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ONCE AGAIN - BRING THIS WITH  
YOU TO THE CONVENTION AND  
SAVE MONEY -- "A Penny Saved is  
the dialectical opposite of a penny wasted" --  
(Marx, Capital, vol. VII)

It was the universal prediction of the Marxist movement that the end of WWI would bring the return of economic depression and capitalist crisis. And, indeed, following a momentary recovery, working class upheaval broke out everywhere and economic recession loomed in its wake. By the end of the 40's the U.S. economy was facing a serious recession and the French and British economies were following close behind. Only the vast rush of arms orders demanded by the Korean War brought the world back from the brink of depression. To almost everyone's surprise, capitalism then entered into an unprecedented period of growth and stability that lasted for nearly two decades.

The Permanent Arms Economy theory was an attempt to analyze and explain this post-war boom and its limits in the frame-work of Marxist economics. Far from being an academic exercise, the theory, as developed by the IS-GB, was formulated in answer to those reformists who maintained that the application of Keynesian economics and state planning not only explained the boom, but guaranteed a limitless future to capitalism.

The PAE theory was not only an economic theory, but an integral part of the revolutionary perspective we hold today. It saw the boom produced by the PAE as the material base for the political reformism of the working classes of the advanced capitalist nations. It did not try to explain reformist consciousness solely by the betrayals of the traditional leaderships of the working class - though those betrayals were real enough. Nor did it attempt to explain the boom itself by the apparent malleability of the working class. Rather the PAE theory saw that under the conditions created by the PAE the working class could in fact be quite aggressive, but that the material basis for concessions meant that militancy and reformism could go hand in hand.

The same theory, the very analysis that explained the roots of prosperity, however, saw the limits and contradictions inherent in the PAE and were able to explain, years in advance, how the crisis of capitalism would reemerge and what the political consequences of that would be. (See, e.g., M. Kidron, "Reform or Revolution," IS #7, 1961) And that, of course, is what Marxist theory is all about.

Recently, in the IS-US, this theory has come under attack. In its most worked out and consistent form, this attack has appeared in a document by David Miller entitled, "The Theory of the Permanent Arms economy - A Critique." This document contends that the PAE theory is not a theory, that it does not explain the post-war boom since many of its arguments are wrong, that it does not put forth any real contradictions, and, finally, that the theory of state spending implied in the PAE theory is incorrect.

The Miller document makes numerous accusations, digressions into other theories (Sweezy), and deals with many secondary points. It is not my intention to attempt to answer each and every one of these allegations. Rather, I will try to explain why the PAE is a theory and why it is a necessary part of the larger body of Marxist theory that underlies our political perspective; what I think the fundamental difference between the theory in the Miller document and PAE theory is- and why PAE is right and Miller wrong; and why the contradictions in the PAE itself are real and point to a revolutionary perspective.

#### TENDENCY TOWARD CRISIS

All of us would probably agree that the fundamental contradiction driving capitalism toward crisis is its inexorable tendency for the rate of profit to decline. This, and the analysis underlying it, is the starting point for any serious Marxist analysis. However, the tendency of the rate of profit to fall is a tendency, and a very long range one at that. It was Marx himself who first noted that there were several counteracting tendencies that, under certain circumstances, could off-set the tendency of the rate of profit to fall. Later on Bukharin and Lenin noted how imperialism was both a result of the trend toward a falling profit rate and a means of counteracting it.

The tendency of the rate of profit to fall is therefore a necessary, but not a sufficient basis for the determination of a political perspective. One must not only know that capitalism will run out of steam some day, but have an idea of when and how it will be possible to overthrow it.

The theory of imperialism advanced by Lenin was such an attempt. It did not simply examine the economic effects of the export of capital, but the political effects of all the trends embodied in that particular attempt by capitalism to overcome its deepest problem. From his analysis he drew an entire political perspective- much of which is still valid, much of which has been proven wrong (e.g. the theory of the Aristocracy of Labor advanced by Lenin). In any case, Lenin's theory of imperialism was a theory. It took off from Marx's basic analysis, used his method, but went beyond what had already been done. It was not a theory opposed to Marxist theory, but a theory within a larger body of theory.

It is in this sense that the PAE is a theory. It is the elaboration of Marxist method in the concrete circumstances of post war boom and crisis. Like the best of Marxist theories concerning the contours of the world economy it takes its starting point as the tendency of the rate of profit to fall and explains precisely how that was counteracted during the period from 1950 to 1965-70 and why it can no longer do that.

In its fundamental approach to theory it is akin to and flows from the theory of imperialism- as I shall discuss later.

Most importantly, the PAE is the basis for -and consistent with- the particular political perspective shared by the IS here, in Britain, and elsewhere. To repeat, it analyses the roots of reformism, on the one hand, and what appears as planning or Keynesianism, on the other. It also analyses the erosion of the roots of reformism in a way that explains how a revolutionary movement can be built (the growth of an industrial rank and file movement with revolutionaries able to lead reform struggles and draw revolutionary conclusions - for more see Stewart, "The Decline of American Imperialism and the Growing World Conflict" and Geier, "Tasks of Socialists...").

To illustrate all of this, let's get into the major differences in the two theories. The most fundamental theoretical difference is that over the nature of effects of state spending. The key to the Theory put forth in the Miller document is summarized in its own appendix. It states that state spending represents non-productive labor which is an overhead expense of capital and, therefore, a drain. Arms spending has the same effect - even more so. Arms do not generate profits and are, in effect, only "transferred income from others, and not real additional surplus." That is, the individual capitalist experiences profits from arms production as real, but for the system as a whole they are only transfer payments, just like all other state expenditures. That is, all other state expenditures gotten through taxes under conditions of full employment.

The appendix goes on to argue that state spending, arms or other wise, financed through debt, under conditions of some unemployment, will actually create new values since they are not taken from the economy's profits but from debt.

The creation of new values through deficit government spending is, of course, the heart of Keynesian theory. Keynes' theory argues the same thing the Miller document argues; deficit spending of any kind will induce production, directly or indirectly, and will create new values under conditions of some unemployment.

The level of employment is important to Keynesian theory because, of course, if there is full employment then added government spending cannot put additional labor to work and will only create inflation. In Keynesian language this is all a matter of marginal utility, etc. The Miller document sees these things in Marxist terms, i.e. as additional value creating labor used through debt, or inflation if there is no labor to be used. For both, however, the results are the same. All government spending financed through debt, under conditions of unemployment, create new value.

In the Miller document, and in his amendments to the Stewart document, "Keynesian techniques," i.e., deficit financing, play an important part in explaining the post war boom. In fact, they are the last ditch into which that analysis must retreat.

If it is true that government spending is simply non-productive labor then the effects of a growing state budget must be to slow down the growth rate and, as Miller argues, increase the tendency of the profit rate to fall. So a growing state budget cannot explain the post-war stability of capitalism, but itself needs to be explained.

So we are back to deficit spending. To start let us flatly assert that deficit spending under conditions of unemployment, which are the only conditions under which capitalism functions, does not and cannot-in and of itself-create new value. The reason for this is not found in explanations that balance employment, inflation, and 'new' production, as the Miller document attempts (p. 16), but in the essential nature of credit and debt.

From an economic standpoint, state debt is no different from any other - unless it is sheer money printing, in which case it is pure inflation. Debt is simply the opposite side of the coin from credit. In the private sector debt simply means that one capitalist borrows from another. Credit and debt are just aspects of the circulation of capital. In Vol. III of Capital, throughout Chapters 25 through 30, Marx explains that credit is essentially a means of exchange. He says that in so far as "they ultimately neutralize one another through the balancing of claims and debt, they act absolutely as money..." Even when they do not, which is normally the case, credit and debt do not in any way create value by themselves. Historically, Marx explains, in chapter 27, credit vastly accelerated the circulation of capital (real capital) and thereby enhanced the growth of the system. But credit, like money capital in any form, only creates new value under the same conditions any other form of capital would. Credit cannot, therefore, affect the rate of profit, the total size of investment, the effects of investment, and so on.

(It should be understood that the principle upon credit or debt does not figure into the rate of profit, or the general formula  $c \ v \ s$  and more than the value of total capital stock. The "c" in the organic composition of capital refers only to the value of the constant capital used in any one period, fiscal year, etc.)

(Interest, as an aspect of credit, is only that portion of surplus value paid from the debtor capitalist - or their state - to the creditor capitalist. Like credit and debt themselves, interest has no effect on the rate of profit, rather it is dependent on it.)

The factors that effect the rate of profit are the rate of exploitation, the proportions in which new capital is invested, and the productivity of labor itself (a matter of technology, the length of the work day, the educational and skill level of labor, etc.). Thus, if the state attempts to alter the rate of profit through borrowing money or through taxes, what is decisive is the precise manner of investment and not the means of financing.

(To digress: it should be obvious that in funding arms or welfare spending, it is impossible to distinguish between those dollars - means of exchange - borrowed from capital at interest and those taken from capital through taxes. Therefore, either deficit spending works its wonders regardless of the form of spending, as Keynes would argue, or it doesn't. The fact that interest must be paid on some of the state budget just makes it more expensive. Miller seems to hedge this question.

If the state redistributes capital directly toward capital spending it will augment the organic composition of capital and, over time, exacerbate the problem. So Miller's contention that the most efficient form of state deficit spending is direct subsidy to capital is questionable from the point of view of explaining the 15-20 year world-wide boom, even if it explained the short term recovery of one or another economy.

If, on the other hand, the state spends its funds on welfare, consumption, or non-productive labor it simply bloats the total wage bill and is inflationary.

Of course, credit from one state to another can redistribute capital as it did in the Marshall Plan. Deficit spending by one state may, therefore, explain a recovery or stabilization by another state. What it cannot explain (because the contention that deficit creates new value is false from the vantage point of the system as a whole) is the world wide recovery and boom of all of the advanced capitalist, and not so advanced capitalist, nations.

There is no doubt that the credit extended to Europe by the U.S. "stimulated", i.e., paid for, investment there. It is also true that the world monetary system helped U.S. capital to export inflation, as Miller points out. But nothing in the world monetary system can explain two decades of world stability any more than deficit spending can. This concentration on the exchange and circulation aspects of capitalism has lead many Marxists into the camp of Keynes. The theory in the Miller document points toward that road.

The theory of the PAE, as an explanation of post war boom and stability, does not begin from the vantage point of state spending per se, but from the fundamental problem facing capitalism - the tendency of the rate of profit to fall. The theory

evolved, as we have said, from a fight against reformist theory and the notion that planning Keynesian economics with a more openly statist bias could explain the boom. But in developing the theory, it also evolved from a critique of Lenin's theory of imperialism. As with any developing theory mistakes were made and some points overdrawn, what concerns us here, however, is the essential point of departure for the PAE theory. The relationship of the economic effects of imperialism and of PAE were clearly explained in a document drafted by Mike Kidron for an international conference a couple of years ago. We will simply quote it,

"However, the classical model of capitalism did not necessarily imply boom-slump if one condition could be satisfied - if somehow there was a draining of the surplus out of the system so as to dampen the tendency for the organic composition of capital to shoot upwards and for the rate of profit to fall. One of the impacts of imperialism in its heyday was to achieve such a drain. Capital flowed into the third world and the internal contradictions of metropolitan capitalism were temporarily obviated. However, by the end of the First World War classical instability was reasserting itself.

"With the Second World War, however, a new method for draining off surplus emerged out of the drive of the system to war - the permanent arms economy.

"The mechanism is essentially simple. Capital is taxed so as to sustain expenditure on arms. It is thus deprived of resources that would otherwise go towards increased investment. At the same time arms spending provides a market for goods that are produced - and all the more significant market because it involves fast-wasting goods that constantly need renewal and replacement."

In other words, the PAE provides a means of holding down the organic composition of capital. What is decisive here is not any question of exchange or circulation, though that moves things along, but the fundamental fact that the rate of profit is upheld by the destruction of capital - even as investment races along. Yes! The funding for arms is a deduction from total capital. No! No new value is created. In fact, certain forms of value (constant capital) are wasted in relation to others. But it is in the realm of the system of production that the theory of PAE begins and from this point that it proceeds.

Before proceeding to other aspects of the Miller document and the PAE theory, one thing must be made clear. What is spelled out above, in admittedly crude outline, is a matter of marxist analysis of the post-war boom. It in no way implies that the capitalists understand it in this way, nor does it imply or depend on any particular version of the subjective state of the capitalist mentality of the period.

It is an analysis of why stability was possible and why the attack on that analysis is fundamentally wrong. So far, this document is written from the vantage point of theory about the system as a whole and is admittedly abstract - in the positive philosophical sense of that term. Now we will examine some of the arguments used to back up Miller's theory.

The Miller document presents an alternative view of what made the post-war boom possible. In summary it is as follows: the boom was based on the "restructuring" of the European economy, which was made necessary by their destruction and possible by the capitulation of the CP's and SP's to the bourgeoisie. This capitulation produced a "long time sharp decline in the class struggle, and a working class which was highly productive... and at very low wages to boot." This produced an enormous amount of surplus value. "At the same time" the U.S. was able to conceal the burden of arms spending by the "unparalleled" exploitation of Europe. The exploitation of Europe was accomplished by draining capital from Europe, by enormous investment and by the U.S. transferring inflation to Europe through Eurodollars. Arms were simply a necessary burden. The recovery in Europe was also spurred by "the role of the Keynesian state." The business cycle was smoothed out by "a host of fiscal and other compensatory devices..." I believe this is a fair summary of the argument presented on pages 10-12 of the Miller document. I will not deal with the notions that the U.S. is becoming a "rentier" state, the theory of the direction of foreign investment (with which I largely agree), or Bukharin's predictions of state capitalism. None of these, it seems to me, are essential to the economic explanation of the boom as presented by David Miller.

The contention that "the role of the Keynesian state" can explain the boom to any serious degree must be dismissed if what we have argued already about deficit financing is true. At most the state could have, and certainly did, effect the direction of investment. It could not, however, produce surplus value sufficient to produce a 20 year boom. We concede simply that the state, in Europe and elsewhere, played a role in recovery in that it channeled capital from one sector to another. In some cases, e.g., Germany, this meant a conscious policy of starving the population to create capital funds; in others it meant increasing welfare spending combined with support to sick industries, as in Britain. In any case, we still need to know where the additional capital came to underpin this state spending; both to explain the initial recovery of 1946-49 in Europe, and to explain the longer boom from 1951 to the late 1960's.

Miller does offer an explanation. It is that the betrayals of the CP's and SP's of Europe helped the capitalists raise productivity and keep wages down. Economically this will not hold up. First of all, in spite of the SP's and CP's and the U.S. labor



bureaucracy, there was an enormous, virtually world-wide, strike wave following WWII. The role of the CP's and SP's was not primarily to prevent this, although they tried, but to prevent revolution in the west, where they succeeded. This strike wave produced results, dramatic results. In the U.S. hourly wages rose by nearly 30% from 1946 to 1949; in France hourly wages grew by nearly two and a half times (250%) in that period; in Britain by 25%; in Sweden by more than 25% and in Italy wages rose by more than 40% from 1946 to 1949. All of these increases were far ahead of the national rates of inflation for the same period (all figures from the UN Statistical Annual for 1955). Only in Germany were wages successfully held down by inflation in that period.

Nor is it true that productivity expanded vastly in this period. There was some increase, but this was due largely to the re-employing of an already skilled, but largely unemployed, workforce. This sort of productivity gain cannot explain a recovery, but must be explained by a recovery. The rapid growth of productivity in economies like Japan, Germany, France, Italy, etc. did not begin until the second half of the 1950's. It was not a cause of recovery or the boom but a result of the fundamental cause of the boom, the permanent arms economy. The betrayals of the CP's and SP's cannot explain anything about post-war economics.

As for the aspect of the Miller theory that explains U.S. prosperity (concealing the arms burden) by the draining of Europe, it only needs to be pointed out that if his argument (that the working class was so incredibly dunned as to pay for the boom) is untrue, then the argument about draining Europe is not an explanation of a boom, but of the opposite - European disaccumulation.

The notion that the business cycle was flattened by "fiscal and other compensatory devices" is nothing but Keynesianism. That is, it is the notion, straight from Lord Keynes and J.K. Galbraith, that if you keep up "demand" you can flatten the business cycle; and that by manipulating the interest rate you can fundamentally effect capital accumulation. In the Marxist view of the business cycle however, is based on an analysis on the movement of capital and not on the forms of exchange and circulation that flow above it. The PAE theory explains the relative flattening of the business cycle by the effects of arms production on the organic composition of capital and the rate of profit, as already basicall outlined here and more thoroughly in the Stewart document, "The Decline of American Imperialism." In contrast, Miller's theory explains it in precisely the same way as the Keynesians.

The theory of recovery and boom in the Miller document implies a false political perspective. In contrast to the PAE theory, which sees the boom as the material base of reformism and the end of the boom and the material base of

growing revolutionism, the theory presented in the Miller document sees reformist leadership as the explanation for the "long time sharp decline in the class struggle." The political perspective that flows from this theory of post-war boom is, of course, that of orthodox Trotskyism; that is, that the reformism of the working class in the 1950's and 60's was a function of their leadership. This being the case, the perspective for revolutionaries was a propagandist fight for leadership. The rebirth of a revolutionary movement, apparently possible at any time, was a question of debates among political tendencies and so on. Economic crisis is, of course, seen as the motor for working class upheavals, or "radicalization" in Mandel's phrase, but the process by which a revolutionary leadership is built is essentially outside of the events in industry - until that big upheaval finally comes and the workers flock to the banner of the 4th, etc.

David Miller does not hold this perspective and we are not accusing him or those who support his theory of holding or flirting with it. What we are arguing is that the political perspective that flows from and is consistent with his economic explanation of the boom is that "orthodox", and wholly discredited perspective. We repeat that Marxist theory is a tool for developing the political perspective of the revolutionary movement. A theory of recovery and boom is only useful in so far as it points to the perspective needed to build a revolutionary workers party and overthrow capitalism. Miller shares the perspective of the IS, but his theory of post-war boom points in another direction. And that is even more important than the fact that it is empirically indefensible.

We have argued theoretically and empirically that Miller's theory cannot explain the post-war boom. But can it somehow explain the current emerging crisis of the system? Again we will dismiss those arguments based on circulation, many of which we have already dealt with from the other side of the question. And, again, we will view this from the vantage point of the system as a whole. This means that international circulation of capital is secondary to the basic theory. We don't deny that circulation, international in particular, has real effects or that it is irrelevant; only that it itself can not explain a long-term boom or crisis. Virtually all of the 8 points presented by Miller as explanations for the contradictions of Keynesian solutions reduce themselves, once again, to the question of debt. Much of what Miller says in these 8 points (pp. 13-16) is a correct presentation of how debt helps grease the machinery of capitalism, but hardly an explanation of its crisis.

Miller states again that debt can create new value, put new labor to work, if it occurs while there is some unemployment. We repeat that that is not necessarily true at all. But if it were true, it would hardly explain for a crisis. The sole apparent contradiction presented in these 8 points is the final one: that debt under

conditions of full employment produces inflation and that threatens the system. But that, of course, is easily remedied by a little unemployment - which in turn is remedied by a little debt, all of it just like Keynes said.

Of course, it does not work like Keynes said. Debt does not retreat when unemployment grows. The reason for this is the PAE which produced this vast, cumulative, and (because interest must be paid) expanding debt in the first place. But it is the conditions of the PAE which make debt inflationary even with unemployment and that is why it doesn't go away. The major positive and negative effects of credit and debt have to do with short term business cycles and, by themselves, are self-correcting. It is only the PAE theory that explains why debt does not seem to correct itself in the traditional manner.

A more important cause of inflation than debt is the PAE. First of all, even while it is declining proportionately - as it must - the arms economy is a far more massive pressure for inflation than debt. Because the arms economy represents pure waste production the funds used to finance it are pure inflation. Dennis Childs describes this effect in IS #67:

"In the first place, arms spending is inflationary. The wages paid in the arms industry inject into the economy a large amount of purchasing power without creating any consumer goods for which it can be exchanged, and this is irrepressibly inflationary."

Also important is the fact that the PAE contributes to the monopolization of the economy thereby helping to build in the upward movement of prices.

As we have said, the primary importance of state spending is how it is invested, not how it is funded. So far as the movement of the economy goes, the total sum of debt over the years is not important. It is only the annual purchase of government debt (bonds, loans, etc.) and the annual debt service (interest payments) that are relevant - purchases of state debt are a deduction from private investable capital, interest payments may or may not go toward investment but are essentially transfer payment. All of this can tell you nothing about the basic contours of post-war capitalism as a whole.

The same can be said for the "liquidity" crisis. A liquidity crisis is not a shortage of capital, it is a shortage of credit. One of the basic causes of this problem is the post-war trend toward internal financing by the giant national and multi-national corporations. This trend has been greatly accelerated by the permanent arms economy - because it accelerates the concentration of capital - and is now apparent on a world scale. Thus, over the years, as capital and surplus value grow - proportionately less of the total world capital is available on the world credit market. A recent issue of Business Week (July 6) takes note of this problem.

The "liquidity" crisis is also a result of inflation. That is, money, in its commodity form on the world credit market, becomes relatively more expensive as its actual value declines. This is simply a reflection of the inflation caused on a world scale by the PAE and, of course, the pressure of the tendency of the rate of profit to fall.

The liquidity crisis is a result and symptom of the crisis that has occurred in the basic realm of production on a world scale. We have shown how the PAE was a cause of the boom in the realm of production, but it is also a cause of why the classic crisis of capitalism is now re-emerging. The PAE, of course, is not itself the fundamental cause of capitalist crisis - and no one to our knowledge has ever argued that it was. But the PAE does contain within itself contradictions that make inevitable the re-emergence of crisis. The first part of the Miller document tries to refute this proposition and we will now answer those criticisms.

There are a number of contradictions in the PAE, including its inevitable tendency to produce inflation, but Miller picks out only two. Those are: the tendency of arms production to be capital intensive and therefore to use less and less new labor; and the tendency of technological spin-off to decline. The argument presented against the two is essentially the same. Miller does not deny that these things have happened; he only insists that for them to be contradictions Kidron must show how they must happen.

This is theoretical nonsense. Contradictions are, of course, conditional phenomena. That is, contradictions only occur under certain conditions. For example, the rate of profit only falls when the organic composition of capital itself, only rises on the condition that the productivity of labor remains constant or rises more slowly than component "C." So, the "must" involved in the tendency of the rate of profit to fall is purely conditional. Marx, however, observed that these conditions do, overtime tend to occur for many reasons - themselves often conditional. This is why he called the tendency of the rate of profit to fall a tendency.

Kidron describes both the tendency for arms production to be increasingly capital intensive and the tendency of technological spin-off to decline as tendencies. And, he describes the conditions that produce those tendencies. To refute the notion that these are contradictions you must show that these conditions are false, not raise some philosophical bugaboo about "must," or demand a "logical" reason. The course of capitalism is not to be found in the realm of formal logic.

Kidron argues that arms production tends to be capital intensive because of the nature of the end products that characterize the PAE as a long term phenomena,

i.e., sophisticated, large scale, modern weaponry. That is, it takes massive amounts of capital to produce such products and relatively small amounts of increasingly skilled labor. As the arms race proceeds, and the weaponry gets more and more massive and sophisticated, its production requires even greater relative amounts of sophisticated capital. Does Miller think this is true or not? Not only is it true, but if you understand capitalist production it is even logical.

The only real argument Miller musters on this score is that during Korea and Vietnam the proportion of arms spending that was more primitive and used more labor rose. That is, during those wars the Department of Defense ordered proportionately more uniforms, blankets, small arms, bullets, etc. than it did missiles, atomic submarines, etc. That's interesting, perhaps even true, but above all beside the point. The theory of the PAE is not a theory about what is spent in this or that shooting war. What is essential to the PAE is precisely the fact that a vast military budget, drawing heavily on sophisticated military hardware, remains in effect even when there isn't a shooting war. That is, the arms economy is permanent.

Finally, Miller argues that arms spending any result in more employment over time because even if it is capital intensive and requires less and less labor itself, it puts labor to work in the capital goods producing sector. It certainly does, but that is a sector of the economy that, itself, is capital intensive and, over time, requires relatively less labor input. Anyway, that is precisely Kidron's argument, so Miller has missed the point.

The reasons Kidron gives for the decline in technological spin-off are that Research and Development (R&D) become more and more costly and simultaneously more and more particular to specific problems of military technology. As a result they spin-off less and less to the private sector at an ever greater cost. So, pressures mount to reduce them from the ruling class itself. Again Miller does not say if this is true - and logical - or not.

What he does say is that the capitalists have other ways of spending money that might be preferable to them -- like direct research grants, or even capital subsidies to industry. Then follows a long section in which the alternative ways of spending state funds are discussed as abstract, logical alternatives. That is, he argues that from a purely theoretical standpoint the bourgeoisie has choices other than the PAE which would be better. We believe we have already shown why most of the alternatives he proposes (particularly direct funding to capital) are not really better from the vantage point of the system as a whole. But what is strange about this section is the economic voluntarism implied throughout it.

No one who holds the PAE theory developed by Kidron and the IS-GB has ever argued that the capitalist class "choose" the PAE from among an assortment of options. The PAE, like much of the capitalist system as it is today, is the result of history. The PAE, in particular, flows from the history of imperialist conflict. To argue that the PAE has advantages over other forms of spending, as Kidron and the rest of us do, is hardly the same thing as saying that the capitalists like arms better than state subsidies, etc. What they like best is not even a question as far as the fundamental theory goes. The whole method used by Miller (pp 3-7) is a strange sort of voluntarism.

Take for example the argument (p. 3) that arms production may actually discourage technological advance. Miller points out that Seymour Melman and Amitai Etzioni have both argued that arms production have a negative effect on technology. But their argument is pure, orthodox, Keynesianism. They argue that if capitalism invested in the production of advanced technology instead of in arms, then there would be more technological advance. Undoubtedly. But what has that got to do with capitalism? Since when can the capitalist class do whatever it likes?

Miller has proven nothing by pointing to Japan and Europe, where he claims they do this, except that there is uneven development within the world and that there is a world market. The question is not can Japan get away with vastly increasing its labor productivity through technological advance. Of course it can--so long as the rest of the world market can absorb its rapidly growing commodity production. It was able to do this for years because of the effects of the PAE on a world scale--providing vast orders for machinery and materials, holding back U.S. private production, and above all, holding down the organic composition of capital world-wide,

The real question, however, is whether what Miller or Melman says is viable for capitalism as a whole, i.e. world capitalism. Now, it is obvious that if this happened on a world scale you would have a crisis of over-production. Fortunately for itself, capitalism is incapable of making this sort of "rational" decision on a world scale. So Seymour Melman's good intentions remain just that, and his economics remain pure idealism.

The Miller document ends with what appears to be his guess as to what the capitalists will do. He says:

The increasing ineffectiveness of Keynesian operations on money by national states therefore opens the door in the coming period to the need for an international state and/or strong state-capitalist economies (not the same as the present day Keynesian states)."

But what will this world state or those strong state capitalist states do about their economies? Is there another theory of economics lurking in the future that has the answers to the problems of capitalism. Or does Miller mean that today's

"Keynesian" states will evolve into totalitarian systems like Russia? Is the fundamental strategy of the capitalist class going to be directed at building repressive states or a world state? Above all, what political perspective would this imply?

It is hard to tell. One thing is clear, however, that the world capitalist class is in no way moving toward a world state--whether it needs it abstractly or not. Indeed, the perspective for the coming years is one of intensified imperialist rivalry between capitalist states, as well as between capitalism and bureaucratic collectivism. The falling out of the capitalist powers and the intensification of international competition has been described for a number of years now in the IS journal, in the context of the PAE theory. This theory is summed up and updated in the Stewart document where the intensification of imperialist rivalry is discussed as an aspect of the crisis as it actually unfolds. One can hardly resist the conclusion that the guess about the "need" for a world state is based, not on a consistent analysis of the crisis, but on the voluntarist method used in discussing alternative methods of state spending. That is to say, it sounded like a good idea at the time.

(NOTE: The NAC accepted certain sections of the Bradley amendments to the "State of the Unions" document as factual additions - see NAC minutes 7/31. What follows is a political motivation opposing the thrust of the amendments as a whole.

(We would also like to correct a typographical error that appears in the original document. The sentence on p.4 of the Moody document, which the first KB amendment proposes to delete, should read: "Capitalizing on the relative quiescence of NEP, the labor leaders have gone further than at any time in the past to hold down militancy, in the context of a general move to the right by the bureaucracy". The phrase "in the context of" was garbled and replaced by the word "originally" through a typographical error which made the sentence unintelligible).

Our primary disagreement with the Bradley amendments is the political thrust of its approach to the trade union bureaucracy. The apparent intention of the amendments is to introduce greater depth and detail to our analysis of developments in the labor movement. However, it is our view that the KB amendments approach this problem in a way that is politically incorrect.

The amendments view the union bureaucracy as a series of disparate clusters of officials grouped in various unions, who respond to the developing crisis of American capitalism in essentially different ways. Our document views the bureaucracy as a distinct layer in society which, despite differences between unions and slightly varying political allegiances, have basically the same response to this crisis - a response calculated to protect the competitive strength of the US economy and ~~xxxx~~ their own privileged positions and their bases in the bourgeois political establishment.

What follows for us from this is not that the possibility of splits (more accurately, we describe it as a "sorting out" today) is trivial or unimportant - on the contrary, we view such developments as CLUW and CBTU as "important in forcing fractures within the bureaucracy and opening new channels of struggle for the ranks". However, in viewing these developments it must be clear that all the existing leaderships in today's union movement are class collaborationist to the core in their outlook, their political views and their strategies for winning reforms.

Our difference with KB is illustrated by his first amendment, which proposes to strike the following sentence from the NAC document: "Capitalizing on the relative quiescence of NEP, the labor leaders have gone further than at any time in the past to hold down militancy, in the context of a general move to the right by the bureaucracy" (emphasis added - note ~~typographical~~ correction above). But this is probably the single most key idea in the whole document. The point is that even in a period of rising rank and file anger, no wing of the labor leadership will take on the attack on living standards and working conditions by the corporations - even though the government is helpless and too discredited to intervene. It is now the trade union leadership which is enforcing "restraint" - an idea which is critical to our ~~whole~~ whole perspective for revolutionaries in the working class today, i.e. that we can organize groups on the basis of willingness to lead struggles when the bureaucracy won't.

This idea is not only put forward in the labor document. It is the key to our strategy for building a revolutionary party in this country, as put forward in the Geier pamphlet. We popularize the same conception in the labor coverage of every issue of our paper. It is the basis on which we look to politically expose the bureaucrats in CLUW. It's also what lies behind our approach



to the left in this country and the growing influence of radicals in the class. The notion that the labor bureaucrats will not fight, because of their ties to the American capitalist economy, is not an analytical abstraction but is critical to our agitation, propaganda and rank and file work every day.

In place of this, KB states that "the response to the heightened inflation and the end of NEP has been uneven". Since every phenomenon in the world is uneven, no one will deny this as an abstraction. We can even give examples - as in the construction trades, where KB says the union leaders are fighting for "More, More" but where in fact they are simply trading away all working conditions to increase productivity, in exchange for short-term pay increases (this is "uneven" in the sense that in most industries it happened years ago). But the problem is that KB - because he fails to examine the concrete dynamic as a function of the general rightward drift, the unwillingness of the union leadership to challenge the corporations and the government - focusses on differences in the bureaucracy that are sometimes purely artificial, often incidental and at best secondary.

For example, look at the political tangle that emerges when KB tries to show that "the International unions represent a continuum of policy between outright class collaborationism and struggle, though there is no union under a consistent class struggle leadership". If this means, then there must be International unions under an inconsistent class struggle leadership. We completely reject this! Any assessment of the policies and strategies of any union leadership today which concludes that they are "class struggle unionist" policies of any character - is simply incompatible with the concept of class struggle unionism put forward by the NAC in our "General Perspectives" document.

For us, "inconsistent class struggle unionism" exists today in the consciousness of a growing layer of militants and rank and filers, those whom we are attempting to win over to us. It is not represented by liberal trade union bureaucracies, even those which have a substantial political base among many of these same militants. Of course, we realize that as the development of the crisis of US capitalism begins to create a more powerful rank and file movement, mass pressure from below (which is not the determinant factor in today's splits in the bureaucracy) will in fact create the possibility of much deeper, wide-ranging splits among trade union officials. Some trade union bureaucrats under this kind of pressure will move to much more militant postures - or failing this will run the risk of being thrown out by insurgencies led by secondary leaders, etc. If we fail to foresee such developments, we will be caught unaware when various trade union leaders take more militant positions. But it is not our view that any wing of today's union leadership, either on the International or secondary level, can be the basis for a class struggle wing of the labor movement. Many bureaucrats may well have to compromise with their fundamental class collaborationism, but they will do so on the basis of the underlying assumptions and goals of that collaborationism. The only basis for class struggle unionism in the labor movement today lies in building rank and file opposition movements.

The left-wing tip of KB's "continuum of policy" - presumably, the "inconsistent" class struggle leadership - is made up of the UFW and UMWA, whose leaders "actually organize and mobilize the ranks and the unorganized" and "in many ways are more politically advanced than most of their members". As a political characterization, we find this astounding - and we cannot imagine what sort of conclusions KB proposes to draw from it. What this statement says is that Miller and Chavez, being liberals, are "more advanced" than many of their

members who may be conservative, racist, apolitical, etc. But as a political criterion, this is bankrupt. To measure the consciousness of politically unorganized rank and filers against a politically organized leadership, on the basis of carefully selected formal positions, is a trap. (Just to take one far-fetched example, Kautsky who was not in favor of war credits in 1914 was obviously, by this method, miles to the "left" of the masses of German workers who were caught up in pro-war chauvinism). By this method KB simply ignores the fact that the UFW and UMWA leaderships are very consciously, very politically and not at all "inconsistently" tied to various wings of American liberalism - not because their ranks are too "backward" for anything else, but because that is where these leaders see their own success and future. It is through these ties that they believe gains will be made.

This means much more than just cooling strikes and enforcing contracts, as KB mentions in passing these leaders do. It also means that they (with plenty of help from social-democratic and radical supporters of various stripes) know how to give a "progressive" cover to their own policies when these are anything but progressive. Example: the UFW is engaged in one of the most vicious anti-immigrant worker campaigns in recent labor history, under the cover of "exposing" the conditions to which undocumented workers are exposed. (Chavez's answer? Demand that Saxbe have the Border Patrol dump them in the Mexican desert!). Example: the UMW has organized a "united front" with US coal operators by demanding a boycott of coal from South Africa, under the cover of opposing South African racism. (Wage a real fight to support South African black miners organizing, or a real fight against US pro-South Africa foreign policy? Not likely!). Is the UFW leadership more "advanced" than those of its members who are infuriated by having members of their families deported, or who might even conceivably quit the UFW and scab because Chavez is supporting this? Is the UMW leadership more "advanced" than those of its members who believe they are actually fighting a slave labor regime, including white miners who may never have engaged in actions with black miners before, when the UMW leaders know very well that they are really organizing an outright protectionist, Buy-America campaign?

If you want measure who or what is "politically advanced", you must judge actions not by their rhetoric but by their class consciousness and class goals. Rank and filers and militants in UMW and UFW are fighting to organize themselves and advance their class interests. That is where class struggle unionism begins. The UMW and UFW leaders do in fact, as KB says, organize the ranks and the unemployed. But they have a clear political strategy based on liberal alliances - and that is the beginning of a different road. Yet in the same paragraph we have been quoting, KB tells us "since all other(!) unions are so bureaucratic and the rank and file movement is so weak, they (UFW and UMWA) inevitably turn to unions like the UAW for help" (emphasis added). If the rank and file movement were stronger, the UFW and UMWA leaders would be its allies! Magnificent! But then why don't they allow rank and file democracy (remember MFD? Who dissolved it?) in their own unions?!? Of course there are material pressures involved, but in reality the UFW and UMW leaders turn to a Woodcock ~~is~~ for the same reason they don't want internal rank and file control: they ~~all~~ share the same political perspectives as Woodcock and are trying to model their unions along the same lines as the UAW. (Of course Woodcock's ability to extend considerable support accelerates this direction, as it's intended to).

Further on the comparison between the UFW and UAW: no one would dispute the enormous potential of the UFW struggle in pointing out an alternative direction for labor - organizing the unorganized, militant struggle and many other things the UAW abandoned long ago. KB uses this fact to put the UFW much far-

ther left on his spectrum than the UAW. But another carefully selected "fact" will "prove" the exact opposite. In the UAW, opposition caucuses at the local and national level can form, organize and put out opposition literature. Anyone in the UFW who openly opposed Chavez on ~~any~~ any question, e.g. came out against the "illegals" policy, would be instantly denounced as a traitor, politically destroyed and driven from the union without a moment's hesitation. So we could conclude that the UAW is truly a more "democratic" union - a conclusion, to be sure, that would be just as ridiculous as characterizing the CHavez leadership as some type of "class struggle unionist".

Kevin's attempt to construct a "spectrum" of different clusters of bureaucrats leads to other mistakes as well. He says Meany and Shanker can be characterized by the fact that they "are in alliance with the ~~the~~ Israeli Labor Party". Yes, but so is every other labor leader (including Chavez, remember?) except maybe a few Stalinist types - because of US foreign policy. Something is supposed to be made of the fact that the "social union" leaders (UAW, AFSCME, CWA, the Machinists) "supported McGovern and shun Henry Jackson". Well, some did and some didn't, in fact, but so what? When the UAW bureaucracy in Detroit divided with the blacks supporting Coleman Young instead of Mel Ravitz, we presume that this did not put the black bureaucrats to the "left" of white workers who supported the racist white cop candidate Nichols against Young. (If so, then George Meany is also to the left of white workers who vote for Wallace). The point here is that supporting one wing of liberalism over another is not an index of a "spectrum of policy" - it is a big zero which, as all of us realize, only strengthens the appeal of right wing candidates, racism etc. in the working class.

Finally, we believe KB mischaracterizes the role of black leaders of the CBTU, who he says "are already quite high in the union movement and are not motivated simply by desires to move higher". We do not know what this means, except we are told that "Reformism is still alive in the labor movement and cannot be reduced simply to careerism". Well, yes, but we never said that bureaucratism was simply "careerism" - it is a set of privileges, an ideology, and above all a set of relationships between the working class and the leaders of its mass organizations under monopoly capitalism. Top black union leaders, for example, come under pressure from lower level black leaders, whose precarious positions are threatened by the situation of black workers and who want something done about it. That is far from saying that the CBTU leaders are motivated by a commitment to black liberation! In fact, we must return to the fact that no wing of ~~the~~ the union leadership will lead the kinds of struggles needed to realize the needs and demands of workers today - black or women workers least of all. Hence CBTU and CLUW as expressions of the contradictions facing the labor leadership today, and our perspective for exploiting them.

We want to emphasize the fact that our entire membership must be trained in a method whose vantage point is uncompromising opposition to the whole reformist, bureaucratic trade union leadership - total hostility to any orientation toward one or another wing of it. Only this vantage point can lead to building an independent rank and file movement. There is no question that KB agrees with us on this. We believe, however, that his amendments are built around a set of politically incorrect criteria which, if followed through, would seriously obscure this view of the nature and political direction of the trade union bureaucracy.

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(for the NAC)