

REVOLUTIONARY PERSPECTIVES 2

For simplicity, we assume the same variable and constant capital (which, by the way, is necessary), we obtain for 400_v (a) a constant cap. of 400, and for 100_v (b) a constant capital of 400. We then have the following two sub-divisions, a and b, in II:

$$\begin{aligned} \text{IIa)} & 1,600_c + 400_v + 400_s = 2,400 \\ \text{IIb)} & 400_c + 100_v + 100_s = 600 \end{aligned}$$

adding up to $2,000_c + 500_v + 500_s = 3,000$

Accordingly 1,600 of the 2,000 II_c in the first division are exchanged for 2,000 I_{v+s}

for means of production

to (800_v + 800_s)

values of



THIS ISSUE

Ireland

Capital's Decadence
Theses on the Party

20p

contents

Marxism and the Irish Question	1
The Economic Foundations of Capitalist Decadence	16
Texts of the Communist Left - Introduction	64
K.A.P.D. "Theses on the Party"	71

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The next issue of Revolutionary Perspectives will contain material on the Italian left (with a text from Bilan), an article on Communist Organisation, and our analysis of perspectives for the coming period of the crisis and class struggle.

Front cover: Marx's reproduction schema from Volume II of "Capital"
Unemployed Indian workers demonstrate
"Free" Derry caught between I.R.A. and state repression

MARXISM AND THE IRISH QUESTION

Like all political questions, that of 'national independence' has to be approached by the working class on an historical basis. As Marxists we can recognise no abstract, eternal "right" to national self-determination; on the contrary, we must recognise that "the proletariat is the negation of all nationality" ("German Ideology") and that "The workers have no fatherland" ("Communist Manifesto"). Here we are not simply quoting scripture, but take our stand on the fact that the proletariat is a collective producer class on the basis of an international division of labour and on a world market. And only the proletariat can smash the national fetters imposed upon these productive forces by capitalism, transforming means of production which function as capital into the technical basis of a society of associated producers.

Therefore we say that the 'support' given by the working class at a certain period to struggles of national unification or national liberation, was not on the basis of abstract right or eternal justice, but on the basis of its own immediate and future class interests. To clarify this statement, let us be more specific. In the period of capitalist ascendancy, when it was an expanding, progressive mode of production, dealing the death blow to feudal relics, expanding political rights, introducing reforms, etc. (i.e. roughly the eighteenth and nineteenth centuries), the working class could work alongside, though independent of, the bourgeoisie for national unification and national liberation. It could do this both because its own immediate interests were served in these struggles, such as gaining the rights to unionise, the electoral franchise, rights of political organisation, and so on. It could also support these movements, since by hastening the independent development of these capitals onto the world market, these struggles of the rising bourgeois class were preparing the material basis for communism, that is, the development of large scale industry and the world division of labour.

Thus for example, the First Workingmen's International gave its support to the Northern States in their struggles for the unification of the U.S.A. in 1860-65. This civil war freed millions of slaves and protected the northern workers against the extension of slavery, as well as allowing for a rapid industrialisation process to begin and develop throughout the U.S.A. Similarly, in Germany the Social Democrats fought alongside the liberal bourgeoisie for the unification of Germany free from Prussian militaristic domination, a struggle which, however, was negative in outcome. Further,

all revolutionaries in the nineteenth century, whether Marxist or Bakuninist, struggled for a liberated Poland which would serve as a bulwark against Tsarist reaction in the event of a revolutionary upheaval in Europe. But in all these movements the class sought to maintain its political independence of the bourgeoisie, and their limited tactical nature was realised by Marxist revolutionaries. Unlike the anarchists, who were metaphysical in their opposition to parliamentary tactics and in their support for national liberation, the approach of Marxists was historical. Whereas Bakunin could state,

"We want full freedom for all nations with the right of self-determination for every people ... a fatherland represents the incontestable right of every man, of every human group." (1)

Marx never recognised such an approach. There was no general rule for national independence; e.g. Marx was very reluctant to come to a position of support for Irish independence, or even Home Rule within the British state. Even here the main reason for support was the aid this would give to the struggle of the British workers against capital. Marx's views are straightforward, he states,

"Thus the attitude of the International Association to the Irish question is quite clear. Its first need is to encourage social revolution in England. To this end a great blow must be struck in Ireland ... it is a pre-condition to the emancipation of the English working class to transform the present forced union (i.e. the enslavement of Ireland) into equal and free confederation if possible, into complete separation if need be." (2)

Similarly, Marx opposed the "liberation" of the Balkan Slavs from the domination of the Hapsburgs since this could let reactionary Russia into Europe, where it would be a threat to progressive movements. Finally, no socialists of that time made any pretence that the liberation of China or India from imperialism was possible; this colonisation was seen as historically necessary - a phase of global capitalist development. Despite all the horrors it entailed, it was, as domestic primary accumulation had been, a necessary phase which capital had to pass through before communism

(1) Quoted from "Bakunin and Marx on Nationalism" by S.P. Halbrook, in Anarchy Vol.1 No.4 p.22. This muddled anarchist attacks Marx for his opposition to national liberation, and defends the positions of Bakunin outlined. Defenders of eternal rights, take note.

(2) "Confidential Communication" by Karl Marx, March, 1870. Quoted from "On Colonialism" by Marx and Engels (Lawrence and Wishart) p.259-60. See also his letter to Engels of 10.12.69 in the same volume, p.332-3.

was possible. No interest at all, either of the working class or of humanity, would have been served by an independent China or India in the last century, even had this been a possibility. Bourgeois revolutions in Europe were one thing, colonial rebellions (though Marx denounced their savage suppression) in Africa and Asia, another. This was not because any "racial" characteristics unfitted them for independence, but because of their level of economic development which precluded political autonomy.

However, with the beginnings of the decay of the capitalist mode of production, associated with the global operation of the law of value and the division of the world among several big imperialist powers, (1) the tasks of the working class ceased to be that of reform within bourgeois society, and became instead the overthrow of that society. In the epoch of crises, wars and social decomposition, the class could only respond with the communist programme. In this period the development of any national capitals on to the world market in an independent fashion became impossible; national liberation struggles became inter-imperialist struggles in which the working class had nothing to gain and much to lose. The epoch when the class could support national liberation came to a definitive end in 1914; all possible communist support for one bourgeois bloc against another, or alliances of classes against feudal reaction were henceforth things of the past.

One of the Marxists to realise this, as other aspects of the beginnings of the decline of the capitalist mode of production, was Rosa Luxemburg. In a polemic over Poland in 1896, she argued that the Polish bourgeoisie was "tied to Russia with chains of gold", and that continued socialist support for an independent Poland was tantamount to socialist national chauvinism. Capital in Poland had no chance to conquer a place in the world market, and preferred the protected Russian one. In this polemic she crossed swords with Lenin, as she did later with the outbreak of World War One, when she extended her opposition to all national movements in the twentieth century. In "Either - Or" she wrote,

"In this era of unfettered imperialism, there can no longer be national wars ... For no suppressed nation can freedom and independence blossom forth from the politics of imperialist states and the imperialist war. Small nations, whose ruling classes are appendages and accessories of their class comrades in the large nations, are merely pawns in the imperialist game played by the major powers." (2)

(1) For an economic explanation of the decline of capitalism, see the accompanying article in this issue of R.P. For a summary of the implications of capitalist decadence, see our Platform in No.1 of R.P.

(2) From "Rosa Luxemburg, Selected Writings" ed. R. Looker p.223

Against Luxemburg and others, like Bukharin, who felt that in the epoch of imperialism national liberation was an impossibility, Lenin, in works such as "The Right of Nations to Self-determination", argued for the continuing right of peoples to national independence. In this debate the subtle dialectics of Luxemburg and not the rigid scholasticism of Lenin represents Marxism. Two world wars and the of the 'colonial revolts' of our era only serve to confirm the analysis that she made.

It is within this framework that we have outlined and not from any petty-bourgeois or liberal standpoint of the merits of the case or whatever, that we approach the present tragic spectacle in Ireland, where workers are killing each other at the behest of rival nationalisms. To begin with we need to be more specific and outline the economic evolution of Irish society, which provides the material underpinnings of the present conflict.

The Evolution of Capitalism in Ireland

To understand the partition of Ireland which occurred in the twentieth century, we have to understand the way capitalism developed in the island. Essentially capitalism in Ireland arose as an appendage of the first capitalist power, Britain, but this development took entirely different forms in the north and south, and there never was a coherent 'Irish' economy.

In the six north-eastern counties (Ulster) the indigenous clans were extirpated in the early seventeenth century and the area planted with yeoman farmers, mainly from Scotland and all of them Protestants. The economy of this region thus early developed into one of small commodity production, on small-holdings leased by tenants from the landlords on the basis of the so-called "Ulster Custom". This was an unwritten code which allowed the tenant to keep the benefit of improvements he made to his farm without paying increased rent, and to sell them to the incoming tenant if he left. The "Custom" was imposed on the landlords by a class war of the self-confident petty-bourgeois peasantry of the region in the seventeenth century and maintained in a similar manner in the eighteenth century by rural violence. On this foundation there developed the linen industry on the basis of small entrepreneurial capital, which itself provided the technology and capital for the cotton industry of the industrial revolution. These developments partly generated and partly attracted the capital that was to fund the build-up of heavy industry around Belfast after 1840, based on tobacco, engineering and shipbuilding. (By circa 1900 there were approximately 15,000 industrial proletarians employed in shipbuilding and 30,000 in textiles.) Being almost entirely dependent on imported raw materials for its industry (e.g. coal, iron, flax and tobacco) and on the Empire for its markets (such as heavy industrial equipment and consumer goods), the industrial bourgeoisie of Ulster saw its very economic survival as conditional on the maintenance of free trade links with Britain. As a deputation of the Belfast Chamber of Commerce put it to

Gladstone in opposition to Home Rule in 1893,

"It was an indisputable thing, and beyond the sphere of argument with those who lived in Belfast, that the condition precedent to their progress was their connexion with Great Britain through the legislative Union." (1)

In other words, in the period of capitalist ascendancy until the First World War, Ulster was an integral part of British and world industrial capitalism.

None of this was the case in the south. Here the expropriation of the clans had taken a different form. Plantation had failed and an uneasy domination was maintained over the south. But the intervention of Catholic Ireland against the bourgeois revolution in England in 1640-50, led to a situation where the Irish landed class was dispossessed and their lands sold to pay the debts of the revolutionary Parliament. Those who bought the lands either evicted the peasantry or converted them into rack-rented, racially and religiously distinct subsistence producers. This process left eighty per cent of land in English hands by 1700, and thirty per cent of the Irish population dead from war, executions and transplantations.

The new owners, mainly absentees, had no interest in improving agriculture, since they could merely rack the peasantry, while the latter lost the material benefits of any improvements to their farms due to increased rents and no security of tenure. Thus they grew enough potatoes to live on and enough corn to pay their rents, and the economic system stagnated, with only a little subsidised industry growing up in towns like Dublin. The system underwent a quantitative development during the industrial revolution in Britain, when the high price of corn allowed younger sons to lease land instead of awaiting their fathers' deaths, but production was still on a similar subsistence basis. However, the expansion of population attendant on this quantitative growth of the economy led to disaster in the 1840's when falling corn prices and the failure of the potato crop caused a famine in Ireland. In this famine around a million people died of starvation or disease, while continued emigration after 1850 further reduced the population. This fell between 1840 and 1900 from eight millions to four millions.

But to the famine is owed the real birth of capitalism in southern Ireland. The emigrations facilitated the amalgamation of leases by the peasantry, who switched to dairy farming and direct production for the market. The landlords, meanwhile, had been nearly bank-

(1) "Economics of Partition" (1972) p.66. British and Irish Communist Organization. Though politically vitiated by its Menshevik tendencies, this is the only scientific text on Ireland produced by the "left". See especially the chapters on the 'Ulster Custom' and the 'Linen Industry'.

rupted by indigence and the effects of the famine and were now threatened by the rise of a militant peasant Land League in the 1870's. The British bourgeois State decided to rid itself of the parasitic Irish landlord class and acceded to the demands of the peasantry for security of tenure and regulation of rents. Finally, with the Encumbered Estates legislation, the British bourgeoisie aided the Irish tenantry to buy for about one-third cost, the estates of the landlords and by 1900 the vast bulk (over 90%) of land in the south was in the hands of a prosperous, self-confident farmer class which produced for the market with the use of small elements of hired labour. Lacking the necessary technical skills and markets, little industry had developed in the south, except that associated with luxury production or the processing of agricultural produce. Any capital which did accumulate found its way naturally into the British or Ulster economies, where a higher rate of profit could be expected,

"The Irish middle classes preferred to invest their capital in England; the £20 million on deposit in Irish banks in 1860 was offset by £40 million which was invested in British stock." (1)

Southern underdevelopment was materially rooted and not a "plot" by imperialism. The capitalism which developed in Ireland was overwhelmingly petty-bourgeois in character, in distinction to that in Ulster. For example, while there were circa 60,000 industrial and transport workers in 1926, there were almost 300,000 self-employed workers, 80,000 'employers', 380,000 service workers and 336,000 agricultural holdings (1931), a total of circa 1,100,000. Thus, while circa five per cent of the population in the south were workers, in the north, the figure was nearer fifty per cent. The ideology of such a capitalism, in a world where the capitalist mode of production based on large-scale industry was dominant, could only be protectionism. The southern Irish bourgeoisie foresaw its salvation through legislative independence and tariff walls against Britain and other competitors. Being based largely on a domestic market, and with few imports for its industries, such an ideology was plausible to the ears of the southern capitalists. A greater contrast with the north could not be imagined, and thus we see that the material interests of the northern and southern capitalists were divergent, and a function of each's special relationship to British capital. Partition was the outcome of this development.

(1) "Changing Nature of Imperialism in Ireland" Jim Smythe p.62, in Bulletin of the Conference of Socialist Economists Spring, 1974. The figures on employment are taken from the table on p.69 of this article. Despite leanings to Catholic nationalism, this article clearly shows the impasse of the Irish bourgeoisie.

7

Since partition this evolution has ceased to diverge to such an extent, as both north and south became involved in international capital flows, and the repercussions of capitalist decadence. In the north there has been a long decline in heavy industry, coinciding with generally high unemployment, (around 10% male). Statification is well advanced in the Ulster economy (shipbuilding, aircraft, transport) as the State shores up sectors that private capital will not invest in, and in addition, after World War Two, an influx of foreign capital (mainly American, but also German), seeking out lower-cost labour power, has combined to wipe out the old Unionist industrial bourgeoisie. In the south, independence led to an economic war against Britain, in the 1930's the ending of trade links and attempts to stimulate domestic industry by protection and subsidies. This failed to lead to any significant industrial development and only served to preserve by artificial protection the small-scale, inefficient nature of Irish capital. Exports to the U.K. declined from 96% in 1931 to 90% in 1938. (1) Chronic unemployment was only avoided by the continued "export" of labour power to the U.K. - about one million Irish workers live in Britain. Finally, in the late 1950's, free trade links were established with Britain again, and a flood of investment into Ireland followed. Irish subservience to British capital was as complete as ever, outside the statified sector of transport, electricity, extractive industries, etc. The final collapse of the old dream of the nationalist bourgeoisie came when it flung open its doors to foreign capital in the mid-1960's, offering cheap labour, tax exemption and direct grants to investors. This stimulated a spate of enclave development tied to the world market with minimal effects on the growth of the Irish economy itself. These measures, and the entry of Ireland into the E.E.C. with the U.K. testify to the historical impasse and bankruptcy of the nationalist bourgeoisie.

The Political Evolution of Irish Society.

This dual evolution of capitalism in Ireland took place in regions that were racially and religiously dissimilar. Ulster was predominantly Presbyterian and Anglo-Saxon, while the south was overwhelmingly Catholic and Celtic. While these factors speeded or hindered the economic divergence, or compounded the divisions caused by this divergence, neither is the cause of the national divisions within Ireland. These lie rather in the uneven development of capitalism in the island. Nationalism is bourgeois ideology, and finds its basis in economics, not in race or religion.

In response to over-taxation and restrictions on Irish trade, a democratic bourgeois reform movement arose in the later eighteenth

(1) See Smythe op.cit. p.74.

century in Ireland, inspired by the American and French bourgeois revolutions; this was the period of "Grattan's Parliament" under which Ireland had limited home rule under the hegemony of Protestant landed and commercial capital. Contrary to mythology, Irish nationalism was Protestant in origin, and the class forces behind these reform movements were the Protestant capitalists and landlords. Again, contrary to mythology, Ulster was not favoured by imperialism, for example the bulk of the grants to the linen industry in the eighteenth century went to the south. Expenditure of the Linen Board from 1737-57 was as follows:

		(to nearest thousand)	
Leinster	.....	£156,000	
Munster	.....	59,000	
Connaught	.....	49,000	
Ulster	.....	40,000	(1)

Similarly, the dissenting Presbyterian bourgeoisie of Ulster was discriminated against by the Anglican ascendancy which represented the landlords by enforcing tithes for the Anglican Church etc. A section of the Presbyterian bourgeoisie of Ulster formed a secret society in the 1790's, the 'United Irishmen' which launched an armed rebellion against Britain for an independent bourgeois Ireland across religious barriers. Likewise, the nationalist movement of the early nineteenth century, such as the 'Young Ireland' movement of the 1840's, was also composed of alienated Protestant intellectuals and professional elements. Until well into the nineteenth century any Catholic nationalist movement was insignificant, the Catholic Church itself opposing home rule. This feebleness of Irish Catholic nationalism was because southern capitalism lacked any developing bourgeois economy necessary for a nationalist movement to emerge.

The material dynamic for the reversal of this situation has already been outlined; that is the growth of large-scale heavy industry in Ulster tied to the world market, and the emergence of petty-bourgeois capitalism in the south. In the south the rise of the peasant Land League occurred at the same time as the urban capitalists and professional classes began their Home Rule agitation. The two movements merged, the dominant role being played by the urban elements of the capitalist alliance who provided the ideology and leadership. Outside this constitutional 'Home Rule' party stood a small group of "Fenians" who stood for independence and engaged in terror campaigns in Britain as well as organizing armed putsches from their base in the U.S.A. These were suppressed

(1) Figures from "Economics of Partition" p.26. Those who think the determining factor in the growth or stunting of capitalism is legislative decrees follow a bourgeois and not a materialist conception of history. Capitalism in Ulster was also hindered (but not prevented from developing) by the monopoly of Dublin-based banks till 1824.

only to linger on in mythology. Marx organized work for the relief of Fenian prisoners, though he criticised their terrorist methods, and by 1890 Engels had turned to support the Home Rule party rather than the near-extinct Fenians.

The role of British Imperialism in Ireland was far from that portrayed by sundry varieties of leftists. The British bourgeoisie made little profit from the troublesome and backward colony and, as we saw, extirpated the Lazarene Irish landlord class by 1900. This class had subjected Ireland to centuries of horrible exploitation and massacres; rack-renting persecution, crushing of all resistance. But with the rise to dominance in Britain of industrial capital, such methods were hardly necessary. In the form of the Liberal Party, the British bourgeoisie supported both the annihilation of the Irish landlords and the Home Rule movement, introducing three Bills in Parliament before World War One to grant Ireland independence. The more backward elements of British capital (commercial and agricultural capital), represented by the Conservative Party, frustrated these attempts in the Lords before 1914.

The Ulster bourgeoisie had been staunchly Liberal during the nineteenth century, but in response to the threat of Home Rule, turned towards the Anglican landlord-dominated 'Orange Order' in the 1880's and strived, largely successfully, to form an all-class alliance against home rule, stretching from landlord and tenants to industrial capital and the working class. The threat of domination by a political structure representing small capital; of being cut off from the world market behind tariff walls and an ultramontane Catholic Church swinging to Home Rule, drove the Ulster bourgeoisie into the arms of the Conservatives. The latter supported the attempts of the 'Unionists' to arm themselves against the Home Rule legislation which would have granted Irish independence but for the outbreak of war in 1914. The arming of 100,000 so-called 'Ulster Volunteers' and doubts that the British army would fight them, led British capital to make provision for Ulster to remain in Britain once Home Rule was granted after the war. But far from wanting to subjugate Ireland, Britain was, in 1914, quite willing to move to informal domination to be rid of an unprofitable colony, even if it meant abandoning the healthy capitalist enclave of Ulster.

"The dependence of industrial Britain upon Irish agricultural produce declined ... the costs of running the country also proved prohibitive." (1)

Even more would British capital like to do this at the present time, when Ulster is a vast drain on it in the form of defence

(1) Smythe, op.cit. p.65.

costs and subsidies to industry etc. This was shown by Wilson's speech during the Ulster Workers Council strike in 1974. A united Ireland, informally dominated by British capital, remains the long-term aim of the British capitalist class.

In the past this was frustrated by several factors. In the half century to 1920 agricultural prosperity eased the Home Rule agitation, but with the outbreak of the Imperialist war in 1914 the national movement revived. In 1916 Sinn Fein, a small group of nationalist intellectuals, formed a para-military organization and seized Dublin for a week. The savage repression of this rising, coupled with plans to introduce conscription into Ireland and the worsening economic situation during the war, swung the mood towards independence. By the end of the war Sinn Fein had ousted the Home Rule party, winning almost half of the votes in the 1918 election to set up a Provisional Government. When Sinn Fein rose to dominance, a combination among British capital of fears that Ireland would ally with other Imperialisms (e.g. Germany whence arms for the Irish struggle came, or the U.S.A., where the bulk of the money was raised) and the Sinn Fein claim to the north, led to attempts to crush the movement. After years of war, and then civil war between those accepting partition and those (the I.R.A.) against it, Eire came into existence in 1923. Since that time the I.R.A. has waged periodic offensives against the north with the lukewarm support of the southern bourgeoisie.(1) The revival of confrontation in Ulster came in 1968, when the I.R.A. began, through front organizations such as the Civil Rights Association, to move from a policy of military struggle to one over 'discrimination' against the Catholic population. This led to clashes with the sectarian Ulster State, and after the introduction of internment without trial, the creation of the so-called liberated areas such as Free Derry was the result. (There was nothing 'free' about Derry at this time, as those subject to tarring, "knee-cappings" or extortion by the I.R.A. gangs will testify.) Eventually direct rule of the province was imposed from London. Then the confrontation became largely between the British State and the Protestant bloc, fearful of concessions to the Catholics. This led to the U.W.C. strike in 1974 which opposed a proposed Council of Ireland, seeing this as an anti-partitionist manoeuvre. This 'Council' was dominated by tin pot generals, small capitalists and trade union officials and was accompanied by the usual anti-working class gangsterism of the Ulster Volunteer Force. In the conflict over 1,000 people have been killed and countless more injured, not including the victims of the I.R.A. campaign against British workers, like the pub blasts in Birmingham. In this whole struggle, we must emphasise, there is nothing positive at stake for the working class, and no side to be chosen as worthy of

(1) For an outline 'political' history of Ireland, see Edward Norman's "A History of Modern Ireland". This is accurate, but suffers from Unionist leanings.

support or a lesser evil. The class will have to destroy them all; the British government, the Loyalists and the I.R.A.

The Counter-revolution in Ireland.

Now the interests of British Imperialism lie in the amalgamation of both parts of Ireland into the E.E.C. with the U.K. as a whole. British capitalism has no material motive for fostering the continuation of the national confrontation in Ireland; quite the contrary, it has every material incentive to overcome it, and cut the 'faux-frais' of the production of surplus value. Southern Irish capital has no wish to take over the heavily subsidised and unprofitable industries of the north-east which it could not support, while international and statified capital in Ulster itself has no reason to fear a united Ireland within E.E.C. tariff walls. At the moment the debits of the sectarian confrontation for capital are much greater than any benefits it brings (such as minimisation of the class struggle and lower cost labour power). However, we must bear in mind that in the context of a deepening economic crisis, it could be in the interests of capital to about-face and stir up the conflict with a vengeance; and not only that, but to extend the confrontation in an active way to the workers of Britain and Eire. Thus factions like the Powellites and those associated with Catholicism in Eire, as well as the sundry leftist groups themselves, and others like the National Front, could all be given the carte-blanche by elements of capital in a deepening crisis to attempt to fragment further the Irish workers and prevent the unification of the class in Britain itself. The capitalist groups who seek to prolong the conflicts at the moment are petty-bourgeois groups (publicans, petty-capitalist farmers) who have been hardest hit so far by the international capitalist crisis, and their cannon fodder is the permanently unemployed lumpenproletariat of both sides of the religious divide. The attitude of the various leftist groups in Ireland mirrors their general counter-revolutionary role. The bulk of them support the petty-bourgeois and lumpenproletarian I.R.A., as an 'anti-imperialist' force (though they may criticise its murder of Irish and British workers). This is despite the fact that the relationship of Britain towards Ulster is not an imperialist one,⁽¹⁾ and despite the fact that the independence achieved in the south has not advanced the interests of the working class or socialism one inch. But what else should we expect from the 'left-wing' of capital. Opportunistically supporting the I.R.A. in a struggle it has no hope of winning in order to engage in recruiting campaigns, the leftists divide over which faction to support. While 'International Socialism' or the 'Workers Revolutionary Party' support the nationalist Officials who throw a few state capitalist nostrums into their programmes, others like the 'International Marxist Group', endorse the Provisional wing which mingles nationalism with

(1) See footnote at the end of this article.

religion and cultural mysticism. The few leftist who do not support the I.R.A., either oppose both sides from a standpoint of petty-bourgeois morality (like the anarchists) or support both sides from the same standpoint, i.e. the endorsing of 'self-activity' ('Solidarity'). Finally, there are those like the Stalinist 'British and Irish Communist Organization', who support the right of both "nations" in Ireland to self-determination, as if we were still living in the nineteenth century and not in the period of global capital decay. Not one group, apart from the re-emerging communist groups, calls for the only position that the working class must adopt; down with both nationalisms and for the fraternisation of Catholic and Protestant workers against capital in response to the economic crisis.

The 'liberation' of Ireland shows the impossibility of national liberation in the twentieth century. As we saw, after 1923 the economy stagnated, grew exotically, withered and was eventually forced back into subordination under British Imperialism in the '50's and '60's. In this, Ireland is a paradigmatic case of the impasse of the national bourgeoisie in our epoch; whether in Ireland, Cuba or Algeria, 'independent' bourgeois nations are eventually forced back to the parent imperialism, or under the wing of another, rival imperialism. Politically the evolution of Ireland also shows the end of the progressive role of the capitalist class. Finally given the right to establish their own states, the capitalist classes of Ulster and Eire did not extend bourgeois democracy as had their predecessors. Instead, in the north and south, the facade of parliamentarism is revealed as rule by a police state and emergency powers. In both the north and south sectarianism is embodied in the culture and society of bourgeois life. To continue to talk of bourgeois revolutions and national liberation in our epoch is to attempt to lead the working class back into the morass of nationalism which it must strive to free itself from if it is ever to rise to the accomplishment of its historic tasks.

The Working Class in Ireland.

What of the working class in all this counter-revolutionary debacle?

In the nineteenth century the working class in Ireland was very small in numbers; its activity was limited to forming a few trades unions in the north and south which were appendages of the British trades unions. Politically socialism was virtually non-existent, and the workers allied with the Liberals in the north and the Nationalists in the south, tail-ending these progressive bourgeois movements of that period. At the turn of the century small groups of socialists were formed round Larkin, Conolly and the Irish T.U.C., these being, like John MacLean in Scotland, radical social democrats with syndicalist leanings. At first the socialists took a stand against nationalism, and helped organize workers in both the north and south. Conolly, for example, denounced nationalism

as,

"a movement which would lay aside class contentions to gain national ends, so enabling the bourgeoisie to prevent working-class expression." (1)

Larkin helped to organize and support the strikes of the Belfast dockers and carters in 1907 which lasted six weeks, and the more spectacular Dublin 'Labour War' of 1913. This was called after attempts to unionise the city tramways had led to a lockout by the Home Rule owner, and spread to a confrontation between the bulk of the city's workers and the nationalist bourgeoisie, who did not hesitate to demand that British Imperialism use force against the strikers. The strike lasted six months, an incredible achievement considering the inexperience of the workers of Dublin in the small-scale industry and casual employment which was dominant at that time, and was actively supported by the British working class. Police broke up strikers' meetings, and attacked pickets during the strike, killing and wounding some workers. Eventually the strike was lost, partly cowed by the presence of British military personnel.

Conolly later capitulated to nationalism, and led a group of his followers into the putsch of Easter 1916, and by the end of the war the Irish socialists and trades unions had swung to Sinn Fein.

In the north there occurred an explosion of class struggle in 1919 on a par with that in Dublin six years previously. The end of the war brought the threat of mass unemployment to the heavy industries and, like workers in the rest of the U.K., those in Belfast resolved to struggle for a reduction in the working week. The shop stewards' movement which had emerged in Belfast as elsewhere during the war, launched a strike for "44 and no more" hours a week, and over 50,000 shipyard, engineering and other workers came out on strike - in alliance with 100,000 workers in Glasgow at the same time. During the strike delegates tried to spread it to England. Picketing was on a mass basis and in addition, strikers organized 2,000 of their own street patrols and the distribution of food and coal to working class areas. For four weeks Belfast was in the hands of the strikers and the Workers Bulletin called the strike organization "A Labour Parliament". However, the movement failed to assume political dimensions and, like that in Glasgow, was eventually defeated through isolation. The development of the 'border issue' and the onset of the economic depression killed off any class movement in the north till 1935, when mass demonstrations of Catholic and Protestant workers against unemployment were attacked by the police, workers killed and the movement suppressed.

(1) Quoted in "A History of Modern Ireland" Edward Norman p.236 (Pelican)

In the south after World War One, elements of the working class struggled to free themselves from the nationalist incubus, and during the bourgeois "troubles", workers in Cork and Limerick took over some factories where production was begun under workers' management, and set up 'Soviets', so-called in imitation of the Russian ones. These were crushed by local units of the I.R.A. (just as the struggles of the Belfast workers were defeated by the Unionist capitalists) and ousted owners were handed back their plants at the point of I.R.A. guns. (1) Subsequently, the dominance of small-scale production limited the development of the class struggle in the south, but with the influx of foreign capital in the fifties and sixties and the expansion in size of the industrial proletariat, the Irish working class had developed into the most strike prone in western Europe, and the grip of nationalist ideology is weakening.

In the north the economic changes outlined earlier led to a decline in occupational segregation, though this is as strong as ever in the heavy industries and among the lumpenproletariat. The grip of Catholic nationalism on one side is illustrated by the response of Catholic workers in striking after internment and Bloody Sunday, while that of Protestant nationalism was shown during the U.W.C. strike in May, 1974, when a mass strike movement overthrew plans for power sharing and a Council of all-Ireland proposed by the Wilson Government. Occasionally class conflict does emerge, such as the strike of the cement workers in 1971, or the shipyard workers in 1973, but these tend to concern workers from one side of the divide exclusively. Generally in Ulster any worker who stood for the unification of the class would risk death at the hands of the petty-bourgeois and lumpenproletarian organizations like the I.R.A. and the U.D.A., those paragons of nationalism and gangsterism.

But in Ulster, as elsewhere, socialists must struggle within the class for the communist programme as the only hope humanity has of avoiding barbarism as the crisis deepens. This crisis is well advanced in the whole of Ireland, with unemployment beyond 10% overall and inflation around 20%. But the limited success the working class has had in Ireland in freeing itself from nationalism indicates that it is only in the context of a world struggle for communism that we can expect to see significant positive developments among the Irish workers. These developments must be many times greater than the high points of Irish class struggle in 1919 and 1920 during the last revolutionary wave. Till then the workers there will be trapped in a barbarous impasse; to try and end on a more optimistic note for the immediate future would only be to spread confusion.

Calvin.

(1) Information on these Soviets is given in the introduction to the Workers Voice pamphlet Communism versus Reforms by Sylvia Pankhurst.

Note to the article

When we say that the relationship of Britain to Ulster is not imperialist, we do not imply that Britain is not an imperialist power. What we mean is that, as Ulster was historically as integral a part of British capitalism as Scotland or Lancashire, the term 'imperialism' is inappropriate to such a relationship. Imperialism must not be used in a general, sloppy way which empties it of all specific and scientific meaning, i.e. by explaining every capitalist relationship and every capitalist period as imperialist, and thus making capitalism and imperialism synonymous. 'Imperialism' for us means the movement of the big capitalist powers after circa 1870 to forcibly carve out territories and markets for themselves when faced with problems of domestic capital accumulation. To identify this, for example, with mercantilist expansion is to be guilty of the sin of which Marx accused the social Darwinists, that is, of failing to analyse "specific historically differentiated modes of production" and unscientifically substituting a general phrase to explain everything.

"Herr Lange, you see, has made a great discovery. The whole of history can be brought under a single natural law. This natural law is the phrase the "struggle for life" ... So instead of analysing the struggle for life as represented historically in varying and definite forms of society, all that one has to do is to translate every concrete struggle into the phrase "the struggle for life" ... One must admit that this is a very impressive method - for swaggering, sham scientific, bombastic ignorance and intellectual laziness."

(1)

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(1) "Marx to Kugelmann" 27.6.70 in "Letters to Dr.Kugelmann"p.111-2

THE ECONOMIC FOUNDATIONS OF CAPITALIST DECADENCE

The basic requirement of all societies is the production and reproduction of the material necessities of life (food, shelter, clothing) for the members of society. The recognition of this fundamental fact is the foundation of the materialist view of history. As Marx said,

"... men must be in a position to live in order to be able to 'make history'. But life involves before everything else eating and drinking, a habitation, clothing and many other things. The first historical act is, therefore, the production of material life itself." (1)

In every society then, a certain amount of labour time must be devoted to the production of goods which satisfy men's material needs. Workers and tools/machinery and raw materials (means of production) are a basic feature of all societies. However,

"For production to go on at all they must unite. The specific manner in which this union is accomplished distinguishes the different economic epochs of the structure of society from one another." (2)

Thus the way in which human beings produce their basic material needs (i.e. the mode of production) is the fundamental determinant of the nature of society at any point in time. The particular level of development of the means of production (ranging from the simplest tools to the most complex machinery) involves a corresponding network of social relationships. It is the totality of these relations which forms the economic structure of society, which in turn, is the real basis of all legal, political and cultural superstructures. Thus, if we start from the materialist view of history, it is clear that the motive force behind historical development is the material development of the productive forces. In all societies the forces of production develop and expand or become more complicated until, at a certain point, this development of the productive forces conflicts with the network of social relationships which they had originally engendered. The old-established social relations, which had once facilitated

(1) "The German Ideology" Karl Marx p.17 (Lawrence and Wishart)

(2) "Capital" Vol. II Marx p.37 (Lawrence and Wishart)

the development of the productive forces now make it more and more difficult for the forces of production to develop. This is the period of social revolution which develops as the material forces of production expand, creating a need for the social relations and superstructures of the old society to be overthrown. Hence,

"No social order is ever destroyed before all the productive forces for which it is sufficient have been developed, and 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. Mankind thus inevitably sets itself only such tasks as it is able to solve, since closer examination will always show that the problem itself arises only when the material conditions for its solution are already present or at least in the course of formation. ... The bourgeois mode of production is the last antagonistic form of the social process of production - antagonistic not in the sense of individual antagonism but of an antagonism that emanates from the individuals' social conditions of existence - but the productive forces developing within bourgeois society create also the material conditions for a solution of this antagonism. The prehistory of human society accordingly closes with this social formation."(1)

The development of the productive forces within feudalism created the conditions for the rise of capitalist production which eventually led to the overthrow of feudal social, political and legal relations and the taking over of state power by the bourgeoisie. Once established as the dominant mode of production, it has been the historic task of capitalism to develop the productive forces of society on an unprecedented world-wide scale and in so doing it has created the necessary level of material development for the establishment of production directly for the whole of humanity's needs (i.e. communism). It is the purpose of this article to show that by the beginning of this century (approximately 1914) capitalism had accomplished its historic task of providing the material basis for communism; that any subsequent accumulation of capital no longer entailed a progressive development of the productive forces ('progressive' in the sense of furthering the development of conditions for a higher mode of production); hence any growth of the productive forces which has occurred has been on a decadent basis - a sign that capitalism is declining as a mode of production.

Before going on to analyse decadent capitalism, however, it is necessary to outline the basic characteristics of capitalism and

(1) Preface to "A Contribution to the Critique of Political Economy" in "Marx, Early Writings" p.426 (Pelican, 1975)

the fundamental drive which forces capital to expand and develop the productive forces whilst at the same time imposing certain objective limits to capital's ability to further develop the productive forces of society.

Capitalist society, then, like any other mode of production, is ultimately a process whereby the material necessities for life are produced, but the specific historical form which this production takes is characterised by the contradiction between the capitalist's production for profit and the fundamental requirement of producing to satisfy society's basic needs.

The Labour Theory of Value.

In a society where people produce their own means of subsistence then the products of their labour are utilities or use values, which may be in the form of objects for consumption or objects which are to function as part of the means of production. In a primitive communist society where there is no division of labour and producers satisfy their own needs, production is in the form of use values alone. As soon as the level of production develops beyond a subsistence economy and people begin to exchange some of their products (barter) then a commodity character is also given to these goods. Commodities have the dual quality of being objects of utility (or use values) and objects which can be exchanged for other commodities (exchange value). All commodities are produced by human labour power and any single commodity can be seen as the crystallization of the human labour power required to produce it. The value of a commodity is the amount of human labour power in the abstract which is incorporated in that commodity. The only way the amount of labour embodied in a commodity can be measured is by measuring the length of labour time necessary to produce it. Thus labour time is the measure of value. However, although labour is the source of all value, and labour time the measure of value, the value of a particular commodity is not determined by the length of time it takes any individual worker to produce it. (If this were so then value would vary in accordance with, say, how fast or slow any individual worker was.) The value of a commodity is determined by the average amount of social labour time necessary to produce it at any particular level of development of the productive forces, and it is this fact which enables commodities of differing physical qualities to be compared with one another for the purposes of exchange. (Thus, for example, if it takes 5 hours on average for a weaver to produce 15 yards of cloth and 5 hours on average for a carpenter to make a table, then 15 yards of cloth are equal in value to one table. If we further assume that the price of any commodity is equal to its value, then the price of a table will be the same as the price of 15 yards of cloth.) It is only through the process of exchange that the value of commodities can be manifested since the value of one commodity can only be expressed in terms of another commodity.

The Capitalist Mode of Production and the Law of Value.

Although commodity production and the concomitant division of labour which this implies were necessary pre-conditions for the development of capitalism, there are certain other historical conditions which had to exist before capitalism could come into existence, that is, before the so-called primitive accumulation of capital could take place.

First of all exchange via barter had to give way to a money economy. Money, as the universal commodity in which the exchange value of all other commodities can be expressed, appears first as a convenient standardized measure of exchange value, and later as a medium of exchange, facilitating the expansion of trade. The general character of money which allows it to represent the exchange value of all other commodities means that money is the "material representative of general wealth".(1) As such, money historically became an end in itself, as commodity production and trade expanded. The Mercantilist system was based on the possibility of accumulating wealth in the general form of money through trade.

Another fundamental pre-condition for the rise of the capitalist mode of production is the existence of 'free' labourers who do not themselves own any means of production and are therefore forced to sell their labour power (work for a wage) in order to live.

"... the labourer instead of being in the position to sell commodities in which his labour is incorporated, must be obliged to offer for sale as a commodity that very labour-power, which exists only in his living self."
(2)

The existence of wage labour means that labour power is now turned into a commodity whose exchange value is the average socially necessary labour time which it takes the labourer to produce his own material needs. Expressed in money terms, the exchange value of labour equals the wages of the worker. Once labour power is turned into a commodity the production of surplus value, that is, value over and above that which is necessary for the workers to maintain and reproduce themselves, is made possible. According to the law of value, commodities are exchanged in accordance with their value, or the amount of labour

(1) Marx "Grundrisse" p.226 (Pelican) The precious metals have provided the most suitable material for money, being durable, a convenient size, of uniform physical quality and relatively scarce - i.e. they are not common property and are thus objects of production with an exchange value. Thus money is itself a commodity with an exchange value which can be expressed in terms of all other commodities.

(2) Marx "Capital" Vol. I p.147

time which they embody. Under capitalism the operation of the law of value means that profits are made by capitalists selling commodities produced by the workers at their value, whilst at the same time the workers are paid the equivalent of the exchange value of their labour power. This is so, because once the labourer is obliged to sell his labour power in order to live he is also forced to work for a longer period of time than it takes him to produce the amount of value equivalent to his material needs. It is this surplus value, created by the labour power of the workers and appropriated by the owners of the means of production, which is the source of capital's profit.

Capital Accumulation.

After the original 'primitive accumulation' of capital has taken place (historically primitive accumulation occurred when merchants invested part of their accumulated wealth in productive industry) and capitalism is established as a mode of production, then capitalism itself provides the mechanism for its own expansion.

Marx drew up an abstract model of simple reproduction in a closed society composed entirely of capitalists and workers which illustrates this fact. From the viewpoint of society as a whole, the total social product can be divided into constant capital (raw materials, machinery etc.) plus variable capital (wages paid to the workers by the capitalists) plus surplus value. If we assume that the whole of the constant capital is used up during the course of the turnover of capital, then the value of the total social product can be represented as follows:

$$c + v + s$$

If this total social product is further divided into two major Departments of production, Department I comprising the production of the means of production and Department II comprising the production of means of consumption, the original formula can be elaborated as follows:

Department I	$c + v + s$	
		= total social product
Department II	$c + v + s$	

In order to explain how simple reproduction occurs (that is, a situation where the capitalists consume the whole of the surplus value produced and hence the total social product is reproduced anew, but not enlarged), let us follow Marx's schema:

Department I	$4,000 + 1,000v + 1,000s$	
		= total social product
Department II	$2,000c + 500v + 500s$	(9,000)

Whilst this table is an abstraction which demonstrates the relation between the two Departments of production in terms of value, it must not be forgotten that the total value produced by each Department is in the form of actual physical objects. If

we examine the relationship between the two Departments it is clear that in order for the cycle of production to begin anew there must be some exchange of commodities between the two Departments. The 4,000 constant capital produced by Department I (in the form of machinery, machine tools etc.) need only be redistributed within the same Department; but workers cannot be paid with, nor capitalists personally consume, the means of production which are represented by 1,000v plus 1,000s. On the other hand, the 2,000 constant capital necessary for the production process to begin again in Department II is useless if it remains in the form of consumer goods, whilst the 500v and 500s can be consumed by the workers and capitalists of that Department. The 1,000v and 1,000s of Department I must be exchanged for Department II's 2,000c if reproduction is to continue smoothly. In other words, equilibrium conditions for simple reproduction necessitate that:

$$Iv + Is = IIc$$

This outline of abstract simple reproduction demonstrates that the accumulation of capital is essentially a self-generating process and this remains true for extended reproduction, that is, in the situation where the total social product is increased during the reproduction cycle.

In reality the competition between capitalists constantly forces them to undercut their competitors by selling at a lower price. To do this they have to produce their commodities more cheaply and hence they must return part of the surplus value to the production process in the form of new machinery which increases the productivity of labour; the history of capital is one of increasing accumulation or expanded reproduction. Nevertheless an elaboration of the first model will serve to show that extended reproduction remains essentially a reproduction of the worker-capital relationship.

To return again to the two Departments of production, if we now allow for part of the surplus produced by each Department to return to the production process as capital, then the surplus of each Department can be divided in A, representing the portion destined for the personal consumption of the capitalists, and B, representing the portion to be turned into capital. Thus,

$$\begin{aligned} Is &= IA + IB \\ IIs &= IIA + IIB \end{aligned}$$

Part B of both Departments can be further broken down into a part which is destined for accumulation as constant capital (IBc plus IIBc) and a part which is to be accumulated as variable capital (IBv and IIBv). Hence the formula for total social production now appears as:

Department I $Ic + Iv + IA + IBc + IBv$

Department II $IICc + IIVv + IIAA + IIBc + IIBv$

The reproduction of the first three aspects of both Departments has already been dealt with under simple reproduction. We are concerned here with that part of the surplus which is to be re-capitalized. For the same reasons as in the case of simple reproduction, if expanded reproduction is to occur it is clear that IBv must equal $IIBc$. The necessary exchange between the two Departments for expanded reproduction to occur can be demonstrated by combining the formula for exchange between the Departments for simple reproduction with this equation. Thus:

$$(Iv + IA + IBv) = (IICc + IIBc)$$

"In other words: the entire new variable capital of the first department and the part of the surplus value of the same department which falls to unproductive consumption must be equal to the new constant capital of the second department." (1)

From this model of expanded reproduction it is obvious that the accumulation of capital is a self-expanding process which involves a growth in constant capital, a growth in the consumption of the workers and a growth in the consumption of the capitalists. Thus,

"Commodity production creates its own market insofar as it is able to convert surplus-value into new capital." (2)

We shall see below that the self-expansion of capital is accompanied by the tendency for the rate of profit to fall which, in turn, places limits to capital's ability to "convert surplus-value into new capital".

The Organic Composition of Capital and the Formation of an Average Rate of Profit.

We have seen how competition forces each capitalist to continually transform part of the surplus value into capital and how the accumulation of capital is thus a self-expanding process. But since the aim of every capitalist is to maximise profits (and therefore the amount of surplus value produced), he will cease to transform surplus value into capital if such an action, at a certain point, brings in less profit than previously and thus

(1) Bukharin "Imperialism and the Accumulation of Capital" p.159. See this work and its Appendix for a fuller explanation of expanded reproduction.

(2) Mattick "Marx and Keynes" p.76

capital accumulation would cease.

To return to the increase in the amount of surplus value which an increase in profits implies. Such an increase means that workers will have to produce more surplus value and thus leads to an increase in the rate of exploitation (s/v) or in the rate of surplus value. There are two main ways in which capitalists can increase exploitation:

- (i) By lengthening the working day (absolute surplus value)
- (ii) By reducing the exchange value of labour power - i.e. the length of time which the labourer has to work to produce enough value for his own subsistence (relative surplus value). This can be achieved by a) cheaper food costs, and b) higher productivity.

An increase in the productivity of labour involves an increase in the volume of exchange value which the labourer can produce in a given time. Whilst on the one hand the social productivity of labour expresses itself in an increase in the mass of commodities, on the other hand, the value of any single commodity is lowered. A rise in the productivity of labour which involves the production of an increasing mass of commodities further implies development in the forces of production - improvements in machinery, introduction of more efficient techniques etc. which result in an increase in the ratio of constant to variable capital. Thus, although the actual number of workers may rise, this rise will not be in the same proportion as the increase in investment in new machinery etc. The increased proportion of constant capital in relation to variable capital is what Marx calls the rise in the 'organic composition' of capital (c/v). It is the continuing rise in the organic composition of capital which leads to the tendency for the rate of profit to decline and which, in turn, places objective limits on the ability of capital to accumulate.⁽¹⁾ The rate of profit itself can be symbolized as $s/c+v$, that is, it is the surplus value gained after allowing for the depreciation and replacement of constant capital plus the wages of the workers.

However, our analysis from the standpoint of the labour theory of value is concerned with the total social capital, and thus we are only secondarily concerned with the rate of profit in any particular firm or even branch of industry. What we are concerned with is the formation of an average, or general, rate of profit, which tends to emerge as a result of competition and this law is in every way as important as that of the falling rate of profit for a comprehension of the movement of capital.

In treating of commodity production in Volume I of 'Capital', Marx assumes that the price of a commodity equals its value, barring

(1) See Appendix I for an exposition of the difficulties involved in calculating both the composition of capital and the rate of profit.

fluctuations of supply and demand, i.e. $p = v$. But in Volume III he argues that in general the more that industrial capital develops, the less prices of commodities tend to equal their values. This 'deviation' of p from v seems to undermine value theory, but in fact it provides its firmest confirmation. Though individual prices always bear some relation to value, Marx's achievement in Volume III was to show that value equals price only at the level of the capitalist economy as a whole, i.e. total $p =$ total v ; that:

" ... the deviation of prices from values mutually balance one another ... And in the same way the sum of all the prices of production of all commodities in society, is equal to the sum of all their values." (1)

It is clear that, other things being equal, the value of a commodity of a capital with a high composition will be lower than that of a capital with a low composition, since less labour will be incorporated in it. Irrespective of this, competition forces each capital to sell on the market at roughly equivalent prices; thus the capital of high composition sells above, and the one of low composition below, value. The effect of this is clear - a constant drain of value from low to high composition capitals.

It is easy enough to grasp this primitive example of equalisation within a single industry, but the tendency, (which is to begin with a local and then a national one,) eventually establishes itself on a global scale and to illustrate this we must turn to the rather more complex examples given by Marx in Volume III.

If every branch of industry were to sell its commodities at value certain consequences would follow. Those industries with a low capital component would make high profits, and those with a high capital component, low profits. However, capital would be attracted to the former, leading to a vast increase in output and a glutted market; similarly, labour would be able to push up its exchange value and thus provide a motive for its replacement by constant capital. The other industries would meanwhile be starved of capital, growth would slow down, output slacken and prices rise. At the end of this cycle the flight of capital would clearly be in the reverse direction to what it had been at the beginning. The outcome of all the capital movements and price fluctuations is the formation of an average rate of profit and the correct distribution of surplus value throughout the whole economy. To the capitalist this movement expresses itself as the fact that the market will take his goods priced, not at their 'value', but at their costs of production (cost price), plus the average going

(1) Marx "Capital" Vol. III p.157

rate of profit. These prices are in no way arbitrary and independent of value relations,

"The overall fall or rise of the prices of production and the average rate of profit is caused by the changing value relations, and the changing value content of commodities in the course of the changing productivity of labour and the structural changes in the organic composition of total capital." (1)

This can be illustrated with an abstract example of five spheres of production, with differing capital compositions and a constant rate of exploitation.

<u>Capitals</u>	<u>Rate of surplus value</u>	<u>Surplus value</u>	<u>Rate of profit</u>	<u>Used up c[@]</u>	<u>Value of commodities</u>	<u>Cost price</u>
1. 80c+20v	100%	20	20%	50	90	70
2. 70c+30v	100%	30	30%	51	111	81
3. 60c+40v	100%	40	40%	51	131	91
4. 85c+15v	100%	15	15%	40	70	55
5. 95c+ 5v	100%	5	5%	10	20	15

The average composition of capital is 78c + 22v and the average rate of profit 22%. Thus prices will be formed in the following way.

<u>Capitals</u>	<u>Surplus value</u>	<u>Value</u>	<u>Cost prices</u>	<u>Price</u>	<u>Rate of profit</u>	<u>Deviation of price from value</u>
1. 80c+20v	20	90	70	92	22%	+2
2. 70c+30v	30	111	81	103	22%	-8
3. 60c+40v	40	131	91	113	22%	-18
4. 85c+15v	15	70	55	77	22%	+7
5. 95c+ 5v	5	20	15	37	22%	+17

This law means that capitals do not receive back at the end of the the circulation process that part of total value created by them.

(1) Mattick op.cit. p.46

@ This quantum is irrelevant to the argument since, whatever its size, the excess of value over cost is twenty in case 1, thirty in case 2 etc. Marx merely says that the higher the constant component, the less used up c there will be in each cycle. However, one still feels that better examples could have been chosen to avoid confusion.

"(Capitals) do not secure the surplus-value and consequently the profit created in their own sphere by the production of these commodities, but only as much surplus-value and profit as falls to the share of every aliquot part of the total social capital ... Every 100 of any invested capital, whatever may be its organic composition, draws as much profit during one year ... as falls to the share of every 100 of total social capital during the same period." (1)

This mechanism, then, involves a constant value flow to those industries that are the most technologically advanced, and speeds the process of capital concentration within any national capital. But in its drive towards the creation of a world market, and a globalisation of the capitalist mode of production, capital carries within itself the extension, the ever-widening of the equalisation of the rate of profit; sucking value from backward areas whose development is arrested by unequal exchange and hence snatching from them the bulk of the fruits of their primary accumulation.

In the sections which follow, we shall see how the tendency towards equalisation of profit rates, along with the tendential fall in the rate of profit, allows us to understand the salient features of capitalist development, both in its period of growth and in its period of decline. But we must always remember that,

"It is the nature of the rate of profit, and of economic laws in general, (that), none of them has any reality except as an approximation, tendency, average, and not as an immediate reality." (2)

The Tendential Fall in the Rate of Profit.

The accumulation of capital then, necessitates a rise in the organic composition of capital which in turn leads to the tendency for the rate of profit to fall.

"This is in every respect the most important law of modern political economy, and the most essential for understanding the most difficult relations. It is the most important law from the scientific standpoint ... hence it is evident that the material productive power already present, already worked out, existing in the form of fixed capital ... that the productive forces brought about by the historical development of capitalism itself, when it reaches a certain point, suspend the self-realisation of capital instead of positing it." (3)

(1) Marx "Capital" Volume III p.158

(2) Engels to Schmidt in "Marx/Engels Selected Correspondence" p.563

(3) Marx "Grundrisse" p.748,9.

To illustrate with an example using Henryk Grossman's figures, (1) assuming an organic composition of 1:1, with 30 constant and 30 variable capital and a rate of exploitation of 100%, then the rate of profit ($s/c + v$) will be 50%.

"With an organic composition (5:1) say 250 constant and 50 variable capital, and the same rate of exploitation, the rate of profit will be 16.6% ... both constant and variable capital is increased. Not only is the scale of production expanded, but the numbers of workers employed increased." (2)

Nevertheless, the rate of profit has fallen and the rise in the organic composition of capital means that an increasingly larger part of the surplus value produced must be used for the purpose of increasing the ever growing constant capital. To elaborate with another example using Grossman's figures,

"... by a composition of 200C - 100V - 100S (surplus value), the constant capital can (assuming the total surplus value to be used for accumulation) be increased by 50% of its original size. At a higher stage of capital accumulation, with a considerably higher organic composition, e.g. 14,900C - 100V - 150S the increased mass of surplus value is only sufficient, when used as additional capital (AC) for an increase of 1%." (3)

From this analysis it is clear that accumulation is limited by the fact that at a high stage of accumulation there will reach a point where the organic composition of total capital is so large and the rate of profit so small, that to enlarge on the existing constant capital would absorb the whole of the surplus value produced. (4) Moreover, as this crisis is approached, the portion of the surplus value for distribution between the workers and capitalists is also reduced, making a sharpened struggle for maintenance of wage levels by the workers inevitable - as well as lay-offs and unemployment resulting from the lack of enough surplus value for additional accumulation of capital and inability to further develop the productive forces. Thus we find in the accumulation process itself the drive towards the collapse of the capitalist system. Historically this tendency to collapse has been manifested in the periodic crises of "over-production" of capital; crises which have

(1) Quoted in Mattick "The Permanent Crisis" in International Council Correspondence November, 1934

(2) op.cit. p.5

(3) op.cit. p.7

(4) For a further illustration of how this point is reached, see Grossman's model of capital accumulation reprinted in Appendix II below.

been overcome by the devaluation of capital, greater capital concentration and centralization involving the absorption of smaller capitals by larger enterprises; and eventually renewed accumulation with a higher organic composition and a higher rate of exploitation. Nevertheless capitalism's history of periodic crises followed by renewed accumulation does not alter the tendential fall in the rate of profit and the long-term tendency to collapse.

"If the crisis is only an embryonic collapse, the final collapse of the capitalist system is nothing else but a crisis fully developed and unhindered by any counter-tendencies." (1)

In reality the tendency for the rate of profit to fall generates various counter-tendencies which at first may successfully avert the fall, the major ones being:

- a) Increasing the rate of exploitation, either by reducing the living standards of the workers or by a rise in productivity. We saw earlier that the growth in the organic composition of capital itself involves a rise in productivity and thus the rate of surplus value is increased which may provide a counter-tendency to the fall in the rate of profit.(2) In times of crisis capitalists can also increase surplus value by absolute increases in exploitation (wage reductions, longer hours, etc.).
- b) Lowering the cost of raw materials and hence cheapening the elements of constant capital and increasing the rate of surplus value proportionally. Similarly, cheaper foodstuffs, other things being equal, will lower the exchange value of labour power and hence the cost of production for the capitalist.
- c) Foreign trade. By selling commodities above their value to capitals abroad with a lower organic composition, capitals of a relatively high organic composition can make extra-profits and thereby contribute to the counter-acting of the falling rate of profit.

Although such measures may successfully offset the tendency for the rate of profit to decline over certain periods, in the long run they merely exacerbate the problem, since capital accumulation is accelerated and the organic composition is further increased, leaving the long-term tendency for the rate of profit to decline

(1) op.cit. p.9

(2) Although Marx assumed a constant rate of surplus value for the purpose of analysing the tendential fall in the rate of profit, he did not ignore the fact that, unlike other counter-tendencies, an increasing rate of surplus value is an integral part of the rise in the organic composition. On the contrary, Marx argues in Volume III of "Capital" (see for example, p.209 in the chapter 'The Law as Such') that the rate of profit will fall in spite of a rise in the rate of surplus value.

even more pronounced. Historically the gradual fall in the rate of profit has been resolved by economic crises as outlined above, followed by a renewed cycle of accumulation based on a more concentrated and centralised capital and a higher organic composition than previously. With every crisis the rate of profit established at the beginning of the cycle will tend to be lower than at the start of the previous cycle; the counter-tendencies to the falling rate of profit become inadequate after shorter and shorter periods and the crises themselves occur more frequently, each time with greater intensity. Moreover, there are limits to the ability of the counter-tendencies to remain effective, even for short periods. Increased exploitation, for instance, is limited not only by the fact that workers have to live and cannot permanently be paid wages below subsistence level, but also by the combativity of the class itself as the class struggle intensifies with the deepening of the crisis. Thus,

"As the force of the counter-tendencies is stopped, the tendency of capitalist collapse is left in control. Then we have the permanent crisis, or the death crisis of capitalism. The only means left for the continued existence of capitalism is then the permanent, absolute and general pauperization of the proletariat." (1)

We shall see that "the force of the counter-tendencies is stopped" when accumulation has reached the point where capital is the dominant mode of production on a world scale and when the law of value establishes itself as a global law.

CAPITALISM IN ITS ASCENDANT PERIOD

In order to analyse more closely the process of the onset of capitalism's decadence, let us turn to an examination of the accumulation of capital in the nineteenth century.

We have seen that from its inception capitalism is a dynamic mode of production and that capital accumulation takes on the form of booms followed by periodic crises which, under classical capitalism, have been overcome by the devaluation of capital, increased concentration and centralisation and renewed accumulation with a higher organic composition, and hence with a lower general rate of profit which implies both an increase in tempo and an increase in intensity of crises. Thus the capitalist process of reproduction is not a mere circular process of devaluation and renewed accumulation, but rather is more accurately described in terms of a spiral which narrows until eventually no renewed accumulation is possible because, at a certain point, the organic composition reaches such a level, and the rate of profit is so low, that to

(1) op.cit. p.14

reinvest in more constant capital would bring in less surplus value than with a lower organic composition. Thus,

"The same laws which had at first constituted the motive forces of a rapid development of capitalism, now become the driving force of capitalist collapse." (1)

However, long before accumulation reaches its ultimate limits the capitalist mode of production changes from a progressive to a decadent social system. This is only another way of saying that up to a certain point in time the accumulation of capital was in the historical interests of humanity as a whole, in that the material pre-conditions for a higher mode of production were being developed. However, once capital had developed the productive forces on a world scale, then the material foundations for a higher form of production - production for human needs without commodity exchange - were now in existence; and although history has shown us that renewed accumulation can still occur, it has also shown that such accumulation is in no sense in "the best interests of humanity".

Nevertheless, in the nineteenth century the accumulation of capital was still a progressive force, involving the overthrow of the last remnants of feudal relations and a gradual improvement in the general standard of living. This expansion of the capitalist mode of production and the increase in mechanisation which is associated with the growth in the organic composition, consisted largely of the gradual elimination of cottage industries and small craftsmen who became more and more unable to compete with capitalist production techniques. For instance, in England there were still twice as many hand-loom as power-loom in operation in the cotton industry in 1834, but the hand-loom weavers' increasing inability to compete led to their being completely driven out of the industry after the crisis of 1846-48 and replaced by factory production.

A similar picture of increasing capital accumulation resulting in increased output from the industrial sphere, but still within the context of a substantial handicraft production, could be drawn for other developing capitalist economies in Europe as well as in North America in the middle of the nineteenth century, although in 1850 capitalism was far from having established itself as the dominant mode of production on a world scale. However, by the mid-nineteenth century the basis for capital's continued development of the productive forces, both nationally and internationally, was firmly established in the advanced capitalist countries. Small craftsmen were being eliminated; the gradual abolition of serfdom, coupled with a rising population and relatively low agricultural wages meant that capital had a continuous supply of

(1) op.cit. p.5

wage labour to facilitate its expansion. Improvements in transport and communications, whilst shortening the period of capital turnover and thus providing a counter-tendency to the declining rate of profit (by reducing the period during which raw materials and finished goods were in transit and reducing the volume of stock necessary to be held in hand), at the same time provided the technical foundations for capital's further expansion.

In spite of some state intervention in the economy in areas like railways which required a high initial outlay of capital, the tendency towards laissez-faire meant that private capitalists were responsible for capital accumulation. It has been estimated that from 1815-1835 government expenditure in Britain actually fell and from 1835-60 the rise in government expenditure was only approximately 10% of the national income of Britain.(1) Many of the government measures in the economic sphere were in fact designed to eliminate feudal legal restrictions on production and the movement of capital. Thus, in Britain, for example, the policy of traditional firms holding privileged monopolies was abandoned in the early nineteenth century. At the same time the state, in response to the class struggle, passed laws which aided the general improvement in the working and living conditions of the proletariat. (For example, the Ten Hours Act of 1847).

Britain, as the most advanced capitalist economy in the mid-nineteenth century, was the first country to extend laissez-faire measures into the field of foreign trade. (The Corn Laws were repealed in 1846; the Navigation Acts were finally abolished in 1849, etc.) We have already seen that trade with foreign capitals of a lower organic composition is one of the means whereby capitals with a higher organic composition can offset the decline in the rate of profit. It is no coincidence, therefore, that British capitalists in the mid-nineteenth century should be the first to advocate free trade policies - by doing so British exports could be sold above their value whilst still undercutting the prices of less advanced capitals. Thus exports became an increasingly important part of Britain's total national product, rising from \$185 million in 1800 to \$350 million in 1850.(2)

After about 1815 Britain began to export capital for investment and even by the middle of the nineteenth century capital export was greater than commodity export - the total reached by 1854 is estimated at £210 million.(3) This phenomenon provides further evidence for our thesis that capital export is one of the means for offsetting the falling rate of profit, since we can assume that in 1850 British industry had the highest organic composition

(1) Ashworth "A Short History of the International Economy, 1850-1950" p.131-132

(2) "The Fontana Economic History of Europe" Vol.IV p.670

(3) Ashworth op.cit. p.170

in the world and thus a higher rate of profit could be obtained by British capital investment in foreign capitals of a less advanced organic composition. Thus British capital investment contributed to the accumulation of foreign capital and hence the internationalisation of capital, but once the capital of these latter countries advanced to a similar level of accumulation as Britain then the respective national capitalists in turn began to export capital, first of all to less advanced capitalist states in Europe and later to other areas. But this is anticipating our argument. In 1850 Britain was the only significant exporter of capital.

The picture of capitalism, therefore, as it existed in Europe and the United States in the mid-nineteenth century, is one of increasingly rapid accumulation which had led to an increase in the quantity and variety of commodities produced as well as an increase in the number and standard of living of the proletariat. Real wages were increasing and continued to increase until the beginning of the twentieth century. (See Table One of Appendix III) Although exports were a small proportion of output, world trade was increasing rapidly,⁽¹⁾ reflecting the international expansion of capital. Nevertheless, the structure of capitalist firms at this time was still predominantly that of the individual entrepreneur managing his own factory.

The increasing centralisation of capital which capital accumulation necessitates led to rapid changes in the structure of firms in the second half of the nineteenth century. The first sign that the individual entrepreneur with his own business was finding it difficult to raise the necessary amount of capital which accumulation at a higher organic level demanded was the growing importance of joint-stock companies which enabled outside investors to provide capital for a business in return for a share in the profits. The spread of joint-stock companies made it possible for an even further centralisation of capital to take place in all the advanced capitalist countries of the world. In 1897 there were 82 industrial combines in the U.S. which were capitalized at about \$1,000 million; by 1904 this figure had risen to 318 industrial combines, capitalized at over \$7,000 million and incorporating 5,300 separate establishments.⁽²⁾ A more centralised capital involves a greater degree of concentration, as evidenced by the increase in the average amount of capital held by leading companies in the United States:

(1) One estimate is from £280 million in 1800 to £380 million in 1830 to £800 million by 1850. See Ashworth op.cit. p.30

(2) op.cit. p.96

"In thirteen leading manufacturing industries in the U.S.A. the average amount of capital of each manufacturing plant was multiplied by thirty-nine between 1850 and 1910, and the value of the average output was multiplied by nineteen." (1)

The same tendency towards monopoly organization of capital was manifest in other capitalist states at the turn of the century. Thus, in Britain between 1896 and 1901 large combines were formed in the manufacture of sewing cotton, bleaching powder, Portland cement, wallpaper, tobacco and most branches of textile finishing. (2) In Germany in 1906 there were 400 combines in existence in various diverse branches of production; in France at the beginning of the century there were syndicates in such industries as metallurgy, sugar, glass etc. And so on, Bukharin quotes F.Laur's figures for the beginning of the century:

"... out of 500 billion francs invested in the industrial enterprises of all the countries of the world, 225 billions, i.e. almost one-half, are invested in production organised in cartels and trusts." (3)

Thus, by the turn of the century, competition in many industries had been virtually eliminated within the national economies of the most advanced capitals. This is not to say that competition had disappeared all together among industries controlled by monopoly capital, on the contrary, international competition was now fiercer than ever. The move from predominantly individual enterprises competing within the boundaries of each capitalist state, to predominantly international competition between monopoly capitals involves a corresponding shift in the operation of the law of value and the equalisation of profit rates to a supra-national level - that is, it implies the existence of a world capitalist economy where:

"The level of prices is, generally speaking, not determined by production costs as is the case in local or "national" production. To a very large extent "national" and local differences are levelled out in the general resultant of world prices which, in their turn, exert pressure on individual producers, individual countries, individual territories." (4)

Bukharin illustrates this tendency towards global equalisation of prices by quoting the price of corn in various areas of the globe which, despite wide variations in the conditions of grain

(1) op.cit. p.69

(2) " " p.96

(3) Bukharin "Imperialism and World Economy" p.69

(4) op.cit. p.23

production, show a relatively small range of price differences.

PRICE PER THOUSAND KILOGRAMMES (IN MARKS)
BETWEEN 1901 AND 1908:

<u>Markets</u>	<u>Rye</u>	<u>Wheat</u>	<u>Oats</u>
Vienna	146	168	149
Paris	132	183	...
London .....	...	139	138
New York .....	...	141	...
Germany	155	183	163

Source: Bukharin "Imperialism and World Economy p.24

In other words, international competition between monopoly capitals implies a certain interdependence between the various national capitalist states, as manifested by the expansion of world trade, the existence of the world market and the so-called world division of labour. Once the world economy exists and the law of value operates on an international level, then the concept of global capital has become a reality and with it has also become the reality of the world proletariat.

From the standpoint of capital, on the other hand, the growth of the world economy and of international competition between national monopoly capitals means the rise of imperialism. By 'imperialism' we do not mean war, conquest or annexation in general - such a definition, as Bukharin pointed out, in "Imperialism and World Economy", "explains" nothing because it "explains" everything - from the conquest policy of Alexander the Great to that of Russia and the U.S. in Vietnam. Here we define 'imperialism' as those state policies which result from the international competition between national capitals with the highest organic composition of capital. In so doing we are able to distinguish between the policies of the advanced capitalist states from the late nineteenth century onwards and earlier examples of war, conquest, annexation etc. Imperialism, as we have already emphasised in the general note to the preceding article, is a specific historical category, linked to the development of the world economy, and it is to the latter which we now turn.

The continuing internationalising of capitalist relations from the middle of the nineteenth century which led to the development of the world capitalist economy was itself a product of the accelerated accumulation of capital and the continuing attempts to offset the declining rate of profit as the organic composition of capital increased. If we take Britain as our example, the following table shows how the general rate of profit continued to fall from 1860-1914.

PROFITS AS A PERCENTAGE OF INDUSTRIAL INCOME

1860-4 ... 45%	1885-9 ... 42.2%
1865-9 ... 46%	1890-4 ... 37.8%
1870-4 ... 47.7%	1895-9 ... 40.6%
1875-9 ... 43.3%	1900-4 ... 39.0%
1880-4 ... 42.6%	1905-9 ... 39.5%
1910-14 ... 39.2%	

Source: "Myth of the Great Depression" S.B. Saul p.42

Faced with an ever diminishing rate of profit, capitals of the most advanced capitalist states relied more and more on foreign exports (exporting manufactured goods to areas of a lower organic composition and importing cheap raw materials) and capital export as means of offsetting the decline.

"Capitals invested in foreign trade are in a position to yield a higher rate of profit, because, in the first place, they come in competition with commodities produced in other countries with lesser facilities of production, so that an advanced country is enabled to sell its goods above their value even when it sells them cheaper than the competing countries. To the extent that the labour of the advanced countries is here exploited as labour of a higher specific weight, the rate of profit rises, because labour which has not been paid as being of a higher quality is sold as such. The same condition may obtain in the relations with a certain country, into which commodities are exported or from which commodities are imported. This country may offer more materialised labour in goods than it receives, and yet it may receive in return commodities cheaper than it could produce them. In the same way, a manufacturer who exploits a new invention before it has become general, undersells his competitors and yet sells his commodities above their individual values, that is to say, he exploits the specifically higher productive power of the labour employed by him as surplus value. By this means he secures a surplus profit; on the other hand, capitals invested in colonies, etc., may yield a higher rate of profit for the simple reason that the rate of profit is higher there on account of the backward development, and for the added reason that slaves, coolies, etc., permit a better exploitation of labour. We see no reason why these higher rates of profit realised by capitals invested in certain lines and sent home by them should not enter as elements into the average rate of profit and tend to keep it to that extent." (1)

(1) Marx "Capital" Volume III p.238

From the mid-nineteenth century to the outbreak of the 1st World War, world trade grew as follows:

<u>YEAR</u>	<u>TOTAL EXPORTS AND IMPORTS</u> (In billions of dollars, contemporary value)
1840	2.8
1860	7.2
1880	14.8
1900	20.1
1913	40.4

Source: Clough and Cole "Economic History of Europe" p.604

By 1914 Britain exported about 25% of its industrial output and Germany about 20%.

At first the development of other European capitals to the point where they were able to compete with British exports was accompanied by a movement towards free trade. During the 1860's there was a general lowering of tariffs in Europe (though not in the U.S.) However, the growth of international competition which developed with the increasing centralisation of capital within national states quickly saw the reversal of the movement towards free trade in Europe and an increase in protectionism. Thus,

"... with the increasing competition of American and Australian wheat in the 1870's, with greatly augmented industrial equipment of the western European nations, with the depressions of 1873, 1882, 1890, and 1907, and finally with the almost steady decrease of prices from 1873 to 1896, a tidal wave of protectionism surged over the Continent ... Austria raised its duties in 1878, 1882, and 1887 ... Germany raised its rates in 1879, 1885 and 1888; France, in 1881, 1885, 1887, and 1892; Belgium, in 1887; Italy, in 1878, 1887, and 1891; and Russia, in 1877 and 1892." (1)

The general raising of tariff barriers from the late 1870's onwards to protect individual 'national economies', i.e. the home market, from foreign competition, must be seen as part of the development towards monopoly capital and the extension of capitalist competition to the world market. Tariff barriers are thus an aspect of the development of imperialism, for they involve the strengthening of state boundaries vis-a-vis other states in the interests of monopoly capital. Moreover, tariff barriers promoted competition between foreign capitals on the world market by enabling goods sold on the home market to be sold at high prices, well above the cost of production and those sold on the world market to

(1) Clough and Cole "Economic History of Europe" p.610-611

be sold at a much lower - sometimes below the cost of production (dumping). Such practices are a sign of capital's decadence, for when dumping occurs this means that foreign trade is no longer a viable means of counter-acting the falling rate of profit, for high prices on the home market merely increase the exchange value of labour power and hence the cost of production for the capitalist. (That is, assuming the workers are to maintain their living standards - in fact by the beginning of the twentieth century real wages began to fall.

The expansion of industrial capital at the expense of agriculture in the advanced capitalist states of Europe meant an increasing reliance on the import of foodstuffs (principally grain and meat) from areas where production was devoted to a single crop or kind of meat. Capital accumulation led also to the need for more raw materials for industry which were imported from less advanced or undeveloped economies. Moreover, if these raw materials could be obtained cheaply, they lowered the costs of production and hence provided a counter-tendency to the falling rate of profit.

"In 1910 the price of rubber rose from 2/9 to 12/6 per lb. owing to the great demand for rubber for motor tyres and the covering of electrical plant. The profits of some rubber companies rose to 200 per cent per annum as a consequence. This attracted the attention of financiers and company promoters, and very soon millions of capital were thrown into the rubber growing industry in plantations in S. America, Central Africa, India, Ceylon, etc.

In time the rubber output increased and the price has fallen to the old level and even below it to 2/6. The same happened in the case of oil for motors. It ought to be noted that this rush to the torrid zone for raw material was one of the many economic factors leading to the feverish secret diplomacy that ultimately landed Europe in the present world war." (1)

Thus the search for cheap raw materials was bound up with the increasing rivalry between European states for control over, and annexation of, previously undeveloped areas - as evidenced by the extent to which territories were annexed which contained important mineral deposits and by the seizure and development of monocultural agricultural areas after about 1870.

Another aspect of the internationalisation of the capitalist mode of production in the late nineteenth century which stemmed from capital's attempts to maximise profits and offset the declining rate of profit, was the increasing rate of export of capital from

(1) John Maclean "The War after the War" p.8.

those states with the highest organic composition to areas with a lower organic composition - in other words, to places where a higher rate of profit could be obtained. We have seen how Britain, as the state with the highest organic composition of capital, had begun to export capital to France and the U.S. by the middle of the nineteenth century. Until about 1875 British export of capital was mainly to Western Europe and the U.S. where it contributed to the expansion of those capitals. With the accumulation of U.S. and European capital to the point where the organic composition had turned these states into capital exporters, British capital sought more profitable areas of foreign investment, notably the Empire and Latin America. It has been calculated (1) that at the beginning of this century (1900-1904) the average rate of returns offered by borrowers in London for large potential investors was 3.18% on home issues, 3.33% on colonial, and 5.39% on foreign. By 1913 47% of British foreign investments were in the Empire, 20% in the U.S. and 20% in Latin America, and Britain was by far the biggest exporter of capital in the world. By 1914 total British overseas investments were worth over £3,700 million (mainly railways - 40%, government and municipal loans - 30% and raw material production - 10%). Nevertheless, in the latter half of the nineteenth century, first French, and then German capital became the chief competitors with British capital for more profitable areas of investment in less developed countries. By 1880 French foreign investments had reached £595 million and that figure was to increase threefold by 1914. French foreign investments followed a similar pattern to that of Britain, going first of all to less advanced European states and later going farther afield - mainly to Latin America as European capital accumulation proceeded. By 1914 40% of French foreign investment was in areas outside Europe. However, Europe remained the most important area for the export of French capital. (Largely because much of French capital export was to relatively backward Russia - £436 million by 1914, or a quarter of total French foreign investments.) Germany's foreign investments followed a similar pattern, rising from a total of £245 million in 1883 to £1,223 million by 1914. Half of the latter total was invested in Europe - again, mainly the less advanced states in Central and Eastern Europe, with a further 17% in the U.S. and another 17% in Latin America.(2)

Foreign investments, therefore, played an important role in the internationalising of capital and the development of the world economy. But, as Bukharin pointed out, the internationalising of capital does not coincide with the internationalising of the interests of capital and the increased rate of capital export, like the increase in foreign trade, was of necessity accompanied

(1) By Cairncross, see Ashworth op.cit. p.171

(2) Figures from Ashworth op.cit. pp.173-174 and Clough and Cole op.cit. pp.657-661

by a sharpening of hostile relations between the most advanced powers as competition increased for control over actual and potential investment zones. The interests of investors in "backward" areas were ultimately secured by the threat or use of military force (e.g. colonisation of Tunis by France after default, or Egypt by Britain after defaults).

It can be seen from this brief outline that the development of the world economy and the development of imperialism are inextricably linked.

"Thus, together with the internationalisation of economy and the internationalisation of capital, there is going on a process of "national" intertwining of capital, a process of "nationalising" capital, fraught with the greatest consequences." (1)

The attempts by the highly centralised capitals to offset the decline in the rate of profit which had led to the internationalising of capitalist relations to the point where capitalism had become a global system, had also led to the increasing nationalisation of capital (increase in protectionism, etc.) to the point where capitalist competition was competition between the advanced states for control over the rest of the world. Such inter-imperialist competition necessitates the existence of powerful military forces to 'back up' the purely economic competition, not only with regard to the weaker, under-developed economies, but ultimately to determine the outcome of direct conflict between the most advanced powers. From 1850 onwards the cost of armaments production increased annually as competition between the advanced capitalist states increased, resulting in the arms race of 1890-1914. During these years military expenditure was the largest single item of government expenditure (which was itself increasing) in all the advanced states. The table overleaf shows the increase in government expenditure on arms for eight advanced states from 1875-1908.

By 1914. Britain's total military expenditure has been estimated as £77,029,300; Germany - £97,845,960; France - 1,717,202,233 francs; Russia - 825,946,421 rubles; U.S.A. \$313,204,990. (2)

World war is the inevitable outcome of such inter-imperialist competition.

(1) Bukharin op.cit. p.80

(2) loc.cit. p.126

MILITARY AND STATE EXPENDITURE

States	Years	Military expenditures per capita of the population	All state expenditures per capita of the population	Percentage of military expenditures in relation to all expenditures	Years	Military expenditures per capita of the population	All state expenditures per capita of the population	Percentage of military exp. in relation to all expenditures.
England...	1875	16.10	41.67	38.06	1907-8	26.42	54.83	48.6
France....	1875	15.23	52.71	29.0	1908	24.81	67.04	37.0
Austria...	1873	5.92	22.05	26.8	1908	8.49	37.01	22.8
Italy.....	1874	6.02	31.44	19.1	1907-8	9.53	33.24	28.7
Russia....	1877	5.24	15.14	34.6	1908	7.42	20.81	35.6
Japan.....	1875	0.60	3.48	17.2	1908	4.53	18.08	25.1
Germany...	1881-2	9.43	33.07	28.5	1908	18.44	65.22	28.3
U. S. A.	1875	10.02	29.89	33.5	1907-8	16.68	29.32	56.9

Source: Bukharin "Imperialism and World Economy" p.126 (1)

If our analysis of ascendant capitalism appears to draw a picture of a 'smooth', straightforward expansion, then let us emphasise again that accumulation occurred within the context of cut-throat competition and the so-called "business cycle" of boom- slump - recovery; where each period of slump ensured that the least competitive enterprises were bankrupted and taken over by their higher organic competitors. The subsequent "recovery" made possible by the devaluation of capital (as a result of a general fall in prices) was on the basis of an ever more concentrated and centralised capital. Given the tendency towards equalisation of profit rates as capitalism expanded, so capital's

(1) Quoted from O. Schwarz "Finanzen der Gegenwart" in Handwörterbuch der Staatswissenschaften Bukharin points out "... that the author's figures of German and Austrian expenditures are incorrect, for they do not include the extraordinary budgets and the appropriations made only once; the figures for the U.S.A. do not include the "civil expenditure" of the individual states, so that the increase (33.5-56.9) is in reality much larger.

periodic crises became more uniform and widespread throughout the world. Thus, for example, England and France only shared the same phases of the cycle in 28% of the years between 1840-82, but they shared it in 65% of the years between 1882 and 1925; whilst seventeen countries analysed after the turn of the century showed almost identical patterns of crisis and recovery.(1)

Just as the crisis became more extensive so each one in succession wracked the system more deeply. Because, as we explained above, each crisis led to a greater concentration and centralisation of capital, in each successive crisis there were fewer competitors to go to the wall. Ultimately this centralisation of capital proceeded to the point where, within each national capital, the interests of monopoly capitalism became intertwined with the State. Now capitalist competition which had hitherto appeared to offer humanity the real possibility of abundance, led to a restrictive curbing of the forces of production as each state sought to protect its national capital. As we shall see, capitalism was now a decadent social system and its further existence could only be obtained by plunging the world into the first global conflict between nation states.

DECADENT CAPITALISM

The outbreak of world war in 1914 is the decisive manifestation that capitalism was henceforward a decadent mode of production. But since we have already explained that the falling rate of profit is the basic motive force of capital accumulation, during both capitalism's ascendancy and its decline, how are we able to assert categorically that world capitalism is now a decadent social system and has been since approximately 1914, although it has still managed to accumulate and "expand" the productive forces? Let us emphasise that we say "approximately 1914" as the date for the beginning of capitalism's decline. A mode of production does not suddenly become decadent overnight, and it can be argued that capitalism had fulfilled its historic task of creating the world economy and establishing the material foundations for communism some time before 1914. However, with the development of monopoly capital and the world economy, a point is reached where the strictly economic crisis is no longer sufficient to rejuvenate accumulation. Centralisation of capital has proceeded too far and there are few small, unproductive capitals to fall by the way side. Devaluation of capital as a result of the devastations of world war is the only solution to the crisis of global capitalism. Thus, we have seen how the counter-tendencies to the falling rate of profit prove to be ineffective or else lead to imperialism and eventually world war

(1) Ashworth op.cit. p.184

once capital is established as the dominant world mode of production.

The rise of global capital means the end of laissez-faire or classical capitalism. The accumulation of capital after World War One could only take place on the basis of constant and growing state intervention in each national economy and the gradual absorption of civil society by the state - hence the existence of the permanent tendency towards state capitalism throughout the world.® This, besides involving increasing state ownership and control of the means of production, fiscal policies which attempt to control the economy, also involves the stimulus of waste production (i.e. production which, from the viewpoint of global capital, cannot lead to further capital accumulation) of which the most pronounced expression has been arms production. The continued inter-imperialist rivalry and this growing arms production are both part of the permanent crisis of decadent capitalism which can only be resolved by war, itself a period to a new period of reconstruction, followed by yet another crisis. The history of capitalism in the twentieth century has been the history of this cycle of crisis - war - reconstruction.

The two World Wars served as a means of devaluing capital and permitted a realignment of the imperialist powers, but this in no way affected the relative position of the less advanced states who henceforth have been mere pawns in the manipulations of the inter-imperialist rivalry of the advanced states. Given the high organic composition of the most advanced states, (1) it is impossible that the so-called Third World countries could compete on the world market independently of the imperialist powers. Thus these under-developed states are unable to provide enough initial capital outlay necessary for the development of a basic infrastructure essential to even begin to compete with the advanced states.

From the viewpoint of the proletariat, on the other hand, the existence of global, decadent capitalism means also the existence of the material possibility of world revolution and the institution of communism as a higher mode of production. The world revolutionary wave of 1917-21, in spite of its defeat, proved that communism was no longer a utopian ideal, but a practical possibility. But more than this, the First World War proved that the continued existence of the capitalist mode of production was a "fetter" on the development of the productive forces and the institution of communism by the proletariat is essential if society is not to sink into barbarism. Moreover, the prospect for the living standards of the proletariat under a capitalism where

® For an analysis of full integral state capitalist economies, see "Theories of State Capitalism" in Revolutionary Perspectives No.1.
 (1) See, for example, Table Two of Appendix III for the case of U.S. capital since 1900.

there is only one counter-tendency to the falling rate of profit - the absolute increase in exploitation - is one of gradual erosion of living standards and eventually permanent pauperization. But this assumes the acquiescence of a defeated working class. Whilst such a condition existed in the '30's and '40's, it does not hold today, and once again capital is faced with the prospect of a revolutionary proletariat.

Statification immediately before, and after the 1st World War.

We saw in the discussion of imperialism that state expenditure was increasing as a proportion of the total national income of the advanced states from about 1870 onwards. Armaments, as we saw above, comprised the largest single item of state spending, but other important items were education and public utilities (services with a high technical composition, such as gas and water supply). (1) In 1909 the British Government indicated how far the needs of decadent capitalism were sustained by the State with the formation of British Petroleum (BP), with a government controlling share.

The outbreak of war in 1914 accelerated this development towards statification (i.e. state capitalism) with central governments taking more or less direct control over production for war purposes. In Imperial Germany after 1916, Rathenau's control of the economy was so great that it was called "state socialism", whilst Lloyd George, describing the men who helped run his Ministry of Munitions, said,

" ... "All the means of production, distribution and exchange" were aggregately at their command." (2)

Many specific aspects of state intervention were revoked after the War but others remained and state capitalism as a permanent tendency of all capitals was firmly established. The tendency towards full statification of the economy is not just the result of the need for production within national states to be geared to the military requirements of war, although this need accelerates and emphasises the trend. A more important reason can be traced to the chronic lack of surplus value as a result of the cripplingly high organic composition of capital. Faced with stagnating industries (whose surplus value is too low to provide for a further increase in constant capital) the state has been forced to try and avoid collapse of the economy by adopting what had hitherto been the function of the market, i.e. promoting the formation of an average rate of profit by redistributing surplus value throughout the economy.

(1) For an explanation of the technical composition of capital, see Appendix I.

(2) "War Memories of Lloyd George" Volume I p.147

"In the course of capital concentration, more surplus-value comes to be divided among relatively fewer enterprises, a process by which the market loses some of its functions. When the market mechanism ceases to "square" supply and demand by way of capital expansion, it complicates the formation of an average rate of profit, which is needed to secure the simultaneous existence of all necessary industries regardless of their individual profit rates. The average rate of profit, ... implies the "pooling" of surplus-value so as to satisfy the physical needs of social production which assert themselves by way of social demand. Capital stagnation, expressed as it is as defective demand, hinders an increasing number of capital entities from partaking of the social "pool" of surplus value in sufficient measure. If their continued existence is a social necessity, they must be maintained by government subsidies. And if the number of unemployed constitutes a danger to social stability, they, too, must be fed out of the declining "pool" of surplus-value. Control of surplus-value becomes essential for the security of capitalism and the distribution of profits becomes a governmental concern." (1)

Hence the reason for the marked increase in state control over banking, credit, etc., government subsidies and outright nationalisation of many basic industries after the 1st World War, particularly with the onset of the 1929 crisis. Thus, for example, the French Government lent money to nearly all its shipping lines, to civil aviation companies, to insolvent banks and nationalised the railways. The British Government:

" ... achieved the amalgamation of the railways (1921), the concentration - indeed the partial nationalization of electricity supply (1926), the creation of a government sponsored monopoly in iron and steel (1932) and a national coal cartel (1936) ... "(2)

In Nazi Germany, despite Hitler's rantings against Bolshevism, state control of the economy proceeded apace. Capitalists were organized into the "Estate of Trade and Industry", the workers into the Labour Front, whilst in February, 1938 Goring was made economic dictator in order to realise the "Four Year Plan".

"The measures ... introduced were not the product of a specific Nazi ideology of economics. They were rather the type of scheme adopted, though with much less vigour,

(1) Mattick op.cit. pp.115-6
 (2) Hobsbawm "Industry and Empire" p.242

in many countries in the 1930's nowadays summed up in the term 'Keynsianism'. They were in part based on the 'war socialism' introduced in Germany during the First World War." (1)

In Italy in 1933 the Fascist Government set up the Institute for Industrial Reconstruction (IRI)

"... a permanent industrial holding-company to aid the government's programmes of autarchy and rearmament, it continued to limit its operations to industries and services in which private enterprise was unwilling to invest sufficient funds." (2)

In both Italy and Germany economic recovery was based on armaments production, though in fact total social output of both countries fell between 1929 and 1938.(3) We shall see below how this mechanism "aids" accumulation under decadent capitalism. However, statification, although on the one hand essential for the redistribution of surplus value and the general propping up of the economy, on the other, further reduces the profitability of the private sector, since it is mainly by directing surplus value from the latter that the state is able to finance its enterprises. The same process whereby the state attempts to equalise profit rates between industries with high rates of surplus value (which tend to be in Department II) and those with low rates of surplus value (which tend to be in Department I) operates in fully state capitalist economies (so-called "communist" states), but here it is easier to transfer funds from one industry to another, since the state, acting as one huge entrepreneur, is in direct control of the total national capital. In all modern capitalist economies the unprofitable sectors which are maintained by the state represent an increase in the cost of production from the point of view of the economy as a whole, and thus contribute to further lowering of the rate of profit.

The accelerated efforts to 'rationalise' production after the First World War by means of 'scientific management', 'labour-saving devices', introduction of bonus systems, etc., were desperate attempts to offset the falling rate of profit by increasing the rate of exploitation in those industries which were still profitable. In Britain and France the decline in the standard of living of the workers is apparent by the fact that real wages fell to below the level at the beginning of the century, whilst in Germany, the "share of wages in the national

(1) Childs "Germany Since 1918" p.59

(2) E. Tannenbaum "Fascism in Italy" p.112

(3) Clough and Cole op.cit. p.764

dropped from 64% in 1932 (itself a significant drop from the 1928 level) to 57% in 1938. (1) Nevertheless, attempts to increase both relative and absolute surplus value helped to increase the growing numbers of unemployed in all the advanced capitalist states, and central governments again stepped in with further nationalisations, social security schemes and public works to try and maintain production.

After World War Two there was no relaxation of wartime control of the economy as had happened after World War One. In fact state capitalist tendencies have become more and more emphatic. State expenditure as a percentage of GNP grew dramatically. (See Table below) In the U.S.S.R. the fourth Five Year Plan was inaugurated in 1946; France adopted the "Monnet" Plan and nationalised Renault, coal, gas, electricity, the Bank of France, the large commercial banks, Air France, and the largest insurance companies, whilst Britain's list is no less extensive. Whilst state capitalism in the U.S. has largely taken the form of government defence contracts, German, Italian and Japanese recovery in the post-war period of reconstruction was initiated by Marshall Aid from the U.S. and maintained by making use of pre-war state control. In Italy, IRI (see above) has grown enormously, producing 60% of the country's steel, owning Alfa Romeo and employing 200,000 engineering workers, besides controlling most public utilities and works; whilst in Germany,

"Far more than in any other capitalist country during this period the bourgeoisie ... made use of the state apparatus, and the monetary and fiscal system to force capital accumulation ..." (2)

This growth of state capitalism means that the public sector has now universally emerged as incomparably the largest employer. (See the Table on the following page). It should be noted that direct government control has largely been in the basic industries which require a high mass of profits to maintain capital renewal and accumulation. The fact that the state has been forced to take them over is indicative of the historic crisis itself where the tendency towards equalisation of the rate of profit has broken down. This explains why the trend towards

(1) See "On the Analysis of Imperialism in the Metropolitan Countries: the West German Example" by E. Altvater et.al. in the Bulletin of the Conference of Socialist Economists Spring, 1974 p.6. A useful explanation of the German "economic miracle", though we do not share the authors' view that Eastern Europe and the U.S.S.R. are anything but capitalist.

(2) ibid p.9

NUMBER OF PUBLIC SECTOR EMPLOYEES AS A % OF LABOUR FORCE

Country	Total general govern- ment	Public enter- prises	Total public sector
United Kingdom	11.9	10.1	22.0
Canada	9.9	2.0	12.0
U.S.A.	16.7	0.04	16.7
Venezuela	12.4	1.2	13.6
Chile	10.1	n.a.	10.2
Argentina	11.5	3.5	14.9

All figures are for 1969, except those for Chile and Argentina which are for 1970.

Source: Finance and Development Volume II No.1. March, 1974.

state capitalism has intensified since the beginning of the present crisis in the late 1960's. With the state controlling U.C.S. and Rolls Royce, and further statification in the form of the National Enterprise Board, and the nationalisation of British Leyland and the shipbuilding industries imminent, Britain has led the way in this universal development.

Inflation as a Permanent Feature of Decadent Capitalism.

A large part of government spending which accompanies statification of the economy is in fact unproductive expenditure - i.e. expenditure which does not lead to a further accumulation of capital. The whole of the tertiary sector (social services, etc.) as well as arms production (See the following section.) can be subsumed under the same heading of unproductive expenditure. Nevertheless, this increase in unproductive spending does not in itself lead to inflation (i.e. to rising prices). If we remember that at the level of the economy as a whole, total prices tend to equal total values, then it is clear that from the point of view of total social capital, such spending represents a drain on the 'pool' of surplus value and hence contributes to a further lowering of the rate of profit. Inflation, however, is the result of an expansion of the money supply without a corresponding increase in the amount of value produced. In other words, rising prices, which mean no more than the fact that a larger amount of currency must be exchanged to purchase any single commodity, are a reflection of the devaluation of money as it seeks to re-establish its own real value in the face of an expanding supply of money. The consequences of an increase in the money supply without a corresponding increase in the extraction of surplus value can be illustrated in terms of bourgeois classical economic theory, where $M = \text{volume of money}$, $V = \text{velocity of circulation}$, $P = \text{prices}$ and $T = \text{output}$, and where, under equilibrium conditions, $MV=PT$. Clearly, any increase in M without an equivalent increase

in T would lead to P (i.e. prices) rising. Unproductive expenditure as such does enter into the equation. The key factor in an inflationary situation is the expansion of the money supply at a rate faster than the increase in production of surplus value (or "output" in classical terms). Thus, no matter how unproductive capitalism was, there would not be inflation if there was no expansion of the money supply.

Nevertheless, in the era of capitalism's decadence, the growing unproductive expenditure necessitated by the permanent tendency towards state capitalism means that the state has been forced to resort to expanding the money supply in order to avoid direct attacks on the wages of the proletariat and attack them indirectly by undermining real purchasing power. Although direct attacks have been, and still are, an important source of government revenue, they have not been able to provide the full amount of revenue necessary for the growing number of state operations and deficit financing (i.e. a situation where the state spends more money than it receives from taxation) has been a common feature of all "mixed" economies since the 1st World War and particularly after the early 1930's when the gold standard was finally abandoned.

In order for the state to be able to control the supply of money it is necessary for each national economy to be free from the constraints of a metallic conversion standard. Throughout the nineteenth century the money supply of national economies had been closely tied to the amount of actual gold or silver (bullion) held within the state boundaries. Paper notes issued were legally convertible into metal coinage and the extent to which notes could be issued was limited by the obligation to 'back' paper money with metal coinage held in banks and convertible at a fixed legal rate. Thus the supply of money was limited by the stock of bullion held by the banks within each national state.

The outbreak of the First World War saw the abandonment of the international gold standard as the belligerent states met the gigantic costs of financing the war largely by the simple method of printing money. Thus, by 1918, increases in the issues of paper money in Germany were five times the 1914 figure, in Britain, four and a half times the pre-war figure, and in France, almost four times the 1914 sum. Since this increased supply of money was financing the waste production of war and not leading to the production of new capital, prices soared - 245% in Germany, 230% in Britain and 353% in France.(1)

The devaluation of currency which accompanied the abolition of the gold standard within the various national states provided a

(1) Figures taken from Clough and Cole op.cit. p.734

short-term increase in competitiveness for the commodities of the devaluating country sold on the world market, as prices were lowered in relation to commodities from other states. Such an effect could only be temporary, since it only encouraged competing states to go off the gold standard and devalue their currency. By 1936 all those 'gold bloc' countries which had previously tried to maintain the gold standard had abandoned it and devalued their currencies.

In the 1930's, just as during the 1st World War, going off the gold standard enabled central governments of the advanced capitalist states to increase the money supply and further expand their intervention in the economy. As we shall see below, the greatest increase in government expenditure was due to the massive increase in arms production, but the fear of "political unrest" by the proletariat in a situation of mass unemployment also led the state to extend existing welfare services and engage in the construction of public works. This huge increase in waste production which was largely financed by deficit spending could only lead to increasing inflation and a growth in the public debt, as evidenced by the table below.

Country	Total State expenditures (in national currencies, current value 000,000's omitted)		Public Debts (as percentage of national income)	
	1928 or 1929	1937 or 1938	1929	1937 or 1938
	France	44,248	68,971	114	171
Italy	20,519	34,100		
U.K.	782	1,134	174	163
Germany	8,187		12	25@
Belgium	12,299	13,546	77	85

@ Exclusive of undisclosed amounts of special bills.

Source: Clough and Cole "Economic History of Europe" p.819

The tremendous cost of financing the 2nd World War was again met largely by central governments borrowing from banks in return for government bonds or treasury bills, thereby expanding the money supply. The table below clearly shows the increase in note circulation during the 2nd World War. (See overleaf)

This huge increase in the money supply in order to finance the war led to rampant inflation in all the belligerent states towards the end and immediately after the war as measures to fix prices became ineffective. The policies adopted to overcome inflation again could only be temporary solutions to the problem.

INCREASE IN NOTE CIRCULATION

(From July, 1939 to latest month in 1944)

Country	Month	% increase
Germany	Dec. '44	435
Belgium	Aug. '44	339
France	Dec. '44	369
Italy	Dec. '44	1,034
U.S.A.	Dec. '44	259
United Kingdom	Dec. '44	160
Canada	Dec. '44	318

Source: Clough and Cole "Economic History of Europe" p.847

In the West the implementation of Keynesian measures saw the more or less conscious extension of policies which the state had been forced to adopt since the 1st World War. Keynes thought that the periodic crises of capitalism could be averted by manipulation of interest rates to encourage investment and by means of deficit spending and public works to maintain employment during times of depression - the resultant increase in the national debt would be repaid during the 'boom' period. In fact what has occurred is a permanent increase in the national debt of all the advanced states and inflation has proved to be a permanent feature of decadent capitalism. For instance,

"Prices in Western Europe rose by 66 per cent between 1947 and 1957. This was a compound rate of increase of more than 5 per cent per year, a rate roughly equal to the yield of government bonds (before taxes)." (1)

According to Keynesian theory, gradual inflation is a healthy rather than an unhealthy feature of national economies, since it encourages businessmen to invest and increases the competitiveness of exports on the world market. Nevertheless, if we remember the reason for the existence of inflation in the first place, (expansion of the money supply at a faster rate than the production of surplus value) then it is obvious that inflation must become more than a 'gradual' process if the rate of expansion of the money supply continues to outstrip the rate of value production. As we shall see, this has been the case since the late Sixties, with the development of the current world-wide "recession" of decadent capitalism.

(1) Quoted in Mattick op.cit. p.147. From J.O. Coppock "Europe's Needs and Resources"

Imperialism and Underdevelopment.

To Keynes the Second World War proved that any economic system could have full employment if it so wished and he was frightened that the end of the war would only bring back unemployment on the scale of the Thirties. However, in the immediate term he need not have worried. The massive destruction of the productive forces during the Second World War provided a new basis for economic recovery.

"Throughout Europe railroad lines, marshalling yards, and port facilities lay in ruins. Machinery had been worn out through constant use and under-maintenance. Mines had been exploited so mercilessly that a super-human effort was needed to restore them to their pre-war efficiency. Agriculture had suffered from over-cropping ... And the labor force of most countries had sustained substantial losses." (1)

Russia had lost twelve million men, the U.K. 11,800,000 tons of shipping, and France 45% of its entire wealth. By physically destroying the productive forces the war enabled the accumulation of capital to proceed from a lower organic composition, and with the rate of profit thus raised, accumulation proceeded apace from a more concentrated and centralised base.

But reconstruction has its limits and once again the rise in the organic composition of capital brings back the crisis, though not in the form of the nineteenth century business slump.

"The business-cycle as an instrument of accumulation had apparently come to an end; or rather, the business-cycle became a "cycle" of world wars ... Wars are not unique to capitalism; but the objectives for which capitalist wars are fought are. Aside from all imaginary reasons, the main objective, made patent by the policies of the victorious powers, is the destruction of the competitor nation or bloc of nations. In its results, then, war is a form of international competition. It is not so much a question of competition by "extra-economic" means as an unmasking of economic competition for a bloody and primitive struggle between men and men." (2)

This explains why the method of regenerating accumulation under decadent capitalism has been inseparably linked to the growth in the production of the means of destruction. The table overleaf merely indicates the growth of arms expenditure in Britain and the

(1) Clough and Cole op.cit. p.851

(2) Mattick op.cit. p.135

PUBLIC EXPENDITURE, U.K. and U.S.A. 1913-1969

Year	Military expenditure as percentage of GNP		All state expenditure as percentage of GNP	
	U.K.	U.S.A.	U.K.	U.S.A.
1913	3.0	—	13.5	10.5
1923	4.7	—	27.5	11.0
1933	3.8	—	30.0	16.5
1938	4.9	1.5	31.2	19.5
1948	7.4	8.0	37.0	24.0
1953	8.9	13.2	35.0	27.5
1958	6.4	10.1	31.5	29.0
1960	6.2	9.0	32.5	28.0
1965	5.8	7.5	34.0	28.5
1969	5.3	9.0	39.0	32.0

Capital formation of public corporations and government loans and grants to industry add another 8 per cent to the U.K. figure of state expenditure in 1969 (6 per cent in 1967)

Source: M. Barratt Brown "The Economics of Imperialism" p.216

U.S.A., but by 1962 £43,000 million was being spent annually on military budgets and arms expenditure "corresponded to about one half of gross capital formation throughout the world".(1) Arms production is waste production in that it does not lead to the production of new value for total social capital. True, one national capital can ease its economic problems by selling arms to another, but the money used in the transaction represents the crystallized form of value produced by the labour of the purchasing country's workers. And what can it produce with the arms once it has got them? Given that a sophisticated nuclear weaponry is not purchased for hunting, it can only be used for the purposes of destruction; that is, arms production destroys value rather than leads to its creation. Hence this "counter-tendency" to the falling rate of profit is no solution for global capital and in the end can result only in a further crisis, which, under decadent capitalism, ultimately means war.

We have already outline the main features of capitalist imperialism in the late nineteenth century and early nineteenth century. Capitalist competition is now between nation states rather than individual firms. But, whereas under ascendant capitalism it was possible for individual firms to grow through a purely economic competitive struggle, in the age of imperialism the centralis-

(1) Kidron "Western Capitalism Since the War" p.49

ation of the economy at the level of the nation state has taken this process to its ultimate limits under capitalism. Imperialism is the internecine struggle of each capitalist state to carve up as much of the globe as possible, whether as sources of raw materials, investments, markets, or as a strategic base from which to better secure these benefits. Imperialist competition has in its armoury all the tactics of diplomacy, trade wars and favoured nation agreements, but ultimately these only have meaning when backed with sheer force of arms. Since the crisis of decadent capitalism has its ultimate expression in inter-imperialist war, it is therefore understandable why capitalists prefer "guns, not butter", armaments expenditure rather than social benefits like education and housing, as the particular form of waste production. (1)

Since 1914 imperialist war has stretched in an almost unbroken chain, though the most striking example obviously remains World War Two, which followed a period of massive expenditure on arms to prevent a renewal of the crisis of the early '30's. In three of the least militaristic states, Britain, France and the U.S.S.R., arms expenditure rose by 144%, 142% and 103% respectively between 1937 and 1939. (2) Whilst the First World War completed the destruction of British capitalism as the most dominant world imperialism, the Second World War clearly established the U.S.A. as the leading capitalist state in the world, though faced with an increasingly dangerous rival in a U.S.S.R. which had seized much of the industry and territory in Eastern Europe in order to fund its own post-war reconstruction. The history of the post-war world has been one in which both major imperialisms have attempted to gain greater control of the globe in an attempt to offset the decline in the rate of profit through an influx of a mass of profits from abroad. Hence the Korean War, the War in Vietnam, the Cuban crisis, and the various Middle East crises, have all shattered the uneasy "peace" of decadent capitalism and stand very much in relation to a possible third World War as did the Bosnian Crisis or the Moroccan Crisis to the First World War.

Imperialism is the product of a world market dominated by a few advanced capitals of a high organic composition. Consequently this means the impossibility of a 'new' "developing" "Third World" state independently breaking onto the world market. Since the Second World War the gap between the leading imperialist powers and the "developing" countries has widened. In 1952-54 U.S. per capita output was \$1870, to India's \$60 and Egypt's \$120. In 1969 these figures were, \$4,240 for the U.S.A., \$110 for India and \$160 for Egypt. (3) Bourgeois economists are incapable of under-

(1) Despite the realisation by at least a section of the world bourgeoisie of the obvious political advantages to be gained by keeping the workers happy.

(2) Figures from Clough and Cole op.cit. p.818

(3) "Key Issues in Applied Economics, 1947-1997" Economist Intelligence Unit.

standing the failure of countries with large populations and no lack of resources to break onto the world market (or in their terms, "take off").

The impossibility of development in the "Third World", as we have said, cannot be divorced from the interests of the imperialist powers. Having failed to extract enough surplus value from their own labour force, the imperialist powers must attempt to extract surplus value from the underdeveloped regions, but by doing so they prevent that surplus from funding accumulation in the underdeveloped countries and thus further destroy the basis of reproduction of capital in those areas. Thus, the imperialists are faced with a dilemma:

"To keep on exploiting the backward areas will slowly destroy their exploitability. But not to exploit them means to reduce even further the already insufficient profitability of capital." (1)

"Aid" as an attempt by the advanced states to try and alter this situation has merely exacerbated it, given the dominance of the law of value. No "aid" is given unconditionally and, since it is capital, it therefore functions as capital, i.e. it is lent on the merits of its expected returns in terms of profits and interest. One calculation has reckoned that after payment of interest and debts on previous aid, all Latin American countries (excluding Cuba) made a net loss of \$883 million in 1965.(2) Cuba has been favoured more than any country in the world that is dependent upon imperialism as the recipient of \$3,000 million in "aid" from the U.S.S.R. Despite receiving better terms, Cuba's economy continues to stagnate. Because the U.S.S.R. is the weaker of the major imperialisms, it offers lower interest, longer term loans to undercut its competitor in the "aid" market. There is nothing munificent in this, as Cuban and other workers whose surplus value is used to pay off the interest on their countries' debts already know.

The most telling reason, however, for the failure of any underdeveloped economy in the twentieth century to establish a firm industrial base is the domination of the world market by capitals of a high organic composition. As we explained earlier, because competition forces each capital to sell at roughly equivalent prices, there is a constant drain of value from capitals with a low organic composition to those with a high composition. Further, because profit rates have a tendency to equalisation, those states with a low organic composition of capital find that they do not have a sufficient mass of profits to fund renewed accumulation.

(1) Mattick op.cit. p.262

(2) T. Hayter "Aid as Imperialism" p.174

As Rosa Luxemburg saw quite clearly in her "Social Reform or Revolution",

It is the threat of the constant fall in the rate of profit, resulting not from the contradiction between production and exchange, but from the growth of the productivity of labour itself ... (which) has the extremely dangerous tendency of rendering impossible any new enterprise for small and middle sized capitals. It thus limits the new formation, and therefore the extension of placements of capital." (1)

Thus, it is not surprising that underdeveloped countries have fallen heavily into debt in an attempt to borrow the capital which they cannot produce, so that,

"The external public debt of the developing countries rose by about 14% p.a. in the 1960's. In June 1968 the recorded debt stood at \$47.5 billion." (2)

Some have seen the rise of state capitalist regimes in the less developed states as a possible solution to the problems of the chronic effect of the insufficiency of surplus value production in these areas.(3) However, the rise of state capitalism in such places as Cuba and the much-vaunted China represents, not a solution to the problem, but a further indication of its existence. "Foreign capital" having failed, local bourgeoisies attempt to harness the centralising power of the state to concentrate sufficient surplus value for accumulation. Hence, they hope to achieve "national liberation" from imperialist domination. But this is an impossible chimera under decadent capitalism. Cuba, we have already mentioned. China, however, has a large population and large resources, it has developed an atomic bomb and launched a satellite, but even Sinophiles recognise that:

"In spite of exceptional advances, China is still far from a decisive economic take-off ... The supply of grain per head of population remains the same now as that which statistical calculations show obtained in the 'belle epoque' of the Kuomintang ... " (4)

The law of value operates here just as anywhere else. Not even the centralisation of a planned economy can direct enough surplus value into the independent development of capitalism. The recent rapprochement of China to the U.S.A. indicates the failure of any autonomous development in China after the break with the

- (1) R. Looker (ed.) "Political Writings of Rosa Luxemburg" p.69
 Though elsewhere in her analysis Luxemburg abandons value theory.
 (2) "Partners in Development" (Pearson Report)(Pall Mall Press)p.72
 (3) Including Mattick, who, despite his erudition, fails to fully comprehend the law of value and has no concept of decadence. Thus he sees state capitalism as progressive. See R.P.No.1
 (4) G. Padoul "China, 1974" in New Left Review No.89 p.74&76

U.S.S.R. in the mid-1960's.

Conclusion.

Having created the world market on the basis of competing states, capitalism has been unable to go any further. The law of value, which impelled it forward through the competitive urge to maximise profitability in the nineteenth century, now acts as a brake on its outward extension. It is not simply a question of lack of markets. In a world where two thirds of humanity is without the basic necessities of life it is clear that there is a demand for many commodities. But capitalism is not a system which produces for needs, and, as the needs of the underdeveloped states will not guarantee an increase in the amount of value at the disposal of capitalism, this 'demand' goes unheeded by capitalism. The law of value is thus now the basis of capitalist stagnation and ultimately the basis of its collapse.

Internationally the new crisis was heralded by the collapse of the Bretton Woods agreement (itself a dollar substitute for the old gold standard), with Nixon's floating of the dollar in 1967 to improve the U.S. balance of payments. This signified the breakdown of the international 'co-operation' of almost a quarter of a century. The present crisis of world capitalism which developed in the late 1960's was preceded by a dramatic decline in the rate of profit. In Britain, for instance, the rate of profit fell from 12.5 in 1960, to 8.1 in 1968, down to 5.8 in 1970. (1)

Concomitantly, it has become evident that the development of state capitalism has not solved the basic contradictions of value production, either in the 'mixed' economies, or the fully state capitalist economies, (as the attempt to directly increase the rate of exploitation in Poland in December, 1970 showed). Gradual inflation, which was welcomed by the Keynesians because it initially created the climate for investment and apparent growth, has changed to hyper-inflation, a deterrent to future investment and making for a drastic reduction in the standard of living. The following table shows the rate of price increases in Britain since 1965.

INDEX OF RETAIL PRICES

<u>Year</u> (January figures)		<u>Year</u> (January figures)	
1965	109.5	1971	147.0
1966	114.3	1972	159.0
1967	118.5	1973	171.3
1968	121.6	1974	191.8
		1975	228.0

Source: Signal Vol.LIV No.2 p.2

(1) Figures from A. Glyn & B. Sutcliffe "British Capitalism, Workers and the Profits Squeeze" p.248 - though we do not endorse the "marxism" of these academic "New Leftists".

The fall in investment has led to a rise in unemployment and in those countries which have attempted to decrease inflation by a reduction in government spending there is even higher unemployment (e.g. U.S.A. 8.6% or Belgium 6.2%). In the West the debate between the monetarists who wish to cut all spending by governments and the Keynesians (who think more state capitalism is the answer) only shows the confusion reigning in bourgeois circles and the failure of their traditional methods for ensuring relatively stable accumulation.

In Britain, some, like Wedgwood-Benn and the various strands of leftists, call for more state capitalist measures (i.e. nationalisations and the setting up of the National Enterprise Board to control investment, and protectionism); whilst others, like Sir Keith Joseph and Enoch Powell, demand a return to laissez-faire capitalism, with its concomitant large pool of unemployed. Either way, the workers will be asked to pay, either by accepting a cut in living standards (e.g. the Social Contract or other wage freeze manoeuvres) or by massive unemployment which also depresses the wages of those in work.

This is one solution for capital. Faced with a situation where the rate of profit has fallen to such an extent that it is insufficient to fund renewed accumulation, capital, in its desperate attempts to increase surplus value, must begin by attacking the real wages of the proletariat more and more (i.e. absolutely increase the rate of exploitation) on an international scale. If the world working class fails to resist capital's attacks and fails to destroy its mode of production so that goods can be produced for the direct satisfaction of human needs, then the alternative for humanity is stark. Already the cosy co-operation of the international monetary system set up at Bretton Woods has collapsed. The crisis can only convert imperialist manoeuvrings in such places as the Middle East into a life and death struggle for survival of individual national capitals. The ultimate solution for each imperialist power is therefore the destruction of its rivals in one last armageddon. Capitalist decadence thus offers us the same alternative as that posed in the Communist Manifesto, either

"a revolutionary reconstitution of society at large or the common ruin of the contending classes."

Socialism or barbarism. There is no third road.

J.N.

APPENDIX I

Measuring the Composition of Capital and the Falling Rate of Profit

Since the composition of capital is a value and not a price relation, it is impossible to measure it directly; we can only approach it as it is 'reflected' in other relations.

On the one hand we have the relation of the output of the producer goods industries to that of the consumer goods industries, i.e. that of Dept.1 to Dept.2. Since the bulk of the output of Dept.1 is to function as constant capital (c) in a renewed cycle, a rise in the ratio of the Depts. reflects a rise in the composition of capital. In addition we should remember that Dept.2 includes both capitalists' consumption and luxury production (including waste) which are not included in the composition of capital, and thus the relationship of the Depts. gives a low estimate of our ratio (i.e. c/v) On the other hand, we have the technical composition of capital (i.e. capital/man). Obviously the amount of machinery, raw materials manipulated by a worker reflects the composition of capital and an increase in the technical composition reflects an increase in the organic composition of capital. Here, since the ratio does not include capitalist consumption and luxury production, one difficulty from the previous method is eliminated. But to turn this technical composition into an organic composition, we would need to know a) the average replacement time of constant capital, and b) the average wage rates for a worker in that industry for a year. Thus, with a capital/man average of £20,000, a replacement time of 5 years, and an average wage of £2,000, a rough estimate of the composition of capital would be $\frac{20,000}{2,000 \times 5}$ i.e.

2.00. To both the estimations above we must add the warning that they are price, not value relations, and that, as explained in the text, as capital develops, the more $P=V$ only at the level of the whole economy. But this fact can be built into our estimations, since, in general, Dept.1 production is selling above, and Dept.2 production below, its value. Therefore both our methods of estimation tend to inflate the actual composition of capital. But what is important is not whether this is 2.00 or 1.95 at any precise moment; what is vital, is the general historical tendency of c/v to rise, which, however imperfectly, is reflected in both the technical composition of capital and in the ratio of the two Departments of production.

Measuring the 'real' rate of profit is similarly difficult; all categories in bourgeois economics are reflected in price, not value terms and the conversion of prices into values would present enormous difficulties, though it is not impossible.(1)

(1) For instance, L.von Bortkiewicz's "On the Correction of Marx's Fundamental Theoretical Construction in the Third Volume of Capital"

Even in the way a firm presents its profits there are problems. Usually this is given as profit(s) on sales (c+v+s), which gives a lower estimation than the Marxian formula of $s/c+v$, but this can be rectified simply by subtraction of profits from sales, and the real rate of profit (in price terms) calculated. But we are mainly interested in the rate of profit on social capital, and this can be estimated by adding all industrial and agricultural profits to those of transport and building (all before tax), and dividing this by the total turnover minus this mass of profit. 'profits' of arms production, banking, luxury production, etc., are excluded, since what is unproductive labour for total social capital creates no new value and hence no surplus value.

On measuring the rate of profit under inflation, we must remember that a rate of devaluation of money of 20% per year means, that unless the mass of profit actually rises by 20% it has in real terms fallen, or to put it another way, if sales and profits in one year of a cycle are the same as in the previous year for capital x in money terms, then in value terms, i.e. in reality, production would have fallen by one-fifth!

Also, in times of crisis, capitalists step up the volume of output to compensate for a low rate of profit with a higher mass of profit (this is usually funded by borrowing from the banks, and the realisation problem is postponed by expanding credit to consumers). Let us follow our hypothetical capitalist.

Year 1	Sales (c+v+s)	£11 million	Rate of $\left(\frac{s}{c+v}\right) = 10\%$
	Profit(s)	£1 million	profit
Year 2	Sales	£16 $\frac{1}{4}$ million	Rate of $\left(\frac{s}{c+v}\right) = 8\frac{1}{2}\%$
	Profit	£1 $\frac{1}{4}$ million	profit $\left(\frac{s}{c+v}\right)$

But this is at constant prices; inflation would have boosted the money profits to (£1 $\frac{1}{4}$ million x 6/5), i.e. £1 $\frac{1}{2}$ millions. To his rapt shareholders the capitalist would have reported, "Record profits; up 50% on last year!" But here again, value theory is the rock on which all empiricist euphoria crumbles. We can see that the capitalist is facing a declining rate of profit and increasing liquidity problems, due to borrowing from the banks and slackening his own extension of credit. We suggest investment elsewhere!

APPENDIX II

Grossman's Table Illustrating the Law of Capitalist Reproduction,
As it Appears in 'The Permanent Crisis' I.C.C., 1934.

Year	C	V	R	AC	AV	VYP	R%	A%	P%
1	200,000	100,000	75,000	20,000	5,000	400,000	75.00	25.00	33.3
2	220,000	105,000	77,750	22,000	5,250	430,000	74.05	25.95	32.6
3	242,000	110,250	80,539	24,200	5,511	462,500	73.04	26.96	31.3
4	266,000	115,762	83,374	26,600	5,788	497,524	72.02	27.98	30.3
5	282,600	121,550	86,213	29,260	6,077	535,700	70.93	29.07	29.3
6	321,860	127,627	89,060	32,186	6,381	577,114	69.70	30.30	28.4
20	1,222,252	258,691	117,832	122,225	12,634	1,727,634	46.63	53.37	17.1
21	1,324,471	263,325	117,612	134,447	13,266	1,875,127	44.33	55.67	16.4
34	4,641,489	500,304	11,141	464,148	25,015	5,642,097	0.45	99.55	9.7
35	5,105,637	525,319	0	510,563	14,756	6,156,275	0.00	104.61	9.3

"In order that accumulation may be possible, the surplus value must be divided into three parts; one to be invested in additional constant capital, one in additional variable capital, and the remainder to be consumed by the capitalist class as individuals. During the rise of capitalism, variable capital grows as well as constant capital, only more slowly. We begin, in our table (below), with an organic composition of 2:1. The constant capital grows at a yearly rate of 10%, the variable at 5%. The rate of surplus value remains 100%. (Constant capital we call C, variable V. The consumption fund of the capitalists is R. AC is surplus value available for accumulation of constant capital; AV for variable. The value of the yearly product we call VYP; the percentage of surplus value consumed by the capitalists we call R%; the rate for accumulation A%, the rate of profit is P%)

We see how in this table accumulation increases inspite of a falling rate of profit. Accumulation pays for the capitalists, for while their revenue becomes smaller relative to the surplus value as a whole, it increases absolutely. During the first year the capitalists command 75,000 as revenue (R); during the fourth year, 83,374. This table is a fiction that should in no wise be mistaken for reality. A progressively higher organic composition accompanied by a constant rate of exploitation is an impossibility, nay an absurdity. The table is only meant to illustrate the tendency of accumulation with no disturbing and complicating tendencies. Even with a constant rate of surplus value, accumulation can take place so much faster with an increased rate of exploitation. This table also reflects accumulation only in its value form, not expressed in the quantity of use values; to express it thus, would cause many modifications. The devaluation of capital necessarily connected with accumulation here has been disregarded.

If we, like Henryk Grossman, extend this table to the 35th year, we shall be able to show if not actual capital accumulation, at least its "inner law". But to arrive at capitalist reality, we must in addition to basing ourselves on the inner law of capitalist accumulation, also take into account the elements disregarded in the illustrating table. It must be borne in mind, however, that the elements disregarded in the table only determine the tempo of the process of accumulation, either hastening it or slowing it down; but in either case the process remains essentially the same. Let us follow the table:

The table shows that the same forces which at first made the rise of capitalism possible at a certain phase of accumulation lead to over-accumulation and its consequences. The constant capital that in the first year ... was 50% of the year's production, demands in the 35th year ... 82.9%. The revenue (R) that until the 20th year only increased relative to the total mass of surplus value as shown by (R%) from then on decreases absolutely. In the 35th year it disappears completely. It is only after the 20th year that the

fall in the rate of profit is first felt as an absolute fall in that part of the mass of profit which the capitalist class had at its disposal for its own private consumption. Until the 20th year, accumulation was a paying proposition as measured by the returns. From the 21st year, these returns dwindle down to a vanishing point. Besides that, from the assumption made that the additional variable capital increases yearly 5%, AV has a deficit. Instead of the needed 26,265 in the 35th year, only 14,756 is available, leaving a deficit of 11,509. This deficit would represent the industrial reserve army as the inevitable outcome of the capitalist process of accumulation. The capital accumulated in the 35th year can't function completely. Because 11,509 workers cannot be employed, the whole additional constant capital (AC: 510,563) cannot be reinvested. On the basis of our assumption, a population of 551,548 in the 36th year would require a constant capital of 5,616,200; consequently by a population of 540,075 only 5,499,015 constant capital could be invested. There is a capital surplus of 117,185 that cannot be used. Insufficient capital "utilization" has led to over-accumulation. We have a surplus of capital unable to expand and unusable surplus population. ... Thus, increasing "utilization" of capital is the chief cause of capital accumulation, and the lack of a sufficient "utilization" of capital the cause of crisis.

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APPENDIX III

Table One

REAL WAGES INDEX

(Cyclical averages: 1900 = 100 for United Kingdom and Germany;
1895 = 100 for France)

Cycle	United Kingdom ^a	Cycle	Germany ^b	Cycle	France
1820-26	43	1830-39	78	1820-29	79
1827-32	42	1840-49	71	1830-39	79
1833-42	49	1844-52	72	1840-49	78
1843-49	52	1852-59	63	1850-51	79
1849-58	57	1860-67	74	1852-58	68
1859-68	63	1868-78	78	1859-68	82
1869-79	74	1879-86	84	1868-78	83
1880-86	80	1887-94	92	1879-86	90
1887-95	91	1894-1902	97	1887-95	98
1895-1903	99	1903-09	98	1895-1903	107
1904-08	95	1909-14	96	1903-08	114
1909-14	93	1924-35	77	1909-14	114
1924-32	93			1922-35	105

a Takes into account unemployment from 1850-1935; social insurance payments for 1912-32, and unemployment-insurance payments and benefits for 1924-32.

b Decennial and not cyclical averages. Takes into account for the period 1887-1935 wage losses from unemployment, illness, taxes, insurance benefits. For 1903-1935 takes into account trade union dues.

Source: Clough and Cole op.cit. p.676, taken from J.Kuczynski "Labour Conditions in Western Europe, 1820-1935"

Table Two

THE ORGANIC COMPOSITION OF CAPITAL IN THE U.S. ECONOMY			
Year	Composition	Year	Composition
1905	3.16	1935	4.92
1910	3.18	1940	4.09
1915	3.51	1945	2.64
1920	3.65	1950	3.45
1925	3.95	1955	3.64
1930	4.47	1960	4.20

Source: The Law of the Falling Tendency of the Rate of Profit
S.M. Madge, Columbia Univ. Ph.d. in New Left Review No.84 p.72
The extremely high composition for 1930 and 1935 is due to the
distorting effects of under-utilised capital during the depression
years. Note also the extremely low composition in 1945, vividly
indicating that the post-war boom was predicated by a mass of
capital devalued by the war.

Texts of the Communist Left No.2

The capitalist mode of production from the beginning of the twentieth century moved from its progressive into its decadent phase. During its ascendant phase it had been possible for the working class to organise for substantial economic and political reforms and thus the class organised itself into political parties and trade unions. Through these organisations it could express both its short term economic and political demands and also its longer term historical interests. In short, it was possible for the 'minimum' and 'maximum' programmes to coexist and for revolutionaries to work within the essentially reformist organisations of the working class. But with the movement into capitalist decadence, the possibility of the working class gaining any further substantial reforms was called into question, and with it the nature of parliamentary and trade union organisation in the new period. This new phase of capitalism was characterised by imperialism, crisis and war; it is the phase in which the capitalist mode of production has become a barrier to the development of the forces of production, hence positing the possibility of proletarian revolution.

Because of this, those communists with the clearest notion of capitalist decadence applied a historical critique to the workers movement, that is, they viewed the nature of the class's organisations in the light of the period in which they existed. Trade unions and Social Democracy were seen as positive attempts by the working class to defend itself within the period of capitalist ascendancy, but, with the opening of the era of proletarian revolution, these organisations became a barrier to such a revolution and had therefore to be abandoned and new organisations built. In this manner the left communists of 1914-21 attempted to programmatically represent the new possibilities and the new situation in which the working class found itself. The K.A.P.D.'s Theses on the Role of the Party in the Proletarian Revolution of July, 1921 is one of the highest expressions of communist coherence from the revolutionary wave which followed the end of World War One.

For us the K.A.P.D. was the most coherent communist group of the revolutionary wave, but, having said this, it must be recognised that such coherence was the product of a process of reflection and clarification. Just as we don't make a fetish of the exact date of the onset of decadence, equally we recognise that the achievement of communist coherence is a process. Coherence is born out of the actual struggle of the working class and the situation in which the struggle occurs. Thus, Rosa Luxemburg, in coming to terms with capitalist decadence, reasserted the

historical necessity of socialism, the inevitability of capitalist crisis and the recognition that capitalism as a mode of production had come into conflict with the progressive development of the productive forces. Luxemburg fought against all attempts to reduce socialism either to a moral imperative or the result of a gradual series of reforms. For her revolution was as inevitable as capitalist crises. She continued her struggle within Social Democracy up to the 1st World War, analysing the class struggle and the concrete movement of capitalism, understanding that imperialism, crises and war were the characteristics of the new period. But this working within Social Democracy was brought sharply into question by the outbreak of war and the subsequent support given to it by most of the parties in the 2nd International and by the trade unions.

With the outbreak of the war, Social Democracy, in Luxemburg's words, "wiped itself out" as a party of the working class by each section's support of its own national bourgeoisie. Notable revolutionary exceptions to this policy of support for imperialist war were the Bolsheviks, the Dutch Tribunists and communists in Germany around Luxemburg and Otto Ruhle. These revolutionary groups found themselves in the position of having to reassess both the historical period of capitalism and the class nature of social democracy. In 1915, Luxemburg argued in the Junius Pamphlet that social democracy had capitulated to bourgeois policies and was wholly without a communist conception of the nature of the war and the relevant revolutionary programme. She saw that socialism was both an historical necessity and an objective possibility,

"Our necessity receives its justification with the moment when the capitalist class ceases to be the bearer of historic progress, when it becomes a hindrance, a danger to the future development of society. That capitalism has reached this stage the present world war has revealed." (1)

This historically critical approach was to provide the backbone to the analysis and programme of the German left communists during the post-war revolutionary wave.

The movement in Germany towards forming a revolutionary organisation totally distinct from social democracy began to take shape about 1916 with the formation of the Spartakist group and the International Communists (I.K.D.) in Bremen. But these revolutionary groups did not come together to form a larger organisation. It was with the movement of the class in 1917 in Russia and 1918

(1) Junius Pamphlet Merlin Press p.130

in Germany that the communists grouped in the I.K.D. and the Spartakists were compelled to form a party. They came together in December, 1918 to form the Communist Party of Germany (K.P.D.) But from the start there was internal dissension. In response to a call by the I.K.D., the day before the formation of the K.P.D., the party voted in favour of anti-parliamentarian tactics. The K.P.D. thus appeared to hold that working within parliament in the era of proletarian revolution was impossible. But this was not the case, the party was split over tactics vis-a-vis parliament. On the one side the I.K.D. called for abstention from parliament and on the other there were those who held that parliament could be used as a revolutionary forum. Luxemburg, for the Spartakists, favoured the latter position.

This dissension within the party was further compounded by differences over trade unions. One faction argued that trade unions still represented the class, while the other argued that trade unions must be abandoned with social democracy, as neither in any way represented the working class's interests. This festering sore within the party finally erupted at the conference in Heidelberg in 1919. There, Paul Levi, leading the faction which supported working within trade unions and parliament, presented theses which, if accepted by the party, would automatically exclude those who were anti-trade union and anti-parliamentarian. In the event the theses were adopted 31 votes to 18. Thus the left wing of the K.P.D. was expelled. But, despite the fact that at the conference the left could not command a majority of the delegates, it did within the party as a whole. Out of the 80,000 K.P.D. members at the time of Levi's "Theses", 50,000 were expelled on their acceptance. At first the expelled elements did not form a separate organisation in opposition to the K.P.D., but attempted to struggle against the leadership. It wasn't until 1920, under the impact of events within Germany, that a new organisation was brought into being, the Communist Workers Party of Germany (K.A.P.D.)

The K.A.P.D. immediately allied itself to the 3rd International, but opposed its recognition of the K.P.D. as the communist party of Germany, holding that the K.P.D. was "politically and morally bankrupt". At first the International assigned a special status to the K.A.P.D., allowing it to participate in the work of the International. But increasingly, as a result of the growth of reaction in Europe and the defeats the working class were suffering, the policy of the International towards left communists changed. Through 1920 efforts were made to remove lefts from positions of importance within the International, e.g. the closing of the Amsterdam Bureau. The lefts were also systematically attacked by Lenin in his work Left Wing Communism, published June, 1920, and finally, the "21 theses" adopted by the Comintern in 1920 can be seen as the culmination of this onslaught. All these actions were attempts to undermine the positions held by the left communists. The attacks were met head on by two of the most prominent members of the K.A.P.D., Herman Gorter in his Reply to Lenin and

Anton Pannekoek in World Revolution and Communist Tactics.

Parallel to the formation of the K.A.P.D. was the formation of the General Workers Union of Germany (A.A.U.D.) This organisation was a result of the unification of the factory councils which had been developed by the working class in their revolutionary struggle. The A.A.U.D. was not a trade union, but was a product of the revolutionary struggle of the working class in the epoch of communist revolution, hence the K.A.P.D. was able to relate directly to it, recognising that "... councils (soviets) are the historically determined, all-embracing form of proletarian power and administration." (Thesis 6). But this relationship to the A.A.U.D. was to lead to a split within the K.A.P.D. One faction, led by Otto Ruhle, argued that there was no need for a separate political organisation, that is, no need for the K.A.P.D. All that was required were the factory organisations. For Ruhle all political parties were bourgeois and would always be essentially opposed to the interests of the proletariat.

"The party, of bourgeois extraction, is a bourgeois organism: such organisms are characterised by centralism" (1)

This anti-party faction broke from the K.A.P.D. and formed the Einheitslern (A.A.U.D.-E.), accusing the K.A.P.D. of substitutionism and of being an anti-parliamentarian K.P.D. Despite this, the K.A.P.D. held firm to the necessity of a coherent central organisation of the proletariat.

"The historically determined form of organisation, which groups together the most conscious and prepared proletarian fighters, is the Party." (Thesis 7)

The debate over the necessity of having a party was an indication of the onset of the counter-revolution. With the downturn of the revolutionary struggle in 1921, the German left communists inevitably degenerated: the K.A.P.D. into voluntarism, advocating individual terrorism; the A.A.U.D.-E. into a councilism which denied the role of the party and called on formalistic guarantees against substitutionism; failing to recognise that the revolutionary consciousness of the working class is the only guarantee against a political group substituting itself for the class. Voluntarism and councilism were desperate attempts by dedicated communists to maintain revolutionary positions in the face of the counter-revolution. The defeat of the class was necessarily reflected in the programme and practices of the left communists. By the 1930's the lefts existed only as small groups who attempted to defend communist positions in the depth of capitalist

(1) From The Basic Issue of Organisation, reprinted in Workers Voice No.12

reaction, the most notable being Living Marxism in the U.S.A.

What were the strengths of the left communists in general and the K.A.P.D. in particular, and why do we see them as being the highest expression of the revolutionary struggle of 1917-21? First, following Luxemburg, they adhered to the view that capitalism was a decadent mode of production and that the new era was that of the proletarian revolution. From this fundamental premise they historically appraised those organisations and tactics which the working class had developed in the age of capitalist ascendancy.

"Now is the time to ask: to which tasks and objectives did the parties and trade unions lend great meaning in the pre-revolutionary epoch? Do these circumstances still exist, and can the parties and trade unions stand up to the requirements of the future? Or rather, do new objectives for the class struggle require organisations appropriate to these new tasks? If yes, which kind of organisations are now the organisations of the revolutionary and socialist epoch?" (1)

On the question of trade unions and parliament the A.A.U.D.-E. and the K.A.P.D. were in agreement. In the period in which the capitalist mode of production was historically progressive the working class could gain substantial reforms and organised accordingly. The class developed trade unions which furthered its position within capitalism, as Ruhle said for the A.A.U.D.-E.,

"We can never seriously think of denying the great value the trade unions have had for the proletariat as a means of struggle in defence of the workers interests." (2)

But under decadence the trade unions are no longer organs of the working class, just as capitalism is no longer a progressive mode of production. Again Ruhle,

"They have become the most loyal shield-bearers of the bourgeois class, the most reliable protective troops for the capitalist money-bag." (3)

and Gorter,

"The chief aim of trade unions is to reconstruct capitalism ... and accepts as a basis the political and economic union of the bourgeoisie and the proletariat." (4)

(1) Ruhle op.cit.

(2) Ruhle "From the Bourgeois to the Proletarian Revolution" p.32

(3) ibid p.34

(4) From Why We Need the Communist Workers International in Workers Voice No.13

It was not a failure of the leadership which caused trade unions to become organs against the class,

"The counter-revolutionary force of trade union bureaucracy cannot be weakened or done away with by a mere change of persons; it is the form of organisation which renders the masses well nigh impotent, which prevents them from making trade unions into organs of their proper will." (1)

Similarly, with parliamentarianism, the lefts saw it as a valid tactic in the nineteenth century, but in the age of decadence parliamentarianism could no longer be used,

"But this justification was null and void the instant that the proletariat arose as a revolutionary class and advanced its claim to take over the entire state and economic power." (2)

The age of reformist organisations of the working class was passed. The new period demanded that the class abandon all such organisations. This analysis contrasts with that of the majority Bolsheviks in the 3rd International to which the K.A.P.D. allied in 1920. Lenin, in Left Wing Communism, berated the left communists for their attitude to trade unions and parliamentarianism. He accepted that trade unions were a necessary part of the working class's struggle at the "beginning of the development of capitalism" but denied that they had become wholly reactionary. For Lenin it was the leaders who had become reactionary and not the organisation, hence all that was required was a change of leaders. Lenin also disagreed on the question of participating in parliament. Whilst accepting that "the epoch of bourgeois parliamentarianism has come to an end, the epoch of the dictatorship of the proletariat has begun.", he still denied that it followed from this that parliament must be abandoned by communists, arguing that account should be taken of the state of class consciousness. He thought that communists should participate in parliament "for the purpose of educating the backward strata" of the working class, rejecting that parliamentarianism necessarily led to defeat and demoralisation. The positions in Left Wing Communism were concretised in the "21 Theses" presented to the 2nd Congress of the 3rd International. These proposed that working within parliament and trade unions should be the policy of the International and all affiliated groups. This meant that the K.A.P.D. could no longer function as part of the 3rd International.

(1) Gorter Opportunism and Dogmatism, reprinted in Workers Voice No.11.

(2) Ruhle op.cit. p.25

From the outset the K.A.P.D. had accepted that the Russian Revolution was part of an international proletarian revolutionary movement, hence they allied with the 3rd International as an expression of that movement. They realised that the class must have a centrally organized, coherent party which was internationalist. Thus, when forced to leave the International they had both to assess its nature and the movement of the Soviet regime and respond accordingly. Their assessment of the International was tied to their views of the progress of the Russian Revolution. From the reformist positions of the "21 Theses" and the policies of the Bolsheviks they concluded that the International had become an instrument for the defence of Russia and was no longer an organisation which pressed forward in the interests of the world working class. Russia was seen to be moving into the capitalist orbit, hence the 3rd International was also becoming counter-revolutionary,

"Today the Moscow International finds itself in tow to the Amsterdam International, which means that it is actually in tow to the international bourgeoisie. The more Russia develops towards capitalism, the more apparent will be the bourgeois character of the Third International."

concluding that,

"

"The sooner an international centre comes into being, which will incorporate the interests of the proletarian, so much the sooner will the fall of the Third International take place ... " (1)

Although this attempt at forming a 4th International was stillborn because of the defeat of the revolutionary working class, nonetheless, it shows how serious the K.A.P.D. took the question of centrally organized leadership of the working class, and did not, as Lenin said, reject the necessity of leadership (see thesis 10).

The K.A.P.D. was not "a group of intellectuals and a few workers who imitate the worst features of intellectualism" (Lenin). It was the highest expression of the communist revolutionary period of 1917-21 which (accepting historical limitations on their understanding) theoretically grasped the nature of the period and the tactics applicable to it. Communists today must build on the experience and analysis of the German left communists, for without a clear understanding and acceptance of the concept of decadence and all that it entails, it is impossible to form a revolutionary organisation which will express coherently the class aims of the proletariat.

M.D.

(1) Gorter in Why We Need the Communist Workers International.

Theses on the Party

1. It is the historical task of the proletarian revolution to bring the disposal of the wealth of the earth into the hands of the working masses, to put an end to the private ownership of the means of production, thus rendering impossible the existence of a separate, exploiting, ruling class. This task involves freeing the economy of society from all fetters of political power and is, of course, posed on a world scale.

2. The ending of the capitalist mode of production, the taking over of this production, and putting it in the hands of the working class, the ending of all class divisions and withering of political institutions, and building of a communist economy is a historical process whose individual moments cannot be exactly predicted. But, as regards this question, the role which political power will play in this process is nevertheless settled on some points.

3. The proletarian revolution is at the same time a political and economic process. Neither as a political, nor as an economic process can it be solved on a national scale; the building of the world commune is absolutely necessary for its survival. Therefore it follows that until the final destruction of the power of capital on a world scale, the victorious part of the revolutionary proletariat still needs political power to defend, and if possible attack, the external political power of the counter-revolution.

4. In addition to these reasons which make political power necessary for the victorious part of the proletariat, there are additional reasons relating to the internal development of the revolution. The revolution - looked on as a political process - has indeed a decisive moment, the taking of political power. The revolution, viewed as an economic process, has no such decisive moment, long work will be necessary to take over the direction of the economy on the part of the proletariat, to eradicate the profit motive, and to replace it by an economy of needs. It is self-evident that during this period the bourgeoisie will not remain idle, but will try to regain power for the purpose of defending their profits. It follows that in the countries with a developed democratic ideology - that is, in the advanced industrial countries - they will seek to mislead the proletariat with democratic slogans. It is thus essential that the workers possess a strong, unwavering political power till they have taken over, in concrete terms, the control of the economy and broken the grip of the bourgeoisie. This period is the dictatorship of the proletariat.

5. The necessity for the proletariat to hold political power after the political victory of the revolution confirms, as a consequence, the necessity for a political organization of the proletariat just as much after as before the seizure of power.
6. The political workers' councils (Soviets) are the historically determined, all-embracing form of proletarian power and administration: at all times they pass the individual points of the class struggle and pose the question of complete power.
7. The historically determined form of organization, which groups together the most conscious and prepared proletarian fighters, is the Party. Since the historical task of the proletarian revolution is communism, this party, in its programme and in its ideology, can only be a communist party. The communist party must have a thoroughly worked out programmatic basis and must be organized and disciplined in its entirety from below, as a unified will. It must be the head and weapon of the revolution.
8. The main task of the communist party, just as much before as after the seizure of power, is, in the confusion and fluctuations of the proletarian revolution, to be the one clear and unflinching compass towards communism. The communist party must show the masses the way in all situations, not only in words, but also in deeds. In all the issues of the political struggle before the seizure of power, it must bring out in the clearest way, the difference between reforms and revolution, must brand every deviation to reformism as a betrayal of the revolution, and of the working class, and as giving new lease of life to the old system of profit. Just as there can be no community of interest between exploiter and exploited, so can there be no unity between reform and revolution. Social democratic reformism - whatever mask it might choose to wear - is today the greatest obstacle to the revolution, and the last hope of the ruling class.
9. The communist party must, therefore, unflinchingly oppose every manifestation of reformism and opportunism with equal determination in its programme, its press, its tactics, and activities. Especially it should never allow its membership to expand faster than is made possible by the power of absorption of the existing communist kernel.
10. Not only in its entirety, but in its individual moments, the revolution is a dialectical process; in the course of the revolution the masses make inevitable vacillations. The communist party, as the organization of the most conscious elements, must itself strive not to succumb to these vacillations, but to put them right. Through the clarity and the principled nature of their slogans, their unity of words and deeds, their entry into the struggle, the correctness of their predictions, they must help the proletariat to quickly and completely overcome each vacillation. Through its entire activity the communist party must

develop the class consciousness of the proletariat, even at the cost of being momentarily apparently in opposition to the masses. Only thus will the party, in the course of the revolutionary struggle, win the trust of the masses, and accomplish a revolutionary education of the widest numbers.

11. The communist party naturally must not lose contact with the masses. This means, aside from the obvious duty of indefatigable propaganda, that it must also intervene in the movement of the workers caused by economic needs and attempt to clarify such movements and develop them, by encouraging appeals for active solidarity so that the struggles are extended, and where possible, take on revolutionary and political forms. But the communist party cannot strengthen the spirit of opportunism by raising partial reformist demands in the name of the party.

12. The most important practical performance of the communists in the economic struggle of the workers lies in the organisation of those means of struggle, which in the revolutionary epoch in all the highly developed countries, are the only weapons suitable for such struggle. This means that the communists must therefore seek to unite the revolutionary workers, (not only the members of the communist party), to come together in the factories, and to build up the factory organisations (Betriebsorganisationen) which will unite into Unions and which will prepare for the taking over of production by the working class.

13. The revolutionary factory organisations (the Unions) are the foundation for the outbreak of struggles and action, nuclei of fighting workers, the forerunners and foundation of the revolutionary workers councils.

14. In creating these wide class organisations of the revolutionary proletariat, the communists prove the strength of a unified, united body. And in the Unions they give an example of communist theory in practice, seeking the victory of the proletarian revolution and subsequently the achievement of a communist economy.

15. The role of the party after the political victory of the revolution is dependent on the international situation and on the development of the class consciousness of the proletariat. While the dictatorship of the proletariat is necessary, the communist party must do all it can to push events in a communist direction. To this end, in all the industrialised countries it is absolutely necessary that the widest possible amount of revolutionary workers, under the influence of the spirit of the party, are actively involved in the taking over and transformation of the economy. Being organised in factories and Unions, schooled in individual conflicts, forming committees of action, are the necessary preparations which will be undertaken by the advanced guard of the working class itself and prepare them for the

development of the revolutionary struggle.

16. In as much as the masses, after the political victory of the revolution, are strong and ready in the Unions as their class organisations, to introduce the basis of the dictatorship of the proletariat into the council system, they will increase in importance in relation to the party. In as much as the masses further root their proletarian dictatorship in the consciousness of the broad masses, the party loses its importance against the workers' councils. Finally, to the extent that the safeguarding of the revolution by political violence becomes unnecessary, in as much as the masses finally change their dictatorship into a communist economy, the party ceases to exist.

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Revolutionary Perspectives wishes to open a political dialogue with readers who find themselves in sympathy with our political standpoint. To this end we invite observations and criticisms of our published material and will reply to all serious comments, publishing the exchanges should this be a positive contribution to the revolutionary movement.

We also invite those who find themselves in sympathy to take positive steps towards a practical demonstration of this, by a willingness to order bundles of our magazine for sale and to participate in our regular distribution of leaflets on issues of importance to the international class struggle. For details of these, contact the group address. And finally, financial support is not just invited from sympathisers, but positively solicited. (Blank postal orders or international money orders please.)