japanese telling the British professor who had taught him robotics that Hitachi were backing him with £200,000 to put the professor's theories into practice in Japan. "Who in Britain would finance the necessary experiments?" said the sad professor. According to the American president of the world's largest robot manufacturers, Unimation, in the late 1960s UK robotics research was 15 years ahead of its time.

"British management just chickened out." Between 1966 and 1969 the Unimation licence for the whole of Europe was held by GKN, which gave it up because of the lack of short-term profitability. The same GKN which announced in the Telegraph May 20th 1979 it was moving away from manufacture in the UK. It had no new factories planned and it was giving most weight to overseas operations or service and distribution.

GKN's announcement gives a clue to the long term strategy of British firms. British firms already manufacture abroad more than German or Japanese firms. The value of foreign production by British firms abroad in 1971 was more than double visible export trade. By the early 1970s all the top 100 British manufacturing firms were multinational. The multi-nationalisation of British capital between 1950 and 1970 accompanied the trend towards monopoly in the home market. The share of the top 100 companies in British manufacturing output increased from one fifth to one half between 1960 and 1970. It is reasonable to assume foreign production has been substituted for the export trade, at the same time as these firms achieving a stranglehold over British production.

One final example of the dynamic qualities of private enterprise is the development of the silicon chip. The theoretical concept of the chip was discovered in Britain, but naturally its development has been left to others. Sir Keith Joseph agonises over providing another £25m to the INMOS firm, whilst Arnold Weinstock of GEC (the same Arnold Weinstock who accused the education system of failing to provide the skills and knowledge needed by industry) concludes micro-technology is a field Britain should not be in because of the high risks involved, and the difficulties of penetrating the market held by Japanese and Americans.

So much for enterprise, initiative and leaving industry to the market mechanism.

CAPITALIST ECONOMICS AND THE PRESENT SITUATION

The balance of forces between capital and labour in Britain has severely restricted the flexibility of capital and its ability to manoeuvre It must be obvious to all that capitalists have never reconciled themselves to the welfare state and the growth of union power. In their extremity they must lay waste the living standards of the working class, but more important than that, the working class as a political force must be destroyed. An economic and political counteroffensive is now being waged on all the forces of progress in Britain.

On May 3rd, 1979 Thatcher's Tory government was elected, pledged to halt the long decline by returning to the purity of free market economics, massive reductions in state expenditure and a dismantling of "controls" which stifle initiative. "Set the people free" was Thatcher's slogan. The whole package was based upon lies and deceit. A government of knaves and fools leads Britain faster into decay, lecturing the population on economic laws which are long obsolete, and chattering about "light at the end of the tunnel".

To understand the real strategy of this government it is first necessary to disregard at face value everything it says and look for the reality behind the dense terminology and obscure symbolism. It takes very little to demolish the edifice of Tory thought.

They claim excessive taxation has stifled enterprise. Yet over the years the tax burden has progressively fallen on wage and salary earners and away from profits. Taxes on profits and capitals have fallen from 20.8 per cent of the total in 1946/7 to 7.9 per cent in 1978/9. Now, hardly any mainstream corporation tax is paid. It would have been thought that the virtual elimination of corporation tax would have generated at least some entrepreneurial drive. Between 1970 and 1973 there were massive transfers of income from

earners to owners through taxation by the Heath government. The money went overseas or into fuelling the property boom of the early 1970s.

They claim that government expenditure is too high. "Public expenditure is at the heart of Britain's economic difficulties," said the November 1979 White Paper. A myth is sedulously created that public spending and borrowing is crowding out private investment. Yet the EEC Commission's annual economic review for 1979 shows that the share of national income devoted to public spending is lower in Britain than any other EEC country - Britain 42.8 per cent, W.Germany and France 46.4 per cent, Holland 58.3 per cent. Furthermore, Britain has a disastrously low public investment in capital projects such as schools, hospitals, roads, railways, airports and harbours - only 3 per cent of GDP. Yet current spending will rise by £208m in 1980/1, especially on defence and law and order.

Over the years governments have made excessive contributions to NATO. In 1979 Britain devoted 4.9 per cent of GDP to military expenditure, West Germany spent 3.3 per cent. If Britain spent the same as Germany there would be an extra £3b to spend on hospitals, schools etc, but capitalism doesn't work like that. Research and development in Britain is heavily weighted in favour of the military sector. Now this government pledges a 3 per cent per annum rise in real terms on armaments whilst the rest of the economy dwindles. As Britain decays, 16,000 troops continue to be stationed in Ireland at enormous cost, to wage an aggressive colonial war, and to maintain Britain's military prestige £5,000m is to be spent on Trident missiles to replace Polaris.

They claim that inflation is the main enemy. The ideology of monetarism is central to their calculations, that by cutting back on the supply of money, prices will be reduced, ignoring the question of how to control the velocity of circulation. A small matter.

But what is inflation? No more than rising prices and therefore part of the capitalist response to wage demands and the squeeze on profitability. Inflation must be analysed from a class standpoint. Who does it benefit? Prices go up because capitalists put them up to protect profits. If the profit share is to increase then prices must increase faster than wage costs. The massive growth of credit and the huge budget deficit of government, both designed to maintain the faltering pace of capitalist accumulation, are contributory factors to the debasement of money, but still the analysis must return to profit as the motive force behind inflation.

We are treated to grocery shop economics by Thatcher and her ministers about the relationship between money supply and prices and how stable prices are a precondition for sustained growth. But this government has forced prices up! The measures taken to control inflation - reducing the Public Sector Borrowing Requirement and limiting money supply - and those taken to produce "incentives" - income tax cuts, higher VAT - have raised prices. The government have added at least 8.5 per cent to prices since 1979 through VAT, reduced local authority grants, reduced support for nationalised industries, higher national insurance the green pound devaluation, and the increase in interest rates.

In the pantheon of monetarist icons there are supposed to be "transmission mechanisms" through which reduced money supply transmits itself to the real economy. These are tougher foreign competition, unemployment and, wait for it, lower wage claims. When government ministers descend to the real world they abandon their mechanistic "economic" approach and admit, as they have been doing increasingly, that inflation will only come down when people change their attitudes, when their expectations decrease, ie they don't ask for so much. In other words, ministers

depart the realm of economics for the realm of politics.

What we are left with is a cock-eyed version of an old medicine - deflation - dressed up in not very new clothes. By raising taxes, cutting public expenditure, pushing sterling up, increasing interest rates, we are back to the theory that unemployment will scare workers. The government's policies are inflationary and deflationary at the same time. Behind the rhetoric of controlling inflation is a savage deflation of the economy as a political weapon aimed at the working class. The strategy is no less than the complete subjugation of the labour movement, to roll back the gains of the last 30 years and with anti-trade union legislation to permanently change the balance of forces in Britain.

There was a time when North Sea oil was held out as the salvation of the country, but it becomes increasingly obvious that no benefits will ever accrue to the British people whilst these resources are in capitalist hands. The pound is allowed to rise because sterling is an attractive currency for overseas speculators, becoming overvalued in terms of the industrial strength of the country. Exports are more expensive and imports are cheaper. We must inevitably be reminded of the return to the Gold Standard as government ministers refuse to interfere with the market and say a strong pound is here to stay, it being good for competition. It is obvious that North Sea oil, instead of being used to build a prosperous, independent economy, is actually accelerating Britain's industrial decline. Meanwhile, Shell made £3b profits last year and BP only £1.6b.

The speculators of the City make money from our destruction and the government aids them. It refuses to intervene, calling this free market economics. It deliberately destroys the largest machine tool makers in Britain, Alfred Herbert, by refusing more money through the NEB and facilitates the Gadarene rush to

invest overseas by abolishing exchange controls. As the oldest capitalist country, Britain has by far the highest percentage of rentier capitalists who inherit wealth and hold it in the form of mobile financial assets. They are well placed to speculate in the stock markets of the world. Barclays Bank earns half of its total profits abroad. National Westminster has just invested £200m in the USA. British American Tobacco has said it is considering moving its headquarters abroad and ICI is thinking of moving part of its business to Brussels.

It becomes clearer day by day that capitalism is abandoning Britain and leaving a desert. This present Tory government would not admit that to us, but that is the end product of its policies. If only industry can be allowed to make decent profits, they say, then Britain can expand. To do this a massive shift of national income must be directed towards profits. On present estimations the government's policies are transferring as much as £10b per annum from wages to profits. But at the end of the day there is no real evidence that such policies produce greater investment. Company profits rose by 113 per cent between 1975 and 1978, but investment rose by only half as much.

Reliance on the profit motive is ill-founded. Although profitability in Britain may be low it is not very high elsewhere, especially in high technology areas. Yet this has not stopped companies from taking greater risks abroad. Even if profitability were to be increased and the British working class suffered the massive decline in living standards to save capitalism, there is no guarantee this would produce results. Higher profits are just pushed into safe areas or taken abroad.

The profit motive has failed Britain. The capitalist class are moribund and parasitic. No progress can be expected from that quarter. It is the working class who must sieze the future or perish amidst the decay.

Britain is the classic example of capitalist failure, and yet amidst the confusion and cowardice that such a position produces, a government more committed to naked capitalism than any for forty years is elected to power. Thatcher has declared war on everything decent and humane that has been built since the War. Her government gives notice that the old consensus politics are dead. That there is no compromise between the needs of profit and the needs of people. No solution exists which can satisfy both labour and capital.

Everywhere that we turn the talk is of the economic situation. The only growth industry in Britain seems to be economic theory and economic solutions to the crisis. All such quackery is united in its one desire to maintain capitalism - the source of the disease. The labour movement appears paralysed by the capitalist onslaught, unsure of the solutions, ideologically bereft of the weapons which would transform the anger felt into a successful political strategy.

Today, the fragmented fight for wages and conditions, against unemployment and closures, better than nothing, is not enough. The working class which threatens the survival of the capitalist system has not acknowledged the consequences of its fight for reforms. It has created an economic and political climate in which capitalists have retreated and refused to invest. When the confusion and stagnation that this strategy has so created has reached sufficient pitch they have counter-attacked to roll back the reforms.

Now, the only way the working class can protect its standard of living is through a successful revolutionary struggle to create a planned, growing, socialist society. Just as it is not possible to overcome the barriers to expansion by trying to recreate the laissez-faire economics of the 19th century in a monopoly capitalist society, so it is not possible for the labour

movement to recreate the social democracy of 1945 in a deindustrialising country. The development of capitalism is cumulative, going back is wishful thinking.

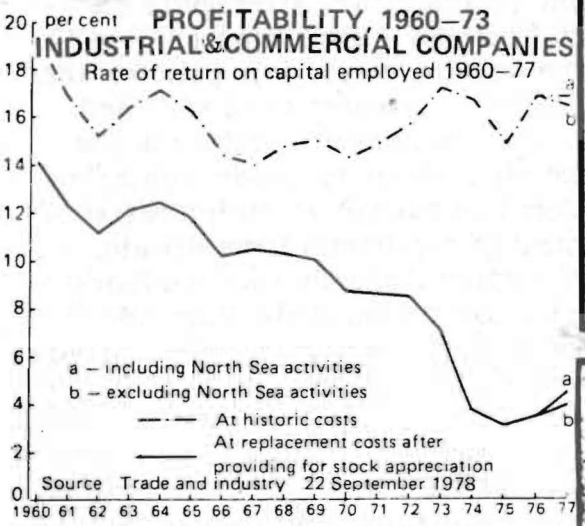
The first task in the revolutionary strategy is the immediate removal of Thatcher's government by the concerted action of the working class. Her policies are daily becoming discredited as production slumps and unemployment rises. The demands and actions of the working class must be for immediate import controls. abandonment of the Common Market which figures so large in the decampment of capitalism from Britain, withdrawal from NATO which demands such sacrifice from the British people, prevention of the flight of capital abroad and speculation in the pound by the casino of the City, the direction of capital into productive investment and the use of North Sea oil revenues to this end, and a massive programme of public spending and capital projects to reverse the cuts of the recent years. Each of these tactics will blunt the capitalist strategy but all will be to no avail without the thoroughgoing transfer of private industry and commerce to the ownership of the working class and the establishment of the dictatorship of the proletariat to prevent that capitalist class from ever again reappearing to destroy a nation which would not lie down under its thumb.

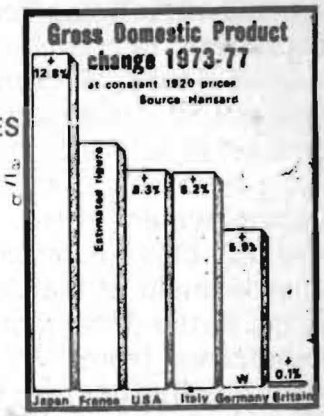
The long decline of Britain has reached a decisive stage. Rearranging the deckchairs on the Titanic is no solution. The "mixed economy" has been a failure, but more than that capitalism has failed Britain. For all its claims of achieving freedom and prosperity, it cannot produce the goods.

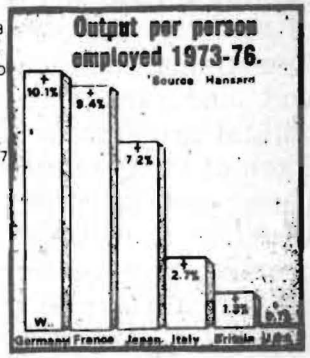
Capitalism has been accused of genocide upon the British people. It is guilty, and must be sentenced to oblivion.

(Front Cover) Pickets resisting closure of BL Speke from a photo by Laurence Sparham (IFL)

TABLES







UK IMPORT PENETRATION
ratio of UKimports to home demand