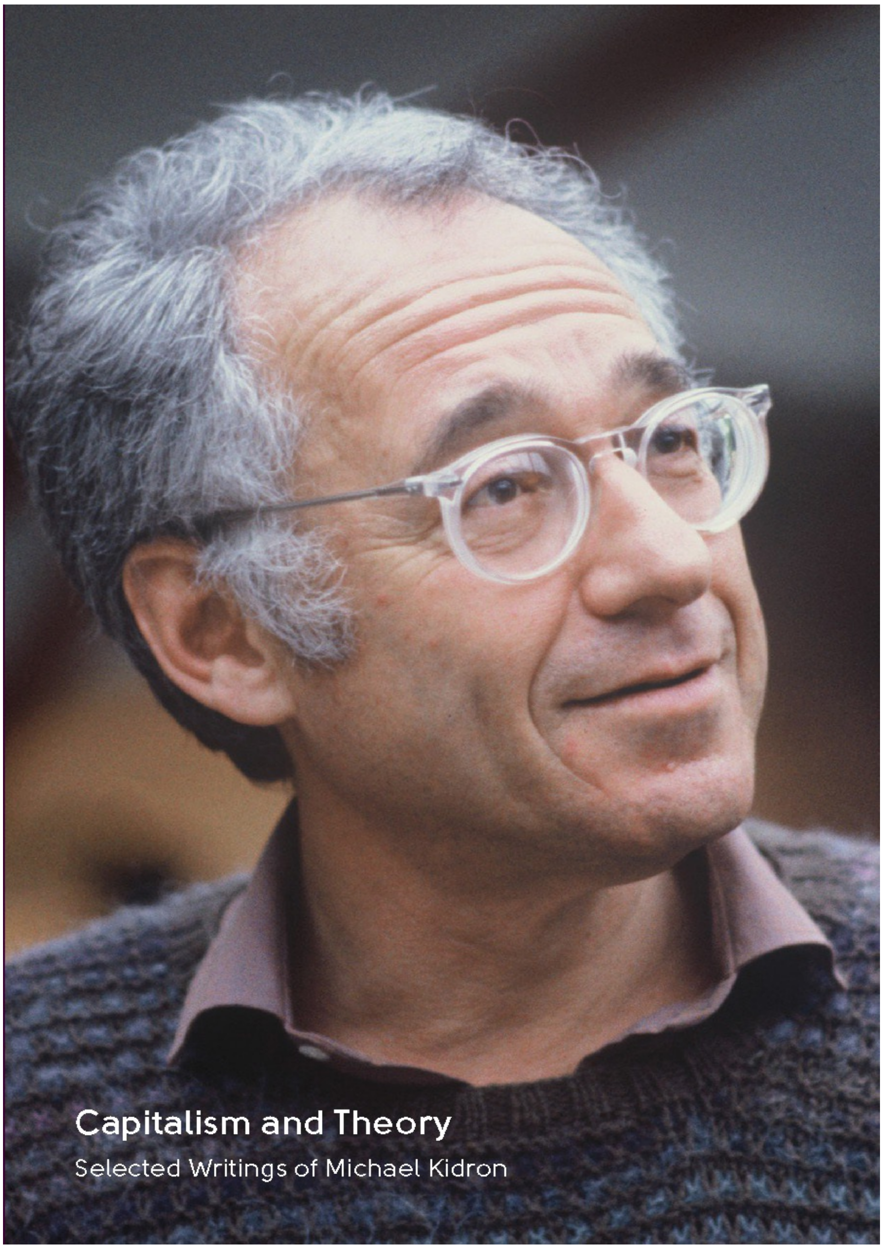
Capitalism and Theory
Selected Works of Michael Kidron

Edited by Richard Kuper

Haymarket Books
Chicago, Illinois
2018



Contents

Michael Kidron, front right, 1958

Acknowledgments

This collection of Michael Kidron's theoretical writing owes everything to the energy of his partner of many decades, Nina Kidron, without whom it would never have seen the light of day. That energy was matched by Ahmed Shawki's conviction that such a compilation would find an audience both among those who had been shaped by the politics reflected in these writings, and among younger generations who would be fired up by the commitment, energy, and enthusiasm for a better postcapitalist world which runs through everything Kidron wrote and did. This volume is the result.

Nigel Harris was originally asked to edit the collection but, in circumstances I have only a hazy recollection of, somehow bequeathed that role to me!

The essays are presented in chronological order and show Mike—as he was universally known—working and reworking his ideas and analyses over time as he tried to adapt and refashion a Marxist analysis fit for the purpose of dealing with the vagaries and changes of capitalism as a system of economic production and of social domination—and always with the goal of changing it.

Anne Bone made a substantial contribution, taking my draft introduction apart, making me rework and reorder it, and then doing a line-by-line subbing on my attempt to respond to her broad comments. In particular she wanted me to explain to those who were not already in the charmed circle of aficionados why it might be worth returning to Kidron's essays fifty years or more after their first publication. I hope I have gone some way toward achieving this.

They have also been lightly copyedited: references to "another article in this issue of the journal" tidied up, events "in Kuwait in 1961" explained ever so briefly, "the Six" explained as the Common Market countries, abbreviations like AEU or SDP spelled out, footnote references which were obscure clarified where possible, and certain grotesque infelicities of style which should never have passed muster in the first place lightly polished.

Much of this was at the behest of Ida Audeh, Haymarket's indefatigable copyeditor, who demanded clarifications that should have been required of the author in the fifties, sixties, and seventies when these essays were originally published! I did what I could to satisfy these demands; the text is the better for them.

Thanks also to Ian Birchall, Nigel Harris, John Palmer, and John Rudge for reading the draft Introduction and making important comments and corrections, which saved me from much potential embarrassment.

John Rudge also pulled together the short articles that elaborated the Socialist Review programme in the 1950s; these constitute Appendix A. More importantly, he provided an invaluable edited account of Mike's important contributions to the internal organisational debate in the International Socialism group in 1968, in a (failed) attempt to stop it going down the road of applying what he saw as inappropriate organisational ideas derived from quite different times and circumstances. These make up Appendix B.

Not only that. John stepped into the breach when the page proofs arrived and needed to be turned around rapidly. He read them, and then the corrected proofs, checking against the originals where necessary, and picked up a surprisingly large number of errors that had escaped other eyes. I am enormously grateful to him.

Thanks to Juliet Ash for permission to reproduce her late partner David Widgery's affectionate portrait of Michael Kidron, *The Revolutionary*, in Appendix C.

Finally, thanks to Nina Kidron, who gave permission for the republication of all of Mike's writings on behalf of the Michael Kidron Estate.

Richard Kuper
London, January 2018

Introduction

> Mike Kidron … was probably the most important Marxist economist of his generation … No adequate analysis of world capitalism in the 21st century can succeed without building on [his contributions to Marxist theory].
>
> —**Chris Harman**, *Socialist Review*, April 2003

> [W]ithout theory no organisation can do more than ride the tides of working class consciousness, which might be exhilarating as sport but is irrelevant as revolutionary politics.
>
> —**Michael Kidron**, 1977

Michael Kidron (20 September 1930–25 March 2003) was for many years a leading activist and theorist in the British International Socialism group. He contributed significantly to its development during the two decades in which it moved from being an isolated few dozen members on the fringes of the left, to becoming the largest revolutionary formation on the British left by the mid-1970s. A forceful, freethinking, and warm personality combined with acute economic and political insight to make Kidron one of the most important figures of his generation of socialist activists. In a world changed almost beyond recognition since he came to political awareness in the 1950s, his approach to political analysis and activity can still inform and inspire a rigorous but nondogmatic, critical enquiry today.

Kidron was born in Cape Town into an ardently Zionist family. The youngest of seven children, he was an adored but sickly child, further weakened by rheumatic fever at the age of thirteen. He left South Africa just after the war to join his parents, who had already emigrated to Palestine. There he went to the Tichon Hadash progressive school in Tel Aviv—where he rejected Zionism almost immediately—and afterwards to the Hebrew University of Jerusalem to study economics.

He clearly enjoyed the heady days of early 1950s Jerusalem immensely. But Israel was a backwater for anyone not tied in to the Zionist project. So, in 1953 Kidron came to England, going to Oxford as a postgraduate student in 1954. Knowing nothing of Oxford colleges, the story goes that he applied to the two colleges at the top of the alphabet and was accepted by Balliol.

In England, after a period of intense debate with his brother-in-law Ygael Gluckstein (who was married to Michael's older sister Chanie Rosenberg), they developed a close working relationship. Gluckstein (universally known by the pseudonym Tony Cliff) was trying to chart an independent Marxist course to the left of the Communist Party and the Bevanites in the Labour Party with the tiny Socialist Review group.[1] Kidron combined work in this milieu with his studies at Oxford. He thrived in the political world there, carving out a role as oppositionist within the opposition, becoming a fiercely independent libertarian Marxist, clashing vigorously with Communist Party hard-liners, Raphael Samuel in particular (before the 1956 Hungarian revolt had shattered their certainties).

When Kidron arrived in Britain, postwar stultification and complacency were pervasive. Cold War lines dominated political debate, and the Communist Party was a dominant presence on the far left of British politics. A handful of Trotskyist dissidents, often at odds with each other as well as with the wider left, still defended the Soviet Union, seen as a 'degenerated' workers' state, against western imperialism. It was here that the Socialist Review group stood out. This group was one of the fragments to emerge from the implosion of British Trotskyism in the late 1940s.[2] Avowedly Marxist but with a state capitalist analysis of the Soviet Union and a belief that a revolutionary approach should therefore be based on a "neither Washington nor Moscow" line, the Socialist Review group led a tenuous existence on the fringes of the left. It was this group that Kidron threw himself into, as agitator, organiser, writer, and sometime editor of its journal *Socialist Review*, which appeared on roughly a monthly basis.

In late February 1956 came the revelations contained in Khrushchev's secret speech to the 20th Congress of the Communist Party of the Soviet Union. Its attack on Stalinism caused convulsions in the Communist Party of Great Britain (CPGB). The already simmering discontent was expressed in E. P. Thompson and John Saville's internal but unofficial journal *The Reasoner*, which they were instructed to cease publishing after two issues. It came to a head with the Soviet invasion of Hungary and the CPGB leadership's refusal to condemn it, leading to the rapid exodus of around seven thousand party members (including many industrial workers and trade union officials).[3]

This upheaval on the left, and the emergence of what was called the New Left, was accompanied by the growth of a strong anti-war movement in the shape of the Campaign for Nuclear Disarmament (CND). By the early 1960s, CND was mobilising marches of a hundred thousand and more.[4] A political world had opened up in which revolutionary socialists could hope their ideas would find resonance.

In these stirring times, Kidron became editor of the journal *International Socialism (IS)*, on whose editorial board he remained until late 1968. Influenced in style by E. P. Thompson and John Saville's *New Reasoner* (the open successor to *The Reasoner)*, *IS* broke new ground. It tried under Kidron's editorship to draw in writers and members of the editorial collective who were not necessarily members of the Socialist Review group. Kidron was always looking beyond, wanting any organisation he was part of to be bigger, better, more influential while remaining at once committed, rigorous, and open-minded. *IS* was also imaginative in its appearance: Kidron drew in his close friend and eccentrically innovative designer, Robin Fior, as art editor and gave him a free hand.[5]

What characterised *Socialist Review* and then the *International Socialism* group was a series of interlinked analyses and propositions. These concerned the nature of the Soviet Union and the states of Eastern Europe as well as China and North Korea; an explanation of capitalist stability in the post-war period (in contrast to orthodox Trotskyism, which took Trotsky's pre-war prognostications very seriously and was waiting, impatiently, for capitalism's final crisis); and an account of the vibrancy of reformism within the working-class movement. I will return to these below.

Alongside these major themes, topics explored by Kidron ranged widely and commendably. In 1954 he wrote fifteen short articles for *Socialist Review*, ten of which were contributions spelling out the significance of the demands in the *Socialist Review* programme.[6] Articles were published under his own name but also appeared from K. Michaels and David Breen, no doubt in order to suggest a broader contributors' base than reality could provide. Further contributions showed the breadth of his critiques, from the previous Labour government's record to Kenya, from Egypt to China, from Jamaicans in Britain (and racist responses in the labour movement) to labour unrest in the docks and on the railways, from Rhodesia to the Gold Coast, from Cyprus to automation and redundancy, from the 20th Congress of the

Communist Party of the Soviet Union to the Tories, from shop-floor action to the decline of British capitalism.

Some aspects of these short contributions are bound to be dated (who knows today if £200 million of British capital invested in Egypt is an astronomically large sum or not?) or cause the occasional blush ("the worker and his wife"). But they still bear rereading both because of Kidron's ability to pass a swift and effective judgement and his consistent effort to situate the detail of any topic in some wider, more significant conceptual framework.

A long discussion of the mixed economy, full of empirical detail, concludes simply: "As used today, the slogan of a mixed economy is nothing other than a rehash of the old system, private capitalism aided by nationalized industries that are run by a capitalist state on capitalist lines in the interests of capitalism—very much the mixture as before."[7]

Or a look at Khrushchev takes a sharp swipe at the local Communist Party leader:

> Harry Pollitt speaking at a Moscow rubber plant in February said that he had been to Moscow fifty times since 1921 *(Daily Worker,* February 27, 1956). This Harry Pollitt saw no sign of the "cult of the individual" for forty-nine of these fifty times and on his fiftieth visit, after the leader had been dead three years, saw what he had missed all the time only after Khrushchev had told him to look. And yet this Harry Pollitt and the rest of the leadership of the British C.P. have gone through their own "Congress" and emerged unscathed.[8]

Or on the conflict in Cyprus:

> The Cypriot people can attain real independence only if they find an ally in their struggle against British Imperialism. An ally without ulterior motive. That ally should be the British working class. By weakening Capitalism at home we weaken Imperialism abroad.[9]

Underpinning Kidron's—and *Socialist Review*'s—political beliefs was a firm insistence that ordinary people could run their own lives, that workers were the exploited and effectively disenfranchised vast majority of society, and that an alternative to capitalism was possible via workers' self-organisation and self-liberation.

A lot of time and energy was spent talking to anyone who would listen and the potential audience, especially of young people, expanded after the Suez invasion of 1956, with the emergence of the New Left, and the growth of the Campaign for Nuclear Disarmament in particular. East End youngster Roger Cox, subsequently for many years a shop steward in the engineering industry in London, was attracted by Kidron's humour, warmth, sincerity:

> Then arrived on the scene two contrasting characters and the impact they had was quite unimaginable really. One was Robin Fiore [actually Fior] and the other was Mike Kidron. These two toffs, gents, spoke very posh. They came and had these arguments with us, do you know this, and they were incredibly unpatronising and quite funny, and again they were from this different world, a world which was more sophisticated, and again there was this opportunity to actually have a better understanding of the world, and they used to go round various groups of youngsters talking to them to lure them into Tony Cliff's front room where he gave these lectures on Marxism.[10]

David Widgery writes:

> Kidron was also one of the organisation's main orators, traipsing round pub meetings in Scotland and the North. I asked Jim Nichol … [at the time] a young Geordie bus conductor [and National Secretary of the Socialist Workers' Party in the late 1970s], if he was good: "He was marvellous. I hitched from Newcastle to York just to hear him

talk. He was bloody irresistible."[11]

All the while, too, Kidron and Cliff were a compelling partnership. Cliff, the more narrowly focused, single-minded, compulsive enticer of possible recruits, and Kidron, the more expansive, open, and wide-ranging in his interests. They would spend hours on the phone to each other every day in conversations that were conducted in Hebrew! It must have caused consternation to the security forces at Special Branch, but the reason for it was simply that Cliff's spoken English was nowhere near as good as Kidron's fluent Hebrew.[12]

Kidron—and the Socialist Review group—were not blind to reality. They knew that social democracy had very largely made its peace with capitalism, and reformism looked like a viable option for improving working lives. Keynesian planning seemed to have smoothed out the workings of the capitalist system, and many were arguing that all socialists could—or should—aspire to was running the system better, more fairly, and in an egalitarian fashion, in the interests of working people.[13]

Socialist Review was having none of this. Capitalist growth and stability was a fact, but it needed to be explained, not taken for granted, and the social democratic explanation would not wash. Capitalism was characterised by the need to accumulate and thus by compulsive competition. In the past the private ownership of the means of production had led this accumulation process into unplanned overinvestment and periodic crises of overproduction. Somehow these had been avoided in the post-war period, and Kidron set out to develop an explanation for this over the next decade and a half, via the theory of the permanent arms economy. This, Kidron argued, provided a mechanism for preventing overproduction by the production of waste goods in the arms industry, which leached value out of the system, value that would otherwise have had to be invested productively.[14]

The compulsive nature of capital accumulation was combined in this theory with another aspect of *Socialist Review* politics: its critique of the Soviet Union and Eastern Europe as state capitalist. This was the theory that Tony Cliff had first formulated and published as an internal bulletin in the Revolutionary Communist Party in 1948 as *The Nature of Stalinist Russia*. This was reworked for publication for a somewhat wider audience in *Stalinist Russia: A Marxist Analysis* (1955). It was elaborated and complemented by *On the Class Nature of the "People's Democracies"* (1950) and by *Stalin's Satellites in Europe* (1952), extending the analysis to the so-called People's Democracies, and further in *Mao's China: Economic and Political Survey* (1957). It argued, essentially, that a wonderful but thwarted revolution in Russia had, by 1929, suffered a counter-revolution under Stalin. The result in Russia, and by extension in those countries in Eastern Europe as well as China (none of which had had working-class revolutions, unlike Russia), needed to be understood as a variant form of capitalism ("state capitalism") without liberatory potential. It was this analysis that came to define the Socialist Review group as "state caps."

It was enormously liberating to be able to hold a revolutionary Marxist position that didn't require any apologetics for the twists and turns of Soviet policy or any need to deny the existence of or justify by turn the forced labour camps in the USSR. Central to the state capitalist analysis was the emphasis it placed not on the formal or putative power of workers in the so-called workers' states, but rather on their effective *lack of power*, deprived as they were of any effective control over planning and the means of production. Workers' uprisings in Hungary in 1956 and Czechoslovakia in 1967–68 were seen as the effective vindication of the theory.

So succour could not be found in the Second World (the world of the Communist countries), and socialism was not to be brought about by an expansion of the Soviet system.

Nor, argued *Socialist Review*, was it to be found in Third World[15] revolutions to which so many of the left turned in hope in this period. Enthusiasm about colonial revolution —"national liberation"—dominated the left for some thirty years after India and Pakistan's independence in 1947. In particular, Franz Fanon's *Wretched of the Earth* (1961) fuelled a powerful current of "third worldism." Outrage at colonial atrocities and sympathy for the poverty-stricken colonised or ex-colonised were for many transmuted into an identification with the immense array of continuing armed national liberation struggles (especially in the 1960s in Asia and Latin America). Fidel Castro's Cuban revolution was particularly seductive, as was Che Guevara's subsequent mission to spread the success story. For many, Third World revolution became the means to overthrow world capitalism and complete the task that the working classes of Europe and North America had failed to accomplish.

Socialist Review and the International Socialists (as the International Socialism group was increasingly referred to from the late sixties onwards) stood out strongly against this current. Kidron himself was deeply involved in the analysis of so-called developing countries. His initial research at Oxford had been on the creation of Indonesia out of the former Netherlands East Indies. Later he published *Foreign Investment in India* (1965) and, in 1972, a work on the foreign trade of Pakistan.[16] The edited papers of a conference on economic development in South Asia[17] made Kidron a leading specialist in the field.

This manifested itself in the politics of *Socialist Review/International Socialism* in a total absence of any illusion about the socialist nature of the emerging regimes. Anti-colonial struggles were supported against imperialism, but with no illusions that they were also steps on the road to socialism. Instead, the emphasis was cast back to the role of the working class in the advanced capitalist economies.

Here, the permanent arms economy helped make sense of the reality of an industrial working class that was increasingly combative but non-revolutionary in aspiration. An expanding capitalism was able to deliver reforms, and workers' living standards were generally improving in the 1950s and 1960s. But the relief from economic boom and bust and from the real crisis and contradiction that capitalism was prone to could not be staved off forever by arms spending. Shop-floor workers were acquiring power and self-confidence, and this would stand them in good stead in the rocky days ahead.[18]

This emphasis on workers' self-activity had always been at the heart of Kidron's own thinking. He wrote a scathing critique of Ken Alexander's 1959 proposal for a socialist wages plan that envisaged a (Labour) government–trade union alliance working loosely with the employers to provide stable prices, income redistribution via taxation, and more.[19] Of course reforms were possible, affirmed Kidron: "But they do not derive from abstract planning of alliances between Party and Union machines, nor from slick attempts to inveigle an enemy state into part-expropriating its rulers. The matrix of reform is workers' strength in pursuing the class struggle."[20] And Kidron displayed a lively feel both for the nitty-gritty of the daily life circumstances that threw workers into conflict and for the role of socialists in it:

> Working-class consciousness, working-class action is the philosophers' stone that transmutes favourable circumstances into better conditions; it is, equally, the sole agent in seizing power to change society, in building a workers' state to smash the capitalist one.
>
> The socialist's job is to work with and on this consciousness, to deepen it, make it more inclusive; to make, in other words, working-class action contradict the system more directly and unambiguously.[21]

Or, as John Palmer recalls Kidron saying: "The revolutionary is a reformer—but one who means it!"[22]

This approach to shop-floor conflict complemented perfectly the insights of the theory of the permanent arms economy. A prelude to this theory is provided in Kidron's "Rejoinder to Left Reformism," where he argued against Henry Collins, a staff tutor with the University of Oxford extramural department whose "Left Reformism Restated" was published in *International Socialism* in 1962, that "the problem presented by the absence of major slumps these last twenty years boils down to an enquiry into the factors that have fractured the compulsive accumulation-overproduction sequence. Is it planning, as Collins would have it, or something else?" And he answered his own question with a discourse on the importance of the issue of military spending and investment.[23]

This was now spelled out in a series of essays by Kidron, the most significant of which was an important ground-clearing piece of work: Kidron's critique of Lenin's theory of imperialism. "Imperialism: Highest Stage but One"[24] was a bold and iconoclastic intervention, taking one of the sacred cows of Marxist theory, widely and reverentially read particularly by members of the Third World intelligentsia,[25] and saying it was no longer up to the job. The permanent arms economy rather than imperialism was argued to be the "highest stage."

The theory was further refined in two essays, "International Capitalism" and "A Permanent Arms Economy," and in his book *Western Capitalism since the War* (1968). Slightly reworked it reached its most developed exposition in "Capitalism—The Latest Stage," as part of a collection of *International Socialism* essays published by a mainstream publisher Hutchinson in 1971.[26]

The theory was much debated in a series of contestations, which Kidron himself later described in characteristically wry fashion: "There was a confused debate in the *IS Bulletin* in the Spring and Summer of 1972, a series of intemperate attacks by some of the principals in that debate once they had constituted an independent political grouping and some censorious chalking of blackboards from new entrants into academe via the Communist Party."[27]

Around the same period Kidron produced other essays, all of which contain interesting and provocative ideas about how capitalism was developing. An extended review of Ernest Mandel's *Marxist Economic Theory* shows Kidron at both his analytical and blisteringly polemical best:

> Mandel's Economics is a Marxist failure. It is unsure of the central capitalist dynamic. It evades the essentials of the system as it operates today. It is more concerned with defending Marx's categories of analysis than with applying them. In consequence, it does little damage to the system intellectually or, by derivation, in practice.

His short essay "Memories of Development" painted a profoundly pessimistic (and spectacularly inaccurate!) view of the possibility of underdeveloped countries developing without revolution in the heartlands.[28] Another, entitled "Black Reformism," was an analysis and critique of theories of unequal exchange (popularised notably by Arghiri Emmanuel in his book on the topic) and was similarly pessimistic.[29] The immense capitals accumulated in the North were such that no country in the South could hope to attain them on their own, Kidron argued. The key to development lay not in a fairer deal for the Third World, but once again in revolution at the centre. Finally, Kidron produced a contribution to the debate about productive and unproductive labour under capitalism, involving an original empirical analysis of waste in the US economy in 1970.[30]

But over this period Kidron's dissatisfaction was growing, both with the direction that International Socialism was taking as an organisation, and also with the state of its theory.

Interim conclusions were finally expressed in 1977 in a self-critique, "Two Insights Don't Make a Theory," which he was asked to write to coincide with the hundredth edition of *International Socialism*. Here he started by arguing that while he—and the International Socialists—had been right about the general thrust of Marx's argument, he now believed that "the model of capitalism we were using was the wrong one—we were working with a model of private capitalism in a period of consolidating state capitalism." Among the conclusions he drew from this was that "it was despite the arms economy, not because of it" that we had seen "an unprecedented expansion of capital." He tentatively suggested other changes "that attended the consolidation of the state capitalist system" to explain the expansion that had taken place. And he ended this partial self-critique by clawing back somewhat, affirming that, while there were "a disturbing number of loose ends left by IS's originally illuminating but unconnected insights into contemporary capitalism … [t]hey need not remain loose ends. They can be woven into a general theory; and they need to be."[31]

The intellectual disagreement with the International Socialists, and indeed with his own contribution, was in reality the culmination of an almost decadelong process of disenchantment. In 1968, responding particularly to growing challenges to the system expressed in the burgeoning student movement, the Vietnam Solidarity Campaign, and the mass strike in France in May 1968, the charismatic leader of the International Socialism group, Tony Cliff, launched a debate on the need for the group to transform itself organisationally, arguing that in the new context we faced, the need for a revolutionary party was firmly on the agenda. Kidron made a number of contributions to the debate in 1968[32] about what he termed "the transition from a propaganda-and-protest organisation to a political one," a change which he certainly endorsed in principle.[33] But he was uneasy about the arguments used, spoke against the changes at the two International Socialism conferences held in 1968 on this question, and feared that the organisational proposals adopted (and justified as the adoption of "democratic centralism") were ill-judged and ill-justified.[34]

By the time of Kidron's "Two Insights Don't Make a Theory," the International Socialism group had transformed itself into the Socialist Workers Party and was not happy to have its fundamental tenets challenged. A spirited defence of the theory of the permanent arms economy and an attack on the abstractness of Kidron's model of state capitalism was mounted by its leading theorist, Chris Harman.[35] Kidron did not respond and the debate was not continued. With hindsight we can see that everyone's analyses were in trouble: Keynesian social democracy was entering a deep crisis, with neoliberal alternatives making a tentative appearance on the horizon as global capital began yet another enormous leap forward beyond the confines of the national state. And un(der)developed countries like China, India, South Korea, and Brazil were indeed able to emerge as economic giants in the 1980s and continue to be so.

While working in Hull, Kidron had remained a member of the International Socialists' National Committee for some years. But from 1972, when he moved back to London, he became less involved in branch work or day-to-day engagement with the organisation, though he continued to be invited to give talks until the mid-1970s. But he found himself watching the organisation he had contributed so much to building in its earlier years becoming less tolerant in style, more and more focused on recruiting, on loyalty and "the line," and obsessively concerned with "building the party."

He decided to leave sometime in the mid-1970s. It was a painful decision and he agonised over it, feeling bereft without it. He had been associated with and indeed a key part of Socialist Review/International Socialism almost his entire adult life. David Widgery, a great admirer of Kidron, said he shared Kidron's criticisms (and admired Mike's strength in leaving), but that he (David) couldn't make the break, because the organization was his home and family and he couldn't conceive of turning his back on it or living without it.[36]

In 1972 Kidron and his wife Nina joined Pluto Press, which had been founded at the end of 1969 by Richard Kuper as a semi-autonomous publishing house for the International Socialism group. With their arrival, the ambition of Pluto was transformed and its relationship with the organisation, never easy, was to become increasingly tense. Pluto Press and socialist publishing was to be Kidron's main arena of political engagement for the next decade and more, as editor and then in the 1980s as author once again.

It was this period that saw Pluto Press flourish as an engaged publisher, indeed the most engaged and politically successful of the United Kingdom's left publishing houses in this period. In 1973 the first *Big Red Diary*, inspired by Kidron, was published. Small in size (A6 – 5.8 x 4.1 in.) to belie its name, graphically innovative, crammed with information about British and world capitalism and tips on how to organise and how to find out what revolutionaries needed to know, it proved a great success. It was liberally illustrated with images across the diary pages, and virtually every day had some bit of information from movement history:

Feb: Sa 23: 1917 St Petersburg. Ignoring the Bolsheviks, women textile workers come out on strike. The Bolshevik revolution begins.

Mar: Tu 12: 1955 New York. "Bird Flown": Charlie Parker, Be-Bop revolutionary, dies at 35.

Nov: We 20: 1970 London. 5 members of women's liberation arrested for throwing smoke bombs and shaking rattles during "Miss World" contest. "The competition will soon be over. We're not beautiful. We're not ugly. We're angry."

A Workers' Handbook series was launched in 1974 with a very successful volume by Patrick Kinnersly, *The Hazards of Work: How to Fight Them*, which Kidron edited. Many books followed, ranging widely over issues such as Marxist theory, socialist feminism, the politics of race and immigration, industrial relations and class struggle, and movement history. A Pluto Plays series was launched, initiating the idea of having playscripts on sale on the opening night of new performances; and in the 1980s a Pluto crime series was introduced. Pluto Press went from strength to strength over this period, though its economic viability was always a little close to the edge, as its "Ten Years in the Red" celebration (actually held in 1982) attested. As independent left commentator Paul Anderson testified: "In the 1970s and 1980s, Kidron played a key role in Pluto Press, the radical publisher that was for a dozen or more years the jewel in the British intellectual left's crown."[37]

Pluto continued to publish a number of key texts by Tony Cliff, from his *The Crisis: Social Contract or Socialism* (a wild misreading of the situation in 1976), to the four volumes of his political biography of Lenin (1975–79). But many of its publications were, from an International Socialism/Socialist Workers Party point of view, far too eclectic, not at all concerned to follow any "line." The tension was finally resolved when the party set up its own publishing house, Bookmarks, which became the natural home for its political output.

Kidron's fascination with capitalism and its workings remained undimmed. What it could accomplish never ceased to amaze him, as it had Marx in the *Communist Manifesto*. He became an author again, chronicling changes in the world system graphically in the highly innovative *The State of the World Atlas*, co-authored with Ronald Segal (1981) and in *The War Atlas*, co-authored with Dan Smith (1983).[38] Kidron and Segal continued their collaboration with *The Book of Business, Money, Power,* in which rich graphic forms of presentation, innovative in their day, were used to illustrate the nature of capitalism, together with a series of playable games, of which they said in the Preface:

> [W]e believe that the technique itself says something about the essential nature of the business system. For much of business is conducted as a game with rules—if only there to be broken—and where winning is all that matters. That the counters may well be people is of little consequence. Cruelty is as irrelevant as compassion. The game is its own morality.[39]

It was a book that earned an accolade from world-renowned historian of economic thought, Robert Heilbroner: "This will teach you more about the modern day capitalism than you would learn by reading all the books of its Nobel Prizewinners."

And all the while, through years of personal upheaval and illness, Kidron laboured away at a more theoretical understanding of the system as a whole. With an ambition reminiscent of Marx in his early manuscripts, Kidron now tried to link the economic underpinnings of the system to its disastrous environmental impacts on the one hand, and its effects on the individual psyche on the other. Vast accumulations of data, and enormously wide-ranging reading on history, psychology, war, and personal life, fed into the outline of a new synthesis and major work entitled provisionally *Presence of the Future: The Costs of Capitalism and the Transition to Ecological Society*.

The book was to remain unfinished—radically unfinished in many ways—though two small sections were carved out for publication. "The Injured Self" (2001), which dealt with the harm done to humans under modern capitalism, and "Failing Growth and Rampant Costs: Two Ghosts in the Machine of Modern Capitalism" (2002), made their way into print in 2001 and 2002, shortly before Kidron died. These essays, included in this collection, show that Kidron had lost nothing of his razor-sharp insight, humour, and drive to grasp the essence of the topic in hand.

Kidron's legacy is important today. His essays and agitational writings bear re-reading, time and again. You can almost see Kidron at work, attempting to distil the essence of a situation into clear, accessible propositions that can be weighed and assessed and that can give direction to political action. Kidron gave people insight, he gave them hope, he gave them energy and enthusiasm. Above all, he sought *clarity*. And where this clarity was inadequate, he was eager to rethink and try again. For Kidron, Marxism was an orientation, a method, an analytical framework—not a set of holy texts, dogmas, and associated rituals. To change the world in a self-consciously socialist direction, it needed first to be understood. And if the insights and provisional understandings did not stand the test of time, it was time to think again. To repeat Kidron's words in his 1977 (self-)critique: "[W]ithout theory no organisation can do more than ride the tides of working class consciousness, which might be exhilarating as sport but is irrelevant as revolutionary politics."[40] What gave his contributions their value was, for him, their potential contribution to the only cause that mattered—that of human liberation.

Richard Kuper
15 December 2017

Chapter 1

Reform and Revolution: Rejoinder to Left Reformism II[1] [1961]

This article will attempt to take up the case against Left Reformism, as it was presented by Henry Collins in the last issue of *International Socialism*, at the point where Alasdair MacIntyre left it. In doing so it will try to meet Collins on the grounds of his own choosing and, simultaneously, fill in some of the gaps left by MacIntyre's more methodological treatment.

Although nowhere presented in sequence, Collins's argument amounts to a straight, rather crude, economism. By providing relatively full employment and a rising standard of living, capitalism can prevent the frustrations it engenders among workers from congealing into violent, revolutionary opposition. It has succeeded in doing so in the past—at least since the 1870s—through exporting surplus goods and capital, and with them unemployment, to colonial and backward countries. It is doing so now by "funnelling money from the private to the public sector and by expanding credit," that is, by a measure of planning; and it will be able to do so in the future by internationalising the planning process or, in greater detail, by strengthening international currency control, rationalising international trade, and so arming itself with the means to undertake the industrialisation of backward countries. This, in turn, will provide it with a vast new market. Naturally, planning—whether national or international—is not welcomed by the orthodox, but they have no choice. The growing power of "communism" compels capitalism to adopt the very measures it dreads or, at least, inhibits its opposition to planning measures thrust on it by the workers. Ultimately, "communist" and working class pressure will result in the progressive assimilation of a degree of planning that will constitute "socialism." And we're there—without revolution.

There are a number of points in Collins's thesis with which revolutionary socialists will want to quarrel. I shall deal with three of them: the role of planning in the stability of modern capitalism, the possibility of international planning today, and the problem of working class action. Two others—the effect of development in backward countries on capitalist stability and the role of the state—will have to wait for another occasion.

Stability and Planning

For reformists, capitalist instability is subject to cure within the system; for revolutionary socialists it is not. The reformist will point to the absence of major slumps since before the war; the revolutionary—apart from a lunatic fringe who see in every visit to the labour exchange a prelude to hunger marches—will accept the fact but question its relevance. Slumps have never defined the system; they merely indicated, viciously and publicly, its contradictory nature. Ultimately they derive from factors that are as inherent in capitalism today as they ever were, and which remain as powerful a source of instability.

Were it not that the productive forces of society are controlled by an infinitesimal minority of its members, the capitalists, the disposition of its resources over and above what is required for renewal would present no problem. It would conform to a pattern formulated by all in terms of present and projected needs and wishes. Were it not for competition amongst capitalists, whether organised in monopolies or not, there would be no compulsion for them to accumulate these surpluses and re-invest them in a constant, unplanned expansion of the productive structure. These statements are axiomatic in my argument. Without both these factors there would be no reason for the blind accumulation of capital—blind in the sense that it bears no immediate relation to the consumer needs of society—that has always defined the capitalist system. And it is this compulsive accumulation, the expansion of capacity in response to the exigencies of competition rather than to the needs of society, that has been the final cause of the periodic crises of overproduction that punctuated the development of capitalism until quite recently. It is also for Marx the underlying factor in the long-term decline in the rate of profit which, by lowering the ceiling of booms and shortening their duration, presaged for him a future of increasingly catastrophic slumps.

For Marxists, the problem presented by the absence of major slumps these last twenty years boils down to an enquiry into the factors that have fractured the compulsive accumulation-overproduction sequence. Is it planning, as Collins would have it, or something else? Logically, the factors fall into two groups: capitalism can either expand its markets or else destroy, partially or wholly, its constantly accumulating productive capacity. It is the first of these that has always appealed to reformist socialism: if only capitalists could be cajoled (right reformism) or forced (left reformism) into raising wages, a market would open up within the system which would both save it from crisis and benefit the working class. Thus Strachey. Thus Collins. But how useless! Were wages to increase at a greater rate than the increase in productivity, or the increase in the rate of exploitation, for any length of time, the rate of profit would fall and crises proliferate. Wages can, and have of course, been forced up, but always—in the long run—within these limits where they are ineffective in opening up *new* markets, however important they are in humanising the condition of the working class. An alternative market, once highly favoured by reformists but now rejected in a rush of newfound international brotherhood, was that of the colonial world. This was the Fabianism of the Webbs. It was imperialism.[2] But here too there was a catch. Although an effective evacuant of surplus capital for a time, imperialist investment merely postponed overproduction until the new capacity emptied its products on world markets. It could not serve as a permanent solution, because it disposed of capital accumulations in an essentially productive way.

This brings us to the second type of solution open to capitalism: the destruction or partial destruction of capital. Even in its most progressive phase, capitalism has resorted to destruction in order to sustain itself. Slumps were ruinous of capital; wars even more so. Advertising and the imposition of low standards (the interment of the perpetual electric light bulb or the ladder-resistant nylon stocking) play a small part in this today. Before taking up the discussion of the dynamics and limitations of this approach, a word or two need be said about a possible combination of the two types of solution, a combination that couples the search for markets with the control over accumulation. As Collins rightly points out:

> [I]n the second volume of *Capital* Marx went on to show how the stability of a capitalist economy depended upon proportionate rates of growth being maintained in the sectors producing capital and consumer goods. Contrary to the teachings of the classical and vulgar economists there was no built-in tendency for such proportionate growth to occur, and crises of over-investment and under-consumption were, for all practical purposes, inevitable.

If the proportions could be maintained, capital prevented from flowing out of the heavy sector to consumer goods production in boom times, the system could be stabilised. This, Collins implies, can be assured through state intervention, which only now has become sufficiently massive and conscious to be effective. Perhaps. But, as this section will attempt to show, fixing the correct proportions is a function of the systematic destruction of potentially productive accumulation.

Capitalism is a naturally expanding system. In its industrial form it has spread from Britain both as an extension of the British economy (the Old Dominions) and as a defence against British encroachment and overlordship (large parts of Europe, for example). In many of the later, independent, and defensive capitalist economies (say in Germany or Japan), viability depended from the start on a degree of concentration of available capital and on a degree of interpenetration with the state, particularly with its active military arm, that were significantly different to what obtained in Britain. Naturally, foreign "aggressiveness" fed back into the leading capitalist countries: they met concentration of capital abroad with concentration at home, tariffs with tariffs, state intervention with state intervention, militarism with militarism.

Readers will pardon the foreshortened and necessarily distorted sketch of capitalist development given here. Without it, it would be difficult to appreciate the normalcy of world war to the system or the critical importance of "defence" and the Bomb in contemporary politics.

Structurally, the impact of militarism on the capitalist economy has been enormous. It has speeded the relative growth of manufacturing so as to dwarf all other forms of capitalist activity: the huge United States industrial establishment doubled its capacity in only four years of total war.[3] Relative growth and official encouragement (through taxation and other measures) have combined to make industrial financing largely an internal operation, securing the position of giant industrial capital as the major locus of accumulation in society and reducing the function of the banks and other financial intermediaries. Between 1949 and 1953, all industrial companies in Britain saved 5 percent more than they invested directly.[4] Military and other state-inspired orders have hastened the concentration of capital and accentuated the difference in expansion between big and small capital. Within industry it is heavy manufacturing and particularly the giant metal-using and chemical combines that have grown fastest: between 1949 and 1955 the largest hundred companies in Britain increased their share of industrial profits from 25.2 to 31.5 percent; they were growing at a rate of 12.1 percent compound per year compared with 6.8 percent for all industrial companies.[5] Naturally, war and militarism have enhanced the economic role of the state: tax receipts have risen from under 7 percent of national income on the eve of World War I to some 30 percent today; the state is now responsible for some 45 percent of gross fixed investment, for some 20 percent of output, and so on. The picture is familiar. It goes without saying that the vast and growing size of the large capital agglomerates and the crucial importance of state economic activity make for integration between the two in activity, in policy and, increasingly, in personnel. That this integration is such as to allow a large measure of conscious direction—of planning—by capitalism is also obvious. But to say this is far different from attributing to planning the major stabilising role in modern capitalism.

This is where the argument links up with capitalism's second "solution" to the problem of overproduction. It is self-evident that wars have always destroyed accumulations. To our generation at least, it should be as self-evident that the bloated "defence" budgets have a parallel effect. Since about 1950 something like half of the investible surplus in Britain (give or take a few percentage points) has been diverted through taxation from productive accumulation to the military budget. That the problem of overinvestment has been correspondingly reduced needs no comment. When it is remembered that a market for destructive ironmongery is created by military expenditure; that this market hinges very largely on the products of the capital goods sector; that its emergence has reduced the importance of rigorous gearing between the output of capital goods and of consumer goods (the proportionality between Departments I and II in Marx's model) and so permits a much looser form of planning (*economie concertée* as it is known in France as opposed to structural planning)—when all this is remembered, the importance of the permanent arms economy for capitalist stability can begin to be grasped. To repeat, the arms budget cuts deep into investible surpluses; it provides resources for the capitalist state to maintain a rough correspondence between the major economic sectors; and, through its effect on the size, structure and number of the important capital concentrations, it makes the need to correlate the parts of the system apparent.

Even then we should be careful not to attribute too much effect to planning as such. As generation after generation of missiles chase each other into the limbo of obsolescence, and the market for war goods remains unsatisfied (as can be seen from the farcical unpreparedness of British capitalism to mount even the most tin-pot operation, as at Suez five years ago in 1956 or in Kuwait in 1961 [following an Iraqi threat to Kuwait's newfound independence—ed.], hundreds of thousands of workers are nevertheless employed in the military sector. They do not buy the stores they produce, so the wages they earn help to sustain the traditional consumer goods sector and, at one remove, the truncated capital goods sector. The demand for labour is kept high, its bargaining power remains strong, its standard of living rises (but not so much as would cut into profits) and, given the monopolistic concentration of modern capital, prices rise *in perpetuo*. The boom is on. Rather than being a product of planning, it is a natural outcome of the creation of a war market from the ruins of productive investment. True, individual capitalists mutter darkly about taxation and inflation. If only the "burden of defence" were less, they might be able to exploit the boom by investing, selling, and expanding more. True too that the capitalist class in one country might find the burden debilitating in international competition, and might even take steps—as the British bourgeoisie have done since 1953 under pressure of foreign, particularly German, competition in traditional markets—to reduce it. But whether they like it or not, an end to "defence" would mean an end to the boom and—to anticipate—of the capitalist system.

Again, the growth in relative size of capital agglomerates and, particularly, the ascendancy of the industrial giants and their independence in the sense already mentioned, have had effects of their own on capitalist stability. The cyclical fluctuations that derived to some extent, from independent movements in interest rates and changes in the level of stocks, have lessened.

It is difficult to attribute much influence to planning as such in these developments. And yet it would be foolish to deny that there has, indeed, been a growth in planning within modern capitalist economies. This same growth in the size of capital, the time taken for a major investment project to pass from project stage to production and the complex mutual dependence of such independent decisions, makes some form of coordination essential to them. Steel is a case in point. In order to bring some order into their affairs, the Iron and Steel Federation was compelled last year not only to produce a five-year plan for their members' own production, but to approach the major steel-using industries—weapon and machine manufacturing, vehicle building, civil construction, and so on—for estimates of their production in the period. Not too much should be made of this in itself, but when coupled with the economic importance of the state, the integration of the private sector with it—an integration based largely on the production of military "use values"—the growth of planning within and between industries, overt or covert, can be understood.

It is a pity to leave the matter here. The forms of planning make interesting study, as does the conflict between the need to plan and the anti-planning ideology inherent in capitalism.

The same holds for the role of the Labour government in rationalising the planning structure of British capitalism after the war. But space is short and, besides, there is enough here to elucidate the gulf that separates Collins from us. For him planning is imposed on capitalism, in defiance of its will and interests; for us, the planning that exists is an expression of contemporary capitalism's most vital needs. He sees in state planning an independent factor opposed to the free workings of the system, modifying its imbalances, flattening its natural fluctuations; we see it as one outcome amongst others of the arms economy, subservient to it, and much less important in lending stability to the system than the unceasing destruction of potential productive capacity, which lies at the very heart of the system. To accept such planning without inquiring into its antecedents is to condone the threatening holocaust.

International Planning

Innocent as he is of any real insight into the nature of national planning, it is not surprising to see Collins make the leap into international planning without turning a hair. Naturally, orthodox pundits might not like the idea, but there are always heavy guns like Triffin or Shonfield to bombard them into submission.[6] So Collins.

One would have thought the most superficial glance abroad sufficient to sink the idea that international planning is simply an *extension* of the planning that takes place in each country. To take a current example of importance, the furious bargaining on the road to cartel-Europe, between British capital and that of the Six [i.e., the Common Market countries —ed.], British and Commonwealth capital, German and French, and so on, is a clear enough indication of the difficulties involved. Turning eastwards, we still do not find the close international planning one would expect. One of Gomulka's long-standing complaints has been the refusal of Eastern Bloc countries to coordinate their investment plans[7] and the violence done to "full economic coordination" by Russia's dumping barley in Western Europe while China goes begging food grains in Canada or Australia needs no comment; nor does it look much like positive planning when Moscow withdraws aid and technicians to the accompaniment of Peking's boasts of going it alone.[8]

To ignore these conflicts is to ignore the stuff of international relations within both of the blocs. It is to ignore the fact that a ruling class is defined by its control of the productive apparatus; that its power in relation to other ruling classes is a function of the strength of its productive base compared with theirs; and that it will relinquish absolute power sufficient to collaborate with other ruling classes only if not doing so would endanger its continued existence. This does not mean that rudimentary international planning does not exist here and there. However vicious the bargaining, the European Common Market is a fact and an expanding one; economic activity, especially in trade, is concerted amongst Eastern Bloc countries; international aid consortia are being formed to help finance development in some backward countries. But such planning is no more an extension of national planning than the latter is an extension of workshop planning. On the contrary, international planning, such as it is, reflects the unplanned chaos of the world market, the competitive struggle in that market in much the same way as planning between firms to form cartels reflects the competitive relations between producers in a "pure," isolated capitalist market. There is nothing new here. Marx is studded with references to the contrast between (and interdependence of) the a priori system of planning within the workshop and the anarchic, unplanned relations between workshops which, a posteriori and chaotically, impose some sort of pattern on capitalist production as a whole and which, in the final analysis, provide the coordinates for workshop planning. The only differences lie in the size of the basic planning units (workshops have given way to multi-plant firms in some cases, national productive structures in others), the size of the operative market (international rather than national or local) and, most important, the form of competition (from largely commercial rivalry, armed at times, to overwhelmingly military confrontation, with "peaceful" interludes).

We are back again with the permanent arms economy, but this time in the guise of Cold War or "competitive coexistence," whichever happens to be the passing phase of East–West relations. While there might be room for argument as to how far international planning is ousting traditional competition within each bloc, not even Collins can argue (and he stops short of the attempt) that there are any signs of it straddling the Iron Curtain. Bloc planning in East or West, the grudging withdrawal from unfettered sovereignty on the part of some at least of the ruling classes in either camp, can be explained almost entirely in terms of the dire competition between them.

Two results of this situation are of critical importance to the labour movement and to the future of socialism. First is the fact that the ruling class on both sides of the Iron Curtain increasingly derive their stability—or, as the sociologists would call it, their "legitimacy"—from the Cold War, from the current form of international competition. Second, this stability and the stability of the systems that sustain it are constantly endangered by the Cold War itself.

Early in this article the point was made that the capitalist's function consists in transforming the competitive pressures derived from outside his sphere of control, from the point of conflict of a number of capitals, into accumulation. Accumulation, although "blind" in the sense shown, is yet the result of conscious decision on the part of the capitalists. Were it not for their control of the productive apparatus, they would not be in a position to take the necessary decisions; were it not that no single capitalist controls the entire productive apparatus, the decision itself would be unnecessary. All this is common ground among socialists when it comes to analysing orthodox, Western capitalism. But as soon as the same type of analysis is attempted for the relations between capitalist *countries* rather than *firms*, or applied to the accumulating societies that have sprung up beyond the bounds of the system as they were known to Marx, we are met by Collins's references to "international planning," "primitive socialist (*sic*) accumulation," "communist society," and the like.

Very, very briefly then, more in order to trace the roots of Cold War *within* the world capitalist system (and not, as Collins would have it, as something too foreign to its nature to deserve mention in his article than to set out a case for the state capitalist analysis of society east of the Iron Curtain[9]), the argument as it applies to Russia would look like this.

After revolution, civil war, and intervention, it was clear that the Russian economy, one of the most backward in Europe, isolated by the defeat of the European revolution and under constant threat of external attack, could exist only if it achieved military power sufficient to deter its actual and potential invaders. Military power, then as now, could be attained only by massive investments which, under the prevailing conditions of backwardness, meant forced savings, freezing or even lowering the level of consumption of the masses in order to extract as much investible surplus as possible for capital accumulation. Naturally, the workers ranged themselves against the process. And yet it was imperative in the conditions of the time. If it were to be consummated and territorial Russia saved from conquest and restoration, the self-appointed agents of accumulation, the bureaucracy, had to escape control by the masses, had to crush the extreme working class democracy which October had ushered into the world. They had to assert control over the process of accumulation, over production. In other words, they had to constitute a ruling class as devoted to the accumulation of capital as their more orthodox counterparts in the West.

Its birth in revolution, war, backwardness, and isolation goes far to explain the high concentration of capital adopted by the bureaucracy, its collectivist control over the productive apparatus, and its early inability to meet competition with other than military means. From its beginnings, accumulation for defence was its rationale, making its control over production, if not acceptable, at least inevitable in the minds of the Russian workers.

Needless to say, the growing military power of the Russian and its sister bureaucracies has been as much a precipitant of militarisation in the West—with results that have been sketched in the first section of this article—as it has been a consequence. Without going into the details of their mutual interaction, it is clear that their role in "defending society" on either side of the Iron Curtain provides the ruling class with the justification for continuing their control of accumulation and production. Each side constitutes a realm of necessity for the other, a condition for the existence of the other's ruling class in much the same way as the competitive coexistence of different centres of capital within the orthodox Western system has been—and still very largely is—a condition of existence of a special class to decide about investment.

Stability is, however, only one aspect of the permanent arms economy internationally. The other, paradoxically, is a basic instability, more destructive, more terrible than anything the system has experienced, even during its deepest slumps.

For one thing, the more effective the Cold War in stabilising capitalism and securing the position of the ruling class on both sides of the Iron Curtain, the more does the pursuit of the Cold War lose its urgency for them: the burden of armaments becomes irksome as boom opens up infinite possibilities of expansion; pressures to reduce it, or prevent it increasing, such as have been felt in Britain and Germany respectively since 1953, grow; the pursuit of "national" aims comes into conflict with international alliances, as when France reduces her NATO commitment to a shadow in order to bleed Algeria; backward countries claim resources for development or for insurance against revolution and cannot be ignored lest others provide. The bundle of conflicts tied under Cold War pressure tends to loosen and with every unravelling the more resistant does the ruling class become to diverting resources from productive accumulation to war production and the greater and more threatening must the Cold War crisis be to gather them together again. It is significant in this regard that no matter what the weather forecast at the summit in recent years, British capitalism has found military expenditure above £1,500 million a year (plus or minus £100 million) unacceptable.

The existence of this type of limit is important for another reason. The derivation of automation from war conditions is well known, as is the fact that the Cold War continues to induce a high level of technical innovation, particularly in the armaments industries. However significant arms production is in underpinning full employment, unless it grows as a proportion of national income, at a greater rate than that of the cheapening of capital goods or the rate of growth of the labour force (i.e., beyond the limits at present acceptable to the ruling class), it will gradually lose its powers to keep full employment going. Creeping unemployment in the United States is a pointer to what might be expected. Given the militancy and structure of the working class today, themselves related to the permanent arms economy, this sort of development is pregnant with revolutionary possibilities (as will be shown in the next section).

Finally, there is the unstable nature of East–West relations themselves, due to the uneven and compulsive development of the protagonists' productive structure. It is hardly in dispute that the centralised state capitalist economies are expanding—at least in the crucial industrial sector—faster than most of the orthodox capitalist countries. Whether the difference is as great as Russian experts would have us believe—some 10 percent per year as compared with 2–3 percent in the United States—is immaterial. What matters is the fact that Russia and the

Eastern Bloc generally are growing in their capacity to sustain a full range of nuclear and conventional armaments at the same time as they are entering more and more into ordinary politico-commercial competition in world markets. There is no point in exaggerating the extent of such inroads into Western capitalism's traditional preserves—Eastern aid is still small in proportion to Western aid in backward countries, and their trade only some 5 percent of total world trade outside the Iron Curtain; nor is there any point in underestimating the resilience of Western capitalism or its ability to concentrate its wastefully used but immense resources when challenged. Nonetheless, it is more than probable that the Eastern Bloc will continue to enjoy a faster rate of growth and therewith a growing competitive power over the coming years.

There is more to this than mere figures for economists. Orthodox Western capitalism will be compelled to tighten and rationalise its structure in order to increase its overall rate of accumulation and so meet this competition, whether militarily or "peacefully" or both.

Naturally this tightening will feed back across the Iron Curtain. Given the federal structure of ruling class alliances, given the unstable class relations on both sides, this will be a process fraught with explosive possibilities. More important will be the effect of intensified East–West competition on the stability of the current international framework. If it takes a military form, as it well might, the instabilities of capitalism will have made their final *salto mortale* into the stability of the grave. If, for technical reasons such as lend the theory of mutual deterrence its transient reality, competition adopts a more traditional, commercial form, the implication of mounting *productive* investment in both camps, aimed, ultimately, at a world market that is constantly shrinking in relation to world productive capacity, is clearly the most thoroughgoing, lasting, and destructive slump that has ever been experienced. There is no point in plumping dogmatically for any or either perspective: reality might well contain both and more. But whatever the future holds, it is one of irreparable instability, of crises whose violence is such as to question the continued existence of capitalism as a world system at best, or at worst of civilisation itself. This brings us to a consideration of the perspectives for revolution.

Reform and Revolution

There is good reason for devoting so much space to an admittedly rough analysis of the roots of capitalist stability today and of the factors tearing at these roots. Although capitalism as a system breeds frustration and aggression with every hour of its existence (by alienating the worker from his labour and, ultimately, from himself), it is only the system's instability, its crises, that weld these fragmented, personally conceived dissatisfactions and aggressive drives into class consciousness and class action. In this there is no quarrel with Collins. The dispute lies, as has been shown, in our different assessment of capitalism's ability to rid itself of cataclysm and in our conflicting views on the effect of cataclysm on working class consciousness and action.

The question now at issue is this: what guarantee is there that future crisis—of war or slump—will be conceived in revolutionary terms in the minds of workers? Why should they not—as has happened so often before—opt for reformist solutions, seen as "the same, only more"? The answer revolves around the changing nature of reformism in modern capitalism and the reaction of the working class to it.

The larger the units of capital and the more integrated they are among themselves and with the state (the largest of them all), and the greater the overall scarcity of labour brought about by the permanent arms economy, the more necessary it is for them to plan for labour as part of general planning, such as it is. If we were to accept the *Economist's* word, there is somewhere in the Treasury a group of men who spend their time plotting the likely increase in national income over the next twelve months and the acceptable rise in the country's total wages bill. Whether such men exist is immaterial. The fact is that there is a felt need for them, that modern capitalism, however rudimentary its planning processes in the West, cannot ignore its effect on the supply of labour, cannot assume that labour will be there when wanted, must approach it with the same circumspection with which it approaches any other scarce factor of production. It cannot afford to meet with totally unforeseen demands from labour; and it must plan for them and contain them as far as possible within the system. Reforms are becoming part of business.

It is as well to recall here the contours of modern, Western capitalism. We have to do with a small number of vast industrial complexes, each of which is independent in the sense that finance, management, production, and research are organised overwhelmingly from within; each of which enjoys a planning autonomy within the bounds, naturally, of a commonly accepted framework hammered out by their representatives in the state machine. The large state sector is itself little more than *primus inter pares* (first among equals). In fact, if there is one structural hallmark of contemporary capitalism, it is the existence of federal relations between centres of capital within any one national sphere: mutual pugnacity is gradually, although not harmoniously, giving way to a degree of cooperation, while the state, once the impartial, economically uninvolved holder of the ring for the embattled capitals, is slowly becoming one of them. This is not to say that the old has disappeared: takeovers are still with us, competition not dead. But is it not a fact that the overwhelming majority of takeovers are "amicably arranged" and that competition is rife in all spheres but that of prices, where it is liable to hurt?

The importance of the growing confederacy of capital lies in the diffusion of the locus of reform and the spread of its agents. If it is true that modern capitalism is increasingly forced, by reason of its size and structure, by reason of the conditions created by the permanent arms economy, to cater for working class demands, even, sometimes, ahead of their formulation, it is equally true that the catering is being done more and more in the boardrooms and associations of giant industry and correspondingly less in Whitehall, the seat of political power. The decline in state-implemented reforms, the bundle of measures that go up to make the Welfare State, needs no substantiation here; Nigel Harris has proved the point in detail in his article "The Decline of Welfare" [published in the same issue of IS, no7, as this article — ed.]. Nor does the corresponding growth in private welfare schemes, from private pensions to industrial health projects, require more than a mention. They are well known. What is important in these developments is the localisation and disaggregation of the reforming process, the lessening relevance of the state and its parliamentary paraphernalia.

An obvious outcome is the decline of reformism as a political movement. Whether it is measured in the shrinking individual membership of the Labour Party, or in the changing nature of the party as Gaitskell drags it toward West Germany's chancellor Willy Brandt's Socialist Democratic Party, or in the utter confusion of the honest reformist left around *Tribune*, the symptoms of decline are all too apparent. On balance workers still vote Labour —although the balance amongst young workers is slowly tilting away—but the expectation of improvement from changes at Westminster are dying, and with it the degree of political involvement on the part of the working class.

This is not to say that workers are any less interested in reforms than they have ever been. The permanent arms economy has provided full employment; it has created the expectation of continued full employment and to that extent a degree of self-confidence and indifference to authority little known in working class history. It is hardly to be expected that this confidence and bargaining power will be wasted. On the contrary, far from there being less interest in reforms and less involvement in gaining them, there are more; what has happened is a change in the forms and arena of struggle and, to an even more marked extent, a change in the troops.

In a word, workers have become their own reformists. Where before they pursued their reformist aims—minimum wages, maximum hours, health and other welfare services—by sending *representatives* to Parliament, now, with the decanting of power out of Parliament into the huge private complexes that control the economy, they take steps to achieve the same ends directly, *without intermediaries* other than shop-stewards' or similar local organisations.

It is no part of this argument to idolise this development after the manner of the syndicalists. It has unpleasant aspects. However militant a body of workers, or successful in improving their own conditions, unless their militancy is generalised into political action, it can only result in deepening the gulf between themselves and less fortunate sections, those that are either too old or not lucky enough to work in the concentrated and growing industries. The pattern of capitalist success merely assumes a cloth cap. Their activity is sectional; it multiplies the fragmentation of their class, substitutes a local *ad hoc* consciousness for class consciousness, and leads to a distrust of political ideas and political organisations. The indictment is long and could be extended. Nevertheless, these things are happening. To deny it, or the relevance of sectional militancy or do-it-yourself reformism to modern conditions, is to ignore contemporary capitalism's most characteristic features and the realism of the working class response to them.

But if there is no case for idolatry, there is equally no cause for despair. By becoming his own reformist, the worker rejects the inhibiting influence of the organised reformist party. It is he, directly involved in his local primary organisation, who bears the brunt of the conflict with capital; it is he who takes the decision, with scant reference to authority, to act; and it is his appreciation of the relation of forces between those fragments of capital and labour with which he has direct experience that informs his activity. For him reform and revolution are not separate activities, enshrined in distinct and separate organisational loyalties; his transition from reform to revolution is natural, immediate, and unhampered by the vested interests of a reformist organisation and one eminently responsive to changing circumstances.

It is here that the discussion of capitalist stability ties in with the argument. Were the system as stable as Collins suggests, there would be no question of transition. It is only because of its fundamentally crisis-ridden nature that we can posit the transformation of sectional consciousness and loyalties into their class equivalents, and therewith a change of society, sharp and cataclysmic, as a realistic alternative to the deadly status quo.

To say this is not to underestimate the difficulties of transition. Reality is infinitely more complex and contradictory than appears here. And working class history is a confusion of revolutionary opportunities lost, of revolutionary consciousness castrated by the very fragmentation that has enabled sections of the class to attain a high order of self-mobilisation. But this is where we must stop. To continue would entail a detailed discussion of the role of a revolutionary party, the problems of its formation, and the forms it could take.

Chapter 2

Imperialism: Highest Stage but One[1] [1962]

Fate was unkind to Lenin when it singled out his pamphlet, *Imperialism, The Highest Stage of Capitalism,* to be the most pervasive of his writings. The warning implied in its subtitle—*A Popular Outline*—was made explicit in the original Preface: "These cramped passages … crushed … in an iron vice, distorted on account of the censor"; the narrowly-conceived objective "to present ... a *general picture* of the world capitalist system in its international relationship *at the beginning of the twentieth century*."[2] The fact that the pamphlet was purpose-written to explain the causes of World War I, then at its height—have all been lost sight of in an uncritical, almost universal, acceptance of its central themes. This is all the more strange since much of what he analysed has clearly either gone or become much less important than in his day.

In broadest outline, Lenin's thesis was that capitalism's maturity compels it to export capital on a large scale and that its internal organisation facilitated the process. The drive to export capital resulted in a carve-up of the world financially between cartels and territorially between empires, and the profits accruing therefrom provided the wherewithal to bribe a thin upper crust of workers into acquiescence with reformism at home and with imperialism abroad.

There are at least four issues here. First, how relevant is Lenin's portrait of capitalism today? Second, is reformism necessarily tied to empire? Third (and this is a problem that moved from the wings only after the decline of classic Marxism), how has the flow and ebb of imperialism affected the development of backward countries and of the socialist movement within them? And fourth, does all this modify our view of internationalism? Since these are fundamental issues that require detailed treatment, I shall deal with only one, the first, here, leaving the others for later issues of *International Socialism.*

Monopoly

Lenin starts with the advanced stage of capitalist concentration in the industrial countries. "The transformation of competition into monopoly," he writes, "is one of the most important —if not the most important—phenomena of modern capitalist economy" (p. 15).

It was and still is. And since his day the process has gone on at an increasing rate. In post-war Britain, for example, expenditure on successful takeovers of firms big enough to be quoted on the stock exchange has risen from an average of £40 million a year between 1949 and 1952, to about £100 million yearly between 1953 and 1957 and up to £300 million yearly in 1959 and 1960. By then takeovers were more frequent than company flotations, so that the number of "quoted" companies fell by about 100 in each of the last two years.[3] Since 1962 the prospect of Britain joining the Common Market must have increased the number of mergers even more, in line with what has occurred on the Continent.[4] And, as concentration had already gone a long way before this post-war spurt,[5] it must have reached phenomenal proportions by now.

"Finance Capital"

Lenin goes on to show that concentration in industry was paralleled by a similar movement in banking to such effect that the banks in practice gained control of commerce and industry. *In extenso*:

> When carrying the current accounts of a few capitalists, the banks, as it were, transact a purely technical and exclusively auxiliary operation. When, however, these operations grow to enormous dimensions we find that a handful of monopolists control all the operations, both commercial and industrial, of capitalist society. They can, by means of their banking connexions, by running current accounts and transacting other financial operations, first *ascertain exactly* the position of the various capitalists, then *control* them, influence them by restricting or enlarging, facilitating or hindering their credits, and finally they can *entirely determine* their fate, determine their income, deprive them of capital, or, on the other hand, permit them to increase their capital rapidly and to enormous proportions, etc (p. 31, emphasis in the original).

The power of "finance capital" (i.e., "capital controlled by the banks and employed by the industrialists"; p. 42) is so great "in all economic and international relations that it is capable of subordinating to itself, and actually does subordinate to itself, even states enjoying complete political independence" (p. 74).

These are large statements and quite a lot of time could be spent on examining whether they were entirely justified even fifty years ago. Whatever the case, they carry little conviction today as descriptions of the central institutional relationships within capitalist society.

Far from being dependent on banks and similar financial institutions, industrial firms are net suppliers of finance to other sectors of the economy. Between 1949 and 1953 they disposed of one-twentieth of their accumulations or savings in this way.[6] Nor are banks too eager to take on industrial financing. According to the Radcliffe Committee,[7] "it is clear that attitudes are changing," and nevertheless they still hesitate to invest in industry except for very short periods of up to three months, and even then they do so to a limited extent: the eleven London Clearing Banks, the giants of the trade, held less than one-third of their assets in bills and advances to the private sector at the end of 1958,[8] and certainly not all of this was in favour of big industrial and commercial firms. Even life insurance and pension funds, although more involved in industrial financing, are hardly in it up to their necks as yet. Their industrial investments, broadly conceived, accounted for under 40 percent of the total in 1957 and less than half of this was in ordinary stocks and shares—the true indicator of investment.[9]

Part of the difference between Lenin's picture and the one given here stems from simple error on his part. Lenin was too impressed by conditions peculiar to Germany as documented at the time in Hilferding's *Das Finanzkapital,* and overhasty in generalising from German evidence. It was true—it still is true to some extent—that German banks were heavily involved in industrial financing and that they wielded immense power over their clients. But German capitalism was a late developer. It found—as every backward country is finding today—that to break into the modern (in its case, British-controlled) market with backward (German) means it had to conserve every drop of saving and skill, even the very smallest, bring them together and invest them in plants that are bigger and better than that of their entrenched rivals. It had to make "combined development" (in Trotsky's phrase) work in its favour. Since the banks were structured around this task and since the future of German capitalism hinged on its effective performance, it is not surprising that they became the key, controlling institutions within it.

British development was different, as was, to a lesser extent, that of American or French capitalism. Here, the scale of investment was more or less geared to the scale of accumulation.

Being in the vanguard of development, rich, powerful, and with no felt need to make anachronistic means perform modern tasks, British capitalism left its banks to perform their original function of lubricating industry and trade, augmenting, marginally, resources raised elsewhere (through stock markets, internal accumulations, and so on) and financing international commerce. Only in their international operations did British banks come anywhere near resembling their German counterparts (a topic to which I return later).

But error accounts for only a small part of the difference between Lenin's picture and ours. Most of it is a true reflection of the changes that have occurred within capitalism itself.

Even in Britain, the banks were pretty powerful institutions at the beginning of the century, as anyone who dips into Feis's classic can learn.[10] The power was firmly based. Empire provided the British middle class with a relatively high income at the same time as it retarded the growth of British industry by providing it with a captive market.[11] Instead of being attracted toward industrial investment, middle class funds gravitated naturally toward the financial institutions (exchange banks, merchant banks, and so on) that straddled the capital-hungry backward countries and were (in the seven years preceding World War I) shunting well over half Britain's annual accumulations abroad.[12] Since the existence of a captive colonial market also retarded the concentration of British industry and its organisation into gigantic units on the lines of the ones that were forming abroad, the city and its financial institutions stood out as the largest and, by reason of the international—therefore semi-political—nature of so much of its operations, the most self-conscious of capitalist institutions in the country.

But this was fifty years ago. Since then a number of things have occurred to reduce their relative stature. One is the very rapid growth that has occurred in industrial activity and in the largest industrial groups. Another is the emergence of the state as a decisive agent in the economy. Both have been touched on elsewhere and need no repetition here.[13] Together they have shifted the locus of saving, the place where the decision to accumulate is taken and the power to invest is held, to the industrial corporation and away from the financial institution.

This needs some explanation. So long as industry is expanding as it was bound to under the stimulus of two wars, and is continuing to do under that of the permanent arms economy, company directors do their best to offset increasing taxation—itself a product of wars and the arms economy—by reducing payments to shareholders. As taxation rose from 14 to 39 percent of net company income between 1938 and 1956, dividend and interest payments fell from 68 to 35 percent.[14] Dividends as a percentage of profits have fallen drastically this century, from 67 percent in 1912[15] to an average no larger than 23 percent in 1949–56.[16] They have even fallen absolutely in value: from £885 million in 1938 to £690 million in 1956 in pounds of constant purchasing power.[17] Middle class rentier incomes (i.e. incomes from property ownership) have thus fallen. At the same time, the incidence of personal taxation has encouraged them to view this development without alarm and to look to capital gains rather than income from dividends as their main source of unearned income.

But the banks have had to adapt. The flow of middle class savings which sustained their operations has been stemmed, or at least greatly reduced at source, while their control over industry and commerce has declined *pari passu* with the trend toward self-financing or financial near-autonomy in these sectors.

External factors have also clipped "finance capital's" wings. Since the flow of private international capital has fallen drastically (see the section "Capital Exports" below) and public aid largely bypasses private banking channels; since, too, political independence in most of the world has broken up large currency areas into national fragments, each controlled to some degree by a Central Bank, the financial institutions which thrived above all on *international* operations have suffered[18] and been compelled in many cases to draw back. This change is nowhere more clearly shown than in the peculiar world of the city's merchant banks, once the true buccaneers of Empire. As early as 1931 the Macmillan Committee suggested that these foreign-orientated "financial organisations concentrated in the City of London might with advantage be more closely co-ordinated with British industry."[19] Default abroad coupled with rosier prospects at home have since amplified the message, and there has been a marked shift toward domestic industrial banking. Close links have been forged with industrial groups as between Lazards and English Electric or Schroder and Pressed Steel. More typically, although more recently, this change in orientation has taken the form of amalgamation between old-established issuing houses "disproportionately strong in foreign business" and younger firms concentrating on the "home industrial financing which has been the mainstay of most firms which have expanded in recent years."[20] In effect these amalgams have become managerial consultants, investment agents, and brokers for the large industrial groups with which they are now associated.

Capital Exports

Imperialism's dynamic was the capital exports which "finance capital" encouraged and serviced. There is no quarrel here with Lenin. But, in his view, these capital exports were the prime index of modern capitalism. "Under the old type of capitalism," he wrote, "when free competition prevailed, the export of *goods* was the most typical feature. Under modern capitalism, when monopolies prevail, the export of *capital* has become the typical feature" (p. 56, emphasis in original).

It is here that we part ways. However true it might have been of modern capitalism as seen fifty years ago, the export of capital is no more its typical feature than finance capital its most developed form of organisation. On the contrary, the decline in the one has automatically dragged the other from its pre-eminence. Even in Britain, despite government measures designed to sustain the flow, even at the expense of growth at home; despite an accumulation of business ties and habits of generations; and despite a rate of flow (at £300 to £400 million a year in the 1950s[21]) that has scarcely ever been equalled,[22] the significance of capital exports has declined tremendously: latterly they have run at about 2 percent of gross national product compared with 8 percent in the period before World War I[23]; they now absorb less than 10 percent of savings compared with some 50 percent before[24]; and returns on foreign investment have been running at slightly over 2 percent of national income[25] compared with 4 percent in the 1880s, 7 percent in 1907, and 10 percent in 1914.[26] Between 1895 and 1913, 61 percent of all new capital issues were on overseas account[27]; by 1938 they were down to 30 percent, and more recently accounted for no more than 20 percent of the total.[28]

For Lenin the importance of capital exports lay in their being able to alleviate, temporarily, some of the contradictions of mature capitalism. First, the world market could cushion "the uneven and spasmodic character of the development of individual enterprises, of individual branches of industry and individual countries (which) is inevitable under the capitalist system" (p. 56). Second—and this is the fundamental argument—"The necessity of exporting capital arises from the fact that in a few countries capitalism has become 'over-ripe' and (owing to the backward state of agriculture and the impoverished state of the masses) capital cannot find 'profitable' investment" (p. 57). This argument explains why, according to Lenin, capital should, and did, flow toward backward countries. There would have been no logic in it flowing from one "over-ripe" economy to another. Moreover, the backward world offered singular attractions: "In these backward countries, profits usually are high, for capital is scarce, the price of land is relatively low, wages are low, raw materials are cheap" (p. 57).

The truth of Lenin's reasoning stands or falls by his picture of capital flows: do they really shun developed countries and rush to backward ones? They do not. It is notoriously difficult to get hold of authoritative British figures but an official estimate puts private long-term investment (*including reinvestment*) in "less developed areas" in recent years at "something of the order of £100 million" a year or between one-quarter and one-third of total private investment abroad.[29] A similar, if less marked, bias toward developed countries is shown by US capital exports. Excluding reinvestments and stopping short before the flood of investments in the Common Market countries occurred (both of which would accentuate the bias) $5,238 million of private long-term capital or 54 percent of the total outflow of $9,769 million went to "high-income countries" between 1953 and 1958 inclusive compared with $4,531 million to "low-income countries."[30]

It is clear that current figures simply do not bear out Lenin's thesis. Capital does not flow overwhelmingly from mature to developing capitalist countries. On the contrary, foreign investments are increasingly made as between developed countries themselves. And this is as it should be in all logic: For if we recall the reasons Lenin advances for the export of capital, we shall find that they barely stand up to scrutiny in today's conditions.

There is no point in debating the "cushion" argument at any length: however important backward countries were in absorbing the uncontrolled and disproportionate expansion of this or that industry or sector in the heyday of Britain's industrial supremacy and classic *laissez-faire,* they play little part in doing so today. Of the many factors in the change, political and tariff independence in most of the world spring to mind as the most obvious. But the most fundamental is the relatively high degree of planning achieved in mature capitalist countries, largely as a consequence of the permanent arms economy,[31] which more or less contains the violence of sectoral expansion. The planned reduction in cotton textiles production in this country or the care with which US agricultural surpluses are disposed of in ways "not disruptive of normal trade channels" serve to illustrate the point.

Lenin's second argument for the inevitability of capital exports—stagnation in mature capitalism—is equally difficult to sustain in the postwar period. Naturally Lenin could not have envisaged—no one in his day could conceivably have done so—the role of the permanent arms economy in stabilising mature capitalism, fixing it on a course of almost automatic growth and in transposing the locus of stagnation from mature capitalist countries to backward ones. But there it is, the major developed capitalist countries are growing at a faster rate than the major backward ones: between 1950 and 1959 percentage annual growth in the important developed countries was Japan 9.1 percent, Germany 7.5 percent, Italy 5.7 percent, France 4.0 percent, US 3.3 percent, and Britain 2.5 percent; for the most important undeveloped ones, it was Brazil 6 percent, Congo 5 percent, Indonesia 4 percent, Egypt 3 percent, India 3 percent, and Argentina 2 percent.[32] Then again to assume (as Lenin did on the basis of a superficial measurement of railway mileage in a few colonial countries) that "the elementary conditions for industrial development have been created" is to assume away the "problems (crisis, agony, etc.) of the undeveloped world" we hear so much about nowadays and to believe that the $4,000 million or so of aid and long-term loans pumped into them every year from all sources arise out of a spirit of philanthropy rather than from the (probably false) belief that political stability can be achieved if only the problem of industrialisation can be solved.

Lenin's third reason for capital exports—the greater profits to be had in backward countries—can also be disputed. Since foreign investments are (as will be shown in the section

"Colonialism" below) increasingly investments in manufacturing, and manufacturing techniques are increasingly standardised the world over, with a high and fairly fixed ratio of machines to workers, the difference in profit rates that derived from the different levels in wages in developed and backward countries has tended to narrow. There are many exceptions, some of them very significant, but this is no place for detail. Suffice to say that while "current earnings on capital invested in United States manufacturing industry averaged between 15 and 20 percent,"[33] "the income from the United States direct investments abroad, after taxes payable to foreign governments, has in the past few years been ... about 15 percent."[34] The return on US investments in countries other than Canada and Western Europe is put slightly higher—17 percent.[35]

Colonialism

The same unreality attaches—today—to Lenin's coupling of capital exports with colonialism. Perhaps more stress ought to be laid on the interpolation "today": physical seizure of backward areas by mature capitalist powers was so much the scheme of things at the turn of the century that there did not appear much reason to argue their connection with capital exports. Nevertheless, he did advance (rather perfunctorily) two reasons for the connexion.

One was that colonial possessions were invaluable as a haven for capital exports: "The necessity of exporting capital also serves to stimulate the quest for colonies, for it is easier in the colonial market (and sometimes it is the only possible way), by monopolist methods to eliminate competition, to make sure of orders, to strengthen the necessary 'connections,' etc" (p. 77). The second and by far the more important in Lenin's eyes was that colonial possessions vested control of essential raw materials in the possessor: "The more capitalism develops, the more the need for raw materials arises, the more bitter competition becomes, and the more feverishly the hunt for raw materials proceeds all over the world, the more desperate becomes the struggle for the acquisition of colonies" (p. 75).

Lenin's first argument is easily refuted. His own figures for French and German foreign investments so contradicted the thesis—more than two-thirds of the French total was invested *in Europe* (p. 58)—that he coined a special phrase "usury imperialism" for the one and said of the others "in regard to Germany we have a third type" (p. 58). Even with regard to British "colonial imperialism" (to use Lenin's phrase), the facts do not fall into place: of the total long-term capital invested abroad, more than half (£1,983 million out of £3,763 million) was held *outside* the Empire.[36]

It would be as easy to refute the second argument by simply referring to Britain's growing import bill and shrinking colonial possessions, or to the fact that empire-shorn Germany, more than three-fifths as dependent as Britain on imported industrial materials,[37] has nothing like three-fifths of Britain's truncated empire to find them in. But there is more to it than refuting the equation "feverish-hunt-for-raw-materials" equals "acquisition-of-colonies"; Lenin's basic equation "the-more-capitalism-develops" equals "the-more-the-need-for-raw-materials-arises" is just as wrong today. Three major and unforeseen developments have occurred since his day. All three are inherent in the system, but their rapid maturation this generation is a product of the war-slump-war drive to autarky. One is the growing efficiency with which raw materials are used and the consequent release from the need to devote a fixed proportion of total resources to their production. It has been estimated officially for the United States that this factor alone was responsible for doubling the value of gross national product from four to eight times that of the input of raw materials consumed in the process in the first half of this century.[38] A second is the spread of industrial techniques to the production of industrial raw materials and the increasing use of "natural" raw materials that lend themselves to industrial exploitation, like oil. Even excluding oil, any random selection will show consumption of raw materials in industrial countries increasing in the same direction as their manufactured content. While the use of crude materials in these countries increased slowly between 1950–52 and 1955–57 (cotton 7 percent, wool 12 percent, rubber 15 percent, jute 17 percent, and copper 20 percent), consumption of similar processed materials, largely synthetics, rose appreciably faster: steel 31 percent, wood pulp 33 percent, synthetic rubber 44 percent, aluminium 61 percent, plastic materials 96 percent, and synthetic fibres 211 percent.[39]

The third change in raw materials supply that has occurred since Lenin's day, one closely related to the foregoing, and one Lenin explicitly pronounced to be impossible under capitalism,[40] has been the tremendous development of agricultural production in developed countries in the West. Despite official discouragement, the average rate of growth in US agricultural production was 2.3 times as fast as the average for all other branches of activity in the 1948–58 decade[41]; in France, agricultural production rose 14 percent annually compared with 11 percent for industrial output between 1953 and 1958[42]; and in Western Europe generally, the current struggles on agricultural problems within and around the Common Market are a direct outcome of this industrial revolution in agriculture.

One important consequence of these developments is that capital flows that are still continuing are changing their character; from flowing into extractive industries they are being channelled increasingly toward manufacturing industries undertaken directly by the large industrial complexes that have emerged, as has been shown, at the apex of financial power in mature capitalist countries. Take India as an example: while total foreign business investments rose from 2,558 million Rupees (Rs) in mid-1948 to Rs 6,107 million at the end of 1959 2.4 times, investment in petroleum refining (and trading) rose from Rs 223 million to Rs 1,207 million or 5.4 times, and investment in manufacturing from Rs 709 million to Rs 2,507 million or 3.5 times. Contrast this with the record of plantation investments—an increase from Rs 525 million to Rs 951 million or 1.8 times—or of mining—a bare increase from Rs 115 million to Rs 130 million or 1.1 times.[43]

Surprisingly, Lenin did not use the strongest evidence of the link between finance capital, capital exports, and colonialism available to him, namely, the importance of state and municipal bonds in total foreign investments. Those formed 30 percent of British foreign investments in 1913 and, if certain other government-guaranteed securities were to be included, nearly one-half.[44] Arranged as they were through finance capital institutions, these colonial stocks constituted the most direct possible investment in empire. They too have all but disappeared. Of the £446 million of government and municipal loans outstanding to British investors in India and Ceylon in 1938, under £71 million remained by 1951,[45] the rest having been liquidated even before the "liquidation of Empire."

End of Empire

Taking Lenin's "last stage" literally, colonial independence and the continuation of capitalism are incompatible. And yet we have both, in increasing quantities. Moreover, opposition to colonial independence, although evident enough in the metropolitan countries and brutal enough overseas, has had in most cases little of the spirit of the "last ditch stand" one would expect from a society fighting for its existence. In the event it has been a relatively feeble opposition, willing to seek and abide by compromise with national movements. There can be little doubt that changes within mature capitalism have had a lot to do with this feebleness. The decline in foreign investment and its change from labour-using extractive industries to more capital-using manufacturing industries reduced the intake of colonial labour precisely when the impact of modern techniques was resulting in explosive increases in the colonial populations and labour forces. The old imperialist investments had probably reached their zenith by World War I and have since contributed little, if anything, to solving the colonies' mounting unemployment problems. In the meantime their stagnation and decline focussed the colonial labour movements' attacks on foreign rule, and, by negative example, sharpened their demand for an expanding economy and for the political status that might engender it. They found a potent ally in some places, like India, in the local bourgeoisie, which hastened to fill the vacuum created and which found its further development hampered by foreign rule.

In its turn, colonial capital drew strength from the new forms of foreign investment. These were geared to the domestic market, interested in its expansion, in finding workers with modern skills and linking up with partners versed in local conditions—interested in fact in economic growth and the politics of growth. Even the falling off of recruitment to expatriate careers as a result of full employment at home was a factor in hastening the transfer of power: it left gaps in the administration and repressive organs of most colonial countries and led to the appointment of colonials to at least some sensitive positions.

Again, the diffusion of industrial capitalism, the decline of the imperialist powers as exporters of cheap consumer staples, together with their restrictive control of the colonies' foreign trade and economic relations, subjected them to mounting international pressure to relinquish the advantages they held in the colonies. The record is long. On the Allied side alone, it culminated during World War II in the promise to abandon Imperial Preference as a condition of American Lend-Lease, in recurrent American demands for colonial independence as part of the post-war settlement, in a tacit Russo–American alliance to divest the older Allies of their territorial possessions, and so on.

Finally, the onset of the Cold War has made of independence and economic development two giant counters in a global confrontation which deals in social stability as earnestly as in missiles.

These are some of the factors in colonial independence, but certainly not all. That they derived to some extent from the change in the locus and forms of accumulation, from the growing importance and changing structure of industry in mature capitalist countries and, ultimately, from the permanent arms economy is clear. It is also clear that they were not foreseen, nor could have been, by Lenin and his generation.

Promise and Postscript

Some of the conclusions entailed in this analysis will be taken up in later issues of *International Socialism.* There is one general statement that seems in order here, however: if good theory is operational—and this is how it should be—Lenin's *Imperialism* was supremely good theory in its day. It picked out the enemy, determined the crucial alliance, and explained what the battle was about. But the lines of battle have been redrawn and Lenin, however superb an example of the right approach to theory is no more the complete manual.

Chapter 3

International Capitalism[1] [1965]

The rash of political independence in the colonial world since World War II has more than once strained the concepts used by socialists and even, sometimes, their credulity. Does it mean the end of imperialism? If it does, how are we to explain the great power coercion that is so central a feature of our time? If it does not, what is the hidden common feature between imperialism today and that of a generation ago?

This article is an attempt to answer these and some related questions. It skirts around many problems: cold war is not mentioned; nor is the structure of international coercion—western and eastern—built around it. The immediate future of economic, social, and political developments in ex-colonial countries is hardly touched upon; neither is the role of proletariat and peasantry. The view given is a drastically foreshortened one of broad trends that have affected European imperialism over the past half-century.

Classic Imperialism

It is as well to recall the main features of pre-1914 imperialism. At the same time, in order to keep the discussion free of some of the more draughty generalisations, it is equally as well to confine it to one country, such as India, jewel of the British Imperial Crown, concentrating on those aspects of her relations with Britain that were typical of the system as a whole.

By the beginning of this century, "India had come to be regarded as a plantation of England, growing raw products to be shipped by British agents in British ships, to be worked into fabrics by British skill and capital and to be re-exported to India by British merchants in India through their British agents."[2] That India had come to be so regarded was no accident. A lot of British effort had gone into wrenching the colonial economy into rough complementarity with that of the imperialist; and a lot of British capital had come to ensure that it remained that way. How much is difficult to say. Estimates of investments prior to World War I are so unreliable as not to be worth giving,[3] but whatever the precise figure there is no doubt that British capital concentrated almost exclusively on supplying British industry's demand for raw materials, either by producing or transporting them. An *Economist* report in 1911 covering India and Ceylon attributed 60 percent of investments to tea and rubber plantations; 12.3 percent to tramways, electricity, and other utilities; 8.9 percent to vegetable oils; 5.7 percent to finance; 2.7 percent to shipping; and 3.7 percent to commercial and industrial undertakings.[4] In other words slightly more than three-quarters were in the extractive industries that dominated India's exports at the time and most of the rest in the means of transporting them to their foreign markets.

Characteristic of this type of investment was its use of large quantities of unskilled labour with a minute lacing of fixed capital and technically qualified management. Equally characteristic was its utter dependence on efficient contact with markets abroad: swift and reliable transportation from the point of production via the ports to London and a flexible banking system to transmit the proceeds of sales, provide seasonal loans to cover shipment, and so on. In effect this meant that it could not have taken place without the prior intervention of the colonial state; nor could it have sustained itself without that state's unremitting efforts at keeping the conditions of colonial exploitation unchanged. It was the

£20,000 a year special subsidy from the East India Company that enabled the P&O line to inaugurate and maintain a regular shipping service between India and Europe from 1841; it was the officially guaranteed-interest railway contracts signed initially at the close of that decade that ended in linking India's hinterland with her ports and so, ultimately, with Britain. Although "the solid core of pressure both for steam navigation and for railways came from the great mercantile houses of London and the other leading British ports trading to India and China,"[5] their existence was organised and underwritten by the state or its equivalent of the day. So it was with the supply of labour to the uphill plantations, with the fixing of the rupee exchange rate to facilitate the free flow of funds between Calcutta and London, and much besides.

So necessary was economic activity by the state in perpetuating the system that it became a major sphere of investment in its own right: well over half the foreign capital in India in 1926–27 was held in government stock,[6] and the proportion hardly changed until World War II when the official debt abroad was refunded.

That the state subserves business goes without further comment to readers of *International Socialism*. But there were two things that distinguished the type of service rendered by the colonial state: first, as suggested by the examples given, was its commitment to keeping the country open to foreign trade and foreign investment. Nothing was allowed to impair the forced complementarity between the home and host economies. Protection for nascent industry was unthinkable; an independent currency or any form of exchange control to stop the drain of profits abroad inconceivable. *Laissez-faire* in a colony's external relations became a moral imperative for the imperial ruling class, as rapacious as any.[7] Not so with regard to economic activity *within* a colony. There the second special service was, paradoxically, to preserve private foreign capital's monopoly. The export industries it favoured normally made few demands on skill or fixed investment. They could be, and have been, readily assimilated by the local population, as in the case of rubber production in Indonesia, tea growing in parts of India, and so on. Were it not for the rigging of railway rates to encourage traffic to and from the ports at the expense of internal traffic, the denial of even the most elementary technical education to the subject people and a host of similar discriminatory acts and non-acts, foreign private capital's preponderance would have been short-lived. As it was, its special relation with the colonial state plus its even more closely guarded monopoly of the service of British banks, issuing houses, and other paraphernalia of private capitalism were sufficient to ensure that the commanding heights of the capitalist sector remained in its hands: as late as the 1940s, well beyond the period of classic imperialism, about 85 percent of the total area planted to tea—a major export—was British-controlled, as were 85 percent of the jute industry, 70 percent of coal mining,[8] 80 percent of foreign trade,[9] and so on.

A natural corollary was for the state machine to be kept free of local infiltration. It was not until 1919, after the shock of war and the first thrusts of the nationalist movement, that a minority of posts in the Indian Civil Service were opened to Indians and examinations held in the country; as late as 1923 the Lee Commission recommended Indianisation in the Service at a rate that would ensure only 50 percent Indian membership by 1939.

What happened outside the modern sector was of little direct concern to the foreign power. If the maintenance of Pax Britannica could be eased by recourse to local, landowning, or feudal authority, as happened in India once the 1857 Mutiny had demonstrated how astronomic was to be the cost of bedding foreign rule in every pore of the country, well and good. "Progressive" capitalism was never loath to cut costs by combining with the most benighted and reactionary elements anywhere. Indeed, where colonial countries were concerned, the stronger the feudal landowners and the more influence they wielded over the nascent bourgeoisie, turning it into the cowardly, uninspired class bereft of initiative that it so commonly is in such countries, the better for foreign capital. Were it left entirely to its foreign counterpart and local feudalism, local capital might expect to become, at best, a broker between foreign capital and domestic society, a "compradore" bourgeoisie without productive resources of its own.

These bones of description do not pretend to embody the complex system that contained the pre-1914 world. They might, however, be enough to support a crude description of the class conflicts and the class alliances typical of it.

At least until the inter-war years in India, it was exceptional for the few industrial workers to be employed by native-born bosses. It was natural for them to associate the brutalities of capitalist exploitation, in both private and public sectors, with foreign rule. The peasant too was constantly being hurled against the twin pillars of foreign power. The state exacted taxes; ruined his handicrafts by opening the country to Lancashire cottons; did nothing to stop the drain of peasant wealth as the terms of trade index for primary commodities dropped from 163 in the late 1870s to 137 in 1913[10]; and refused to encourage the industries that might have solved the growing problem of rural unemployment. Private foreign capital actually brought them the cottons, bought their produce, and sometimes held them virtual prisoners on its plantations under the most appalling conditions. Finally, the nascent bourgeoisie pressed vainly toward the industries that it was technically qualified to undertake. Starved of state support, driven from the sources of loan capital, largely excluded from European trade associations, discriminated against by officials and business, denied access to government and administration, its potential growth became a political matter, hinging on freedom from British rule.

This is not to deny that many indigenous capitalists—notably some Parsi houses in India—flourished under British rule; or that the three classes singled out here were not the entirety of Indian society; or that they found themselves in deepest conflict between and among themselves on more than one occasion. The picture is infinitely more complex than appears here. Nevertheless, one thing seems incontrovertible and is borne out by the experience of the time: imperialist rule so stunted the growth of modern productive forces, so pinioned economic development, that these three crucial classes were forced willy-nilly into a loose nationalist coalition with the overriding aim of ridding the country of foreign rule.

For long—so long as classic imperialism was an expanding system—this nationalist coalition made heavy weather. Its major frontal assault on imperialism in India (the Swadeshi movement of 1905–8) petered out as the dependence of India's modern sector on Britain was brought home in practice to the boycotters. But slowly the conditions of struggle changed. Imperceptible at first, something was happening to the system that robbed it of its dynamic and made it increasingly vulnerable to nationalist attack.

The Arms Economy

It is time to turn back to the imperialist countries whose dynamics and organisation formed the guts of revolutionary socialist analysis before and during World War I. Since Lenin's *Imperialism* is the most well-known, it can best serve as a framework of reference in what follows.

Lenin's definition of imperialism embraced the following five essential features:

1. The concentration of production and capital developed to such a stage that it creates monopolies, which play a decisive role in economic life.

2. The merging of bank capital with industrial capital and the creation, on the basis of "finance capital," of a financial oligarchy.
3. The export of capital, which has become extremely important, as distinguished from the export of commodities.
4. The formation of international capitalist monopolies which share the world among themselves.
5. The territorial division of the whole world among the greatest capitalist powers is completed.[11]

There is no doubt of the primacy of Lenin's first "feature," both in reality and in his exposition. Were it not for the concentration and accumulation of capital in ever larger (and fewer) units, a process inherent in capitalism from its inception, none of the other features of this "highest stage" could have emerged. It would be an academic exercise to spend time on substantiating this; few would deny that monopolisation and its attendant—the internationalisation of monopolies (Lenin's fourth "feature")—are still with us, and more pronounced than ever.

It is only when we come to the others that we begin to question the validity of Lenin's thesis today. "Finance capital"? Its export? Territorial division? … Are these still operative? Or at least do they still have anything like the significance attributed to them at the beginning of the [twentieth] century?

Some idea of the close association of the colonial state with colonial business has been given. It does not take much to realize that it had its counterpart in the imperialist countries themselves. Would-be imperialisms like German or Japanese capital, faced with the final territorial division of the world, could hope to prosper only by conquest, through the agency of their state. Existing imperialisms could continue to do so only by organising their defence —again through the state. The strengthening of the state, its closer functional integration with big business, and the growing militarisation of the economy have demonstrably become the normal condition of capitalist existence. To say this, or that the violence of world war and its political and economic organisation are characteristic of our generation, is to draw attention to the experience of our generation. It needs no proof. All that will be attempted here is a sketch of some of the changes that have accompanied and resulted from the emergence of the permanent arms economy.

In the first place demands were made of manufacturing output which were new in scale. Manufacturing as such has become more important: in Britain, it accounted for 42 percent of gross fixed investment in 1960 compared with 32 percent in 1938.[12] Within industry it is heavy manufacturing and particularly the giant metal-using and chemical combines that have grown fastest: between 1949 and 1955 the hundred largest industrial companies in Britain increased their share of all industrial profits from 25.2 to 31.5 percent.[13] They were growing at a rate of 12.1 percent compound per year compared with 6.8 percent for all industrial companies.[14]

Second, wartime disruption of international trade, the need for every ounce of production to satisfy the gaping scarcities opened up by the slaughter and the real concessions that nationalist movements could exact in the circumstances, led to a rash of industrialisation in hitherto virgin areas. In India, cotton and jute production expanded rapidly during World War I, steel production rose from 91,000 tons in 1913 to 124,000 in 1918,[15] and glass manufacturing took root.[16] The paid-up capital of all joint-stock companies rose 3.3 times between 1913 and 1921–22; average dividends in some industrial firms rose as high as 200 percent.[17] Not all the gains were lost during the interwar depression, and Indian industry managed to hang on until World War II brought relief in the form of the greatest boom in its history: between 1937 and 1945 production went up 20 percent in cotton textiles, 43 percent in steel, 34 percent in chemicals, and 97 percent in cement and in paper. The general index rose not less than 20 percent.[18] The subsequent progress of industry under the Plans—coincidental with world rearmament—is too well known to need repeating.

Unlimited markets at home coupled with growing competition abroad encouraged the expanding industrial sector in mature capitalist economies to finance more and more of its own expansion: in 1912, 67 percent of company profits were distributed to shareholders; in 1922, 53 percent; and in 1957–58, 27 percent.[19] The 1949–56 annual average was as low as 23 percent.[20] Here again, war and the spread of industry abroad were instrumental not only in forcing the process whereby the industrial giants became the leading *potential* accumulators of society's surplus, but in acting *directly* on their dividend policy and so making them in practice the prime centres of accumulation. It demanded mighty increases in taxation, which bore most heavily on personal incomes as opposed to profits; its totality and the consequent need for "national unity" softened ruling class resistance to social reform which again needed to be underpinned by a significant rise in "welfare" expenditure (financed from more taxation) and by an ostensible egalitarianism in official policy which, in its turn, meant dividend restraint (among other things) under the Labour government and an increasingly severe tax on distributed profits ever since. These combined with many other factors (including growth of professional management and conditioned behaviour derived from one-and-a-half decades of capital issues control) to reduce the outflow of dividends absolutely since prewar, from £885 million in 1938 to £690 million in 1956 in pounds of constant purchasing power.[21]

The surge of the industrial corporation and relative eclipse of individual middle-class capital accumulations and, notably, its typical "'finance capital" institutions such as commercial and merchant banks are obvious. The institutionalisation of such accumulations and their growing concentration in life insurance and pension funds (which account for the major part of new personal savings)[22]; the growing involvement of such funds in industrial financing to the extent that, despite some legal inhibitions which have recently been cleared away,[23] they took up more securities in industrial companies in 1957 than the combined capital issues of those companies[24]; the spate of mergers between ancient internationally and commercially orientated merchant banks and the brash new domestic finance houses engaged in industrial investment ... all these merely serve to underline one fact. Stated again, it is that the large concentrations of capital are no longer in the hands of banks and the other finance capital institutions as they were in the days of classic imperialism, when analysed by Luxemburg, Lenin, or Hilferding, but in those of the large industrial corporations in which technical, productive, and financial power are fused.

Changes in World Markets

The implications reach too far into the nature of contemporary capitalism to be more than partially and superficially mentioned. Perhaps most important internationally is that the war-engendered drive to self-sufficiency in food and raw materials has boosted the spontaneous thrust of these manufacturing giants towards exploiting their industrial techniques in these fields and towards the increasing use of materials that lend themselves to such exploitation. The use of oil at the expense of coal is merely a better-known result of this displacement of "natural," unprocessed raw materials by "manufactured" ones. There are many other examples: the consumption of new, largely synthetic materials in Britain between 1950–52 and 1955–57 increased by 31 percent for steel, 33 percent for wood pulp, 44 percent for synthetic rubber, 46 percent for petroleum, 61 percent for aluminium, 96 percent for plastic materials, and 211 percent for synthetic fibres, as compared with increases in the use of comparable old materials of 7 percent for cotton, 12 percent for wool, 15 percent for natural rubber, 17 percent for jute, and 20 percent for copper.[25] As far as food production is concerned, the recent breakthrough on the farm of industrial techniques in western capitalist countries is well illustrated by the fact that the growth of productivity in US agriculture in the 1948–58 decade was, despite official dampers, 2.3 times as rapid as the average for all other branches of activity[26]; or that in the 1953–58 period in France, the annual increase in agricultural output averaged 14 percent compared with a figure for industrial production of 11 percent.[27]

Add to these trends the general saving in raw materials affected by both greater engineering efficiency and the shift to more capital intensive and technologically intensive products which, in the US, has meant that the value of gross output in 1950 was eight times that of the raw materials used compared with four times in 1900,[28] and the relative decline in international trade in crude raw materials becomes apparent. As apparent should be the decline in the importance of the colonial primary products' producers for developed capitalism, the loss in complementarity between backward and mature countries and the loss in importance of those institutions—private or state—which perpetuated that complementarity in practice.

Before continuing this line of thought, two international implications of the shift in the internal power structure of capital should be made explicit. First, the nature of the capitalist market and the importance of the military budget in it, together with the relative growth of accumulations in the keeping of giant industrial corporations, have reduced the volume of investment undertaken abroad—capital exports—to a shadow of its former self. As has already been shown,[29] they have been estimated at an average of £300–400 million a year from Britain in the 1950s,[30] which, although larger than they have ever been over a comparable period,[31] is certainly of trifling significance compared with the pre-World War I situation: then they constituted 8 percent of gross national product,[32] now some 2 percent[33]; then they accounted for some 50 percent of all saving,[34] now some 8–11 percent[35]; then returns on foreign investment formed 4 percent of national income in the 1880s, 7 percent in 1907 and 10 percent in 1914,[36] now they amount to just over 2 percent.[37] Between 1895 and 1913, some 61 percent of all new capital issues for investment were on overseas account[38]; by 1938 they accounted for 30 percent and more recently for no more than 20 percent of the total.[39] The figures and the proportions differ from country to country, but the overall trend has been the same, being steeper for capital exports to backward countries than among developed ones.

Second, such capital exports as still take place are very different from what they were. Gone are the individual portfolio investments, handled by banks and other financial intermediaries, which accounted for more than 90 percent of Britain's overseas holdings in 1914[40]; they had been reduced to some 16 percent of all new foreign investments between 1954 and 1957.[41] Gone is the heavy investment in government stock—some £1,000 million in the Commonwealth alone before World War II; by 1956 these holdings had fallen to £500 million in pounds of one-half to one-third the value.[42] Foreign investment, especially in backward countries, is now the business of a small number of corporations—no more than one-half of 1 percent in the United States[43]—whose size and whose mix of know-how, productive, and financial resources needs no state aid to constitute a monopoly. Such investment is typically *direct* and takes the form of the wholly controlled subsidiaries, which accounted for 86 percent of total British foreign investment in 1958.[44]

India gives striking confirmation of these changes. At least half of British private investment was withdrawn between the outbreak of World War II and the first few months of Independence [in August 1947—ed.][45]; since then and up to the end of 1956, while foreign investment in manufacturing (including oil refining) rose by more than 170 percent, in tea plantations they rose by a little over half (largely due to a book revaluation of existing assets), fell absolutely in mining and trading (except in oil), and stagnated or gained very slightly in most other traditional fields of investment.[46] The same process is taking place *within* the big international companies: "Ten years ago," wrote the senior research office of Unilever's giant subsidiary, the United Africa Company,

> we were primarily concerned with produce and the importing of so-called "staple" commodities. Today these activities are of dwindling importance, and our capital and managerial energies are mainly directed towards local industry and the importing, distribution and servicing of the more difficult and technical type of goods—from cold storage products to bulldozers and television sets.[47]

And even such unbelievably pure examples of the old pattern as the American United Fruit Company and its sterling subsidiary, Fyffes, are shifting their operations: from bananas exclusively to bananas plus bauxite and oil; and within their banana empire, "the new policy is to hang on to the distribution of bananas, but let the nationals of the banana republics take over growing as soon as possible."[48]

The contrast with classic imperialism could scarcely be sharper: where there were once a large number of individual investors abroad, new investments are typically made by a few giant, mainly manufacturing, concerns; where the many small accumulations were heavily dependent on financial intermediaries like banks, the large concentrations of investible surpluses are now autonomously controlled; where capital exports were essential to complement the metropolitan productive structure, extensively as it were, this rounding or completing of the productive structure is now intensive, built into the economy; where such capital exports were large absolutely and larger in their relative importance to the capitalist economy, they are now small; where they took the form of technically unsophisticated and labour-intensive industries, new investments are now typically the opposite; where, therefore, foreign control of the state was essential to their proper functioning, this is no longer true. The antonyms could be multiplied. The thing to be remembered about them is that they contrast ideal types, the limits to which real examples tend but which they probably never fully resemble.

Capital becomes International

The new investments are inherently monopolistic. The techniques and resources they deploy abroad make redundant institutional restrictions on potential local rivals and therewith, in backward countries, many of the central functions of the colonial state. On the contrary, their bias toward manufacturing, toward the local market, coupled with the decay in the old division of labour between the home and host economies impel them toward protection, state intervention, and all the normal aids to industrialisation. To put it generally, the loose integration with the host economy which was so cardinal a feature of foreign capital a generation or two ago, its enclave character, can no longer meet its requirements in backward countries today; it needs to be replaced by a much closer relationship. Then it was a matter of exporting capital; now, if it is to succeed—a big "if" in fact—it has to export capitalism.

The class implications of this shift in foreign interest are enormous. Where before competition overshadowed all other elements in the relations between foreign and domestic capital, the latter chafing under a mountain of restrictions and frustrations; now, after independence, despite many points of friction and competition that remain, the overriding element is one of mutual dependence and convenience. Local capital is inheriting the labour intensive industries vacated by its foreign counterpart; it is proving itself indispensable in mediating between the complex foreign unit and its environment: in handling labour, supplies, sales, relations with the state; it is showing subtlety in its use of that state beyond anything that could have been achieved by an alien bureaucracy. In a word, it is functioning in a way and on a level necessary for modern foreign capital, but impossible for it to emulate directly. In its turn, it is buttressed by its foreign partner in a way that would have been unthinkable fifty years ago. The vast flow of state aid that crosses into backward countries every year—some $4–5,000 million a year in economic aid alone—is part of the return; technical and financial collaboration in private and state industrial projects is another part.

In some cases—one of which is India—a local agent able and willing to enter such a partnership was easily found. In others—and here most of Africa stands witness—there was nothing for it but to create one in the form of a state bureaucracy. Whether the purposes of foreign capital are best served by one or the other; whether one or other is intrinsically more suited to achieving mature, industrial capitalism within the time permitted today; whether orthodox western capitalism *can* collaborate with a form of state capitalism in backward countries over the long term or, conversely, state capitalism *à la russe* adapt to more orthodox models abroad are strategic questions. Unfortunately they reach beyond the scope of this article. All that can be done here is draw some of the conclusions that derive for socialists from the spontaneous withdrawal of classic imperialism and from its new relationship to the indigenous ruling class in backward countries whatever the precise form of internal organisation adopted by the latter.

One reservation need be made, however. It is easier to write of spontaneous withdrawals than to see them in practice. It would be a sorry history of the transfer of power in India that did not refer to the mighty wave of strikes that swept through the country at the end of World War II or that ignored the decisive role played by the mutiny in the Royal Indian Navy. More recently the seven-year bloodbath in Algeria, Suez, Cuba, and now South Vietnam look anything but a spontaneous withdrawal as does the near-apoplexy that seized large sections of the Tory Party in this country whenever Central Africa was mentioned. There is a moral too in the encroaching forest in the Congo. Even though the gathering forces of nationalist revolt might succeed in precipitating "spontaneous withdrawal," peaceful transfer to an indigenous ruling class might not be foreordained; it might not be ready to have such greatness thrust upon it. There is indeed an infinity of reservation and qualification with which the thesis of spontaneous withdrawal should be read, but there is equally a sense in which the thesis is valid: capitalism has undergone a transformation which enabled it to withstand, however unwillingly, the loss of its colonies, without disaster, without indeed, much dislocation or discomfort; which has enabled it, in most cases, to work, however grudgingly, for a relatively peaceful transfer of stewardship to a local ruling class. It is this broad process whose roots and some of whose implications have been detailed above. It is a long-term, historic process whose more precise implications for socialist theory and policy need now be looked at.

Implications for Socialists

It hardly seems necessary to sum up one's disagreement with Lenin on imperialism, as he defined it, as the "highest stage of capitalism." However correct the analysis in his day, and however justified the conclusions—and these are essentially true even in retrospect—it must be rejected on at least four counts: *finance capital* is not nearly as important for and within the system as it was; the *export of capital* is no longer of great importance to the system; *political control* in the direct sense meant by Lenin is rapidly becoming dated; and finally, resulting from these, we don't have imperialism but we still have capitalism. If anything, it is the permanent war and arms economies that are "the highest stage of capitalism."

Indeed, it is difficult to see what value there is in still using the word *imperialism* to describe the system of big power aggression and coercion of today unless it lies in the reassurance to be derived from familiar sounds. The one feature held in common by all imperialisms to date—Roman, Tsarist, or British—was then-direct control of the state in subject territories. Today such control is rapidly becoming vestigial, and the distinction between empire and colony which loomed so large half a century ago increasingly irrelevant, both politically and economically. Still very embryonic, the picture forming slowly, vaguely, but surely before our eyes is one of a far more homogeneous world in which many centres of capital and many more potential ones—some large and powerful, others weak and willing, yet independent—jostle and compete, forming, dissolving, and reforming alliances of expediency where before division of labour and the labour of divisions imposed an immutable pattern of relationships. Again, there is reason to enter the qualifications already made: it might well require revolution to turn an ex-colony into an independent centre of capital; and again imperialism is still very real—in Southeast Asia, Central and Southern Africa, and elsewhere; armed with modern techniques it is more horrific than it ever was. All one is saying—and the recent collapse of the dinosaurs in Algeria and Cuba underlines the fact—is that it is dying as reality and therefore as a useful concept.

This is more than a matter of definition. The frustrations of a potential local ruling class, the destruction of the peasantry and the exploitation of the new, colonial working class inherent in classic imperialism entailed, as has been shown, a loose but real national coalition. True, within the coalition the working class was assigned a role of special significance—as in Lenin's "revolutionary-democratic dictatorship of the proletariat and peasantry" or in Trotsky's theory of permanent revolution—but it was at best a substitutive one, devolving upon it by default, because the local bourgeoisie could not develop beyond client status, could not be other than an "inconsistent bourgeoisie" (to use Lenin's phrase). Trotsky too saw the roots of proletarian leadership in backward countries in negative terms: a result of the compromises with feudalism indulged in by the bourgeoisie, of the uneven development of the bourgeoisie and proletariat in such countries, a result, to take it back one further step, of uneven development on a world scale. The underlying assumption, whether for Trotsky with his uncompromising proletarianism, or for Lenin with his peasant-worker alliance (in theory at least until the revolution), or for the Mensheviks with their crude united front of all "new" classes (the model for Stalinist tactics in backward countries ever since), or for the hosts of revolutionaries and pseudo-revolutionaries in other countries this last generation, was undoubtedly the objective unity of all major classes in the struggle against imperialism and for independence, the framework within which they could grow.

The thesis of this article is that the conditions that gave the assumption validity have changed. To repeat, the national bourgeoisie (or failing it, the national bureaucracy) has been rescued from oblivion by imperialism's withdrawal; national independence has come to it, in many cases without a struggle and therewith have come the levers of economic development and its own growth; finally it has gained greatly in strength from foreign capital's new need for willing and active partners in production and from the associated flow of cold war aid. To say, then, that the local bourgeoisie or bureaucracy has opted out of the national coalition, or is in the process of doing so, is to state the obvious. Less obvious perhaps are the conclusions to be derived.

First, and most important, where before the working class could expect to rely on allies—fitful and weak though they always were—in the struggle against foreign rule, now in the countries that have gained political independence, their struggle is more specifically a *class* struggle directed against capital as such, foreign and domestic. Where foreign capital is overwhelmingly the major component, this class struggle is bound to have nationalist overtones. But here the working class is in no way a substitute leadership, its nationalism is a *class* expression, in the teeth of (rather than in default of) the local bourgeoisie. In such conditions any policy based on the creation of a "single national democratic front" (as at the 1961 Communist Party of India Congress at Vijaywada) must be rejected absolutely.[49] So must its obverse in the developed countries: the blanket defence and tortuous apologetics placed at the service of "national leaders" and their regimes by the institutions of the labour movement. Nehru's arrest of 15,000 strikers in the first few hours of a national civil service strike in 1960, or Nkrumah's regimentation of the Ghanaian labour movement, or Ben Bella's and Castro's are as grim instances of class oppression as any. To keep silent is to condone them.

This is a plea to assimilate the "new countries" into the traditional framework of class analysis. But it is more than that. It is an affirmation that national solutions to, say, cold war, are becoming increasingly unrealistic and class solutions increasingly necessary. It is a rejection of the many attempts, call them positive neutralism, some forms of Third Campism, or whatever, to find refuge from Great Power terror in alliances of "uncommitted countries." A country like India that demands (and obtains) one-quarter or more of its Plan outlay from both camps might seem independent of either. In reality it thrives on their competition. In reality the stability of its ruling class depends on the continuance of their ruling classes. It is inconceivable that India or any in the growing ranks of cold war brokers would endanger the stability of their regimes by opting for cold war isolationism.

Finally: when the continued functioning of capitalism rested so largely on Empire and when the form of operations abroad was such as to ultimately range almost the entire colonial population against the foreign occupation, there was good reason to believe that capitalism as a world system was most vulnerable where it was least acceptable, in the colonies; and there was a case for concentrating the revolutionary movement's energies as much as possible on the struggle for national independence. These, at least, were the underlying theoretical considerations—in addition to the ebb of revolution in Europe which was, of course, infinitely more convincing—in the Comintern's shift of attention to colonial issues at its second Congress in July 1920 and in its convening of the "First Congress of Peoples of the East" in Baku later that year.

The thesis is untenable today. However vulnerable certain segments of the capitalist class to events abroad and however influential they be, metropolitan capital as a whole is scarcely dependent on its marginal investments in backward countries; the economic ties that remain are less ties between functionally integrated and distinct units than they were and more ties of ownership, that is, legalistic ones, between similar and, therefore, functionally independent productive units. Put differently, the loss of a typical imperialist investment would have upset the home economy of which it was an operative part where a similar loss today, affecting a typical modern investment (with the partial, though important, exception of oil), would have merely a quantitative effect, reducing the resources of metropolitan capitalism but not affecting its pattern of production. Developed capitalism is thus less vulnerable economically to attack in backward countries.

At the same time, by reason of the new alliance formed around the new type of international investment, capitalism in backward countries is more resistant to attack from within. This is not to say it is stable or that it can continue in its present form for any length of time. It might well be that the only form in which it can triumph in large sections of the world is through state initiative—bureaucratic state capitalism—and the destruction of its bourgeois democratic cousin and rival. It might be that the capitalism we know in the "western" and "neutral" parts of the backward world will founder on its inability to solve the agrarian problem and the unemployment problem in that world without a degree of social regimentation and political isolation for which it is unsuited in its present form. The importance of these questions to every particular of labour movement tactics in backward countries is obvious, but whatever the reply the proposition remains unaltered, namely, that having become more firmly based on an alliance between the indigenous ruling class in politically independent countries and the metropolitan ruling class, capital is less vulnerable to working class attack in backward countries than it was. Unstable it might be: workers and peasants are working up to modern demands and forms of struggle—a kind of "demonstration effect" is operating. But the lag between capitalist internationalism and working class internationalism acts effectively to insulate their struggles. In sum, to believe nowadays that the short route to revolution in London, New York, or Paris lies through Calcutta, Havana, or Algiers is to pass the buck to where it has no currency. To act on this belief is to rob the revolutionary socialist movement of the few dollars it still possesses.

In the most general terms—and here is where the article started—the transition from imperialism to an arms economy in the mature capitalist countries has corroded a system in which backward countries fulfilled a special function in the world capitalist economy; in which, consequently, revolutionary strategy differed significantly from place to place. It has speeded up the export of capitalism and the assimilation of its major class features in a growing proportion of the world and diminished the scope for a political programme not based four-square on class analysis and working-class interests. There are exceptions of course—white South Africa's colonialist economy has proved strong enough to absorb and assimilate the new trends, and revolutionary strategy should still orientate on some form of national coalition under working-class leadership; Portuguese power in Africa is ferociously old-model imperialist; and so on. In these the traditional analysis still holds in part and the traditional weapons retain a lot of their edge. But in the bulk of the old empires new conditions obtain. They demand a practical internationalism based on the growing uniformity in the conditions of exploitation, the growing irrelevance of national struggles as such, the growing fusion of national and class struggles, and the growing similarity in the immediate aims of the working class the world over. The greatest service we can render international socialism is to help stoke up the fires at home.

Chapter 4

A Permanent Arms Economy[1] [1967]

Common to most explanations of western capitalism's stability and growth since the war is the assumption that the system would collapse into over-production and unemployment were it not for some special offsetting factor. Some have seen it in planning; others in rapid technological change, or an expansion in world trade. This article shares the assumption. Where its thesis differs from others is in locating the mechanism—which sets the loop of high employment, growth, stability and so on turning—outside the loop itself.

The argument for seeing a permanent threat of over-production (not a threat of permanent over-production) as inseparable from capitalism rests on three empirical propositions: that an individual capital's competitive strength is more or less related to the size and scope of its operations; that the relations between different capitals are by and large competitive; and that decisions relating to the size and deployment of individual capitals are taken privately by individuals and groups that form a small segment of the society which has to live with the consequences. Were it not for the first two there would be no compulsion on each capital to grow as fast as it can through accumulation (that is, saving and investment) and concentration (that is, merger and takeover); were it not for the third, growth would never stumble far beyond society's offtake. Together they also provide the mechanism for attaining—and retaining—stability as one that augments offtake while moderating the rate of expansion that might result. Ideally, it should do this without altering too grossly the relations between individual capitals.

Such a mechanism is to be found in a permanent arms budget. Insofar as capital is taxed to sustain expenditure on arms, it is deprived of resources that might otherwise go on further investment; insofar as expenditure on arms is expenditure on a fast-wasting end-product, it constitutes a net addition to the market for consumer or "end" goods. Since one obvious result of such expenditure is full employment, and one result of full employment is rates of growth amongst the highest ever, the dampening effect of such taxation is not readily apparent. But it is not absent. Were capital left alone to invest its entire pre-tax profit, the state creating demand as and when necessary, growth rates would be very much higher. Finally, since arms are a luxury in a sense that they are used neither as instruments of production nor as means of subsistence, in the production of other commodities, their production has no effect on profit rates overall (as will be shown below).

The addition made by arms budgets to world spending is stupendous. In 1962, well before Vietnam jerked up American (and Russian) military outlays, a United Nations study concluded that something like $120 billion (£43,000 million) was being spent annually on military account. This was equivalent to between 8 and 9 percent of the *world's* output of all goods and services, and to at least two-thirds (or even as much as) the entire national income of all backward countries. It was very near the value of the world's annual exports of all commodities. Even more breathtaking is the comparison with investments: arms expenditure corresponded to about one-half of gross capital formation throughout the world.[2]

Its significance varied enormously between countries: 85 percent of the total expenditure was made in seven countries: Britain, Canada, China, West Germany, France, Russia, and the United States.[3] In the countries of western capitalism, military expenditure as a proportion of gross domestic product ranged from 9.8 percent in the US (1957–59 average) to 2.8 percent in Denmark (6.5 percent in Britain); and as a proportion of gross domestic fixed capital formation from nearly 60 percent in the US to 12 percent in Norway (42 percent in Britain).[4] In none was it immaterial as a market or (and this is even more important) in comparison with the resources devoted to investment.

Some industries rely heavily on arms expenditure. In the United States (1958), more than nine-tenths of the final demand for aircraft and parts was on government account, most of it military, as was nearly three-fifths of the demand for nonferrous metals; over half the demand for chemicals and electronic goods; over one-third the demand for communication equipment and scientific instruments; and so on down the list of eighteen major industries one-tenth or more of whose final demand stemmed from governmental procurement. In France (1959), the list ranged from 72.4 percent in aircraft and parts down to 11 percent in optical and photographic equipment.[5] In Britain, a similar list would include the aircraft industry to the extent of 70 percent of output (1961); industrial electronics and radio communication, 35 percent each; shipbuilding, 23 percent; and a number of others.[6]

The impact of arms expenditure on growth and innovation is no less direct. It is not difficult to see how full employment puts a premium on technical innovation and *intensive* investment and so, at one remove, on research. It is here that military outlays are of overwhelming weight as a proportion of the total, accounting for 52 percent of all expenditure on research and development (R&D) in the US (1962–63), 39 percent in Britain (1961–62), 30 percent in France (1962), and 15 percent (partial estimate) in West Germany (1964).[7] No less than 300,000 qualified scientists are engaged on R&D for military and space purposes in the Organisation and Economic Co-operation and Development (OECD) area, mainly in six countries (those listed plus Canada and Belgium).[8] In Britain, 10,000 were so engaged in 1959, or one-fifth of the total, supported by another 30,000 or so unqualified research workers.

Military research has been crucial in developing civilian products like air navigation systems, transport aircraft, computers, drugs, diesel locomotives (from submarine diesels), reinforced glass, and so on. Long production runs for military purposes have brought other products, such as solar cells and infrared detectors, down to mass price ranges. Then again, military use has perfected techniques of general use, such as gas turbines, hydraulic transmission, ultrasonic welding, and a host of others. More important than all, concludes the OECD report *Governmental and Technical Innovation*, is the fact that

> the results of military and space research have had, and will continue to have, a greater influence on civilian innovation by stimulating the general rate of technological advance. For example, the requirements of military and space research, especially for guidance and control, have led to fundamental and applied research in such fields as semiconductors, micro-circuitry, micro-modules, energy conversion, and physical metallurgy, which are bound to have an impact in civilian technology. ... In addition, techniques of planning, such as operational research, Progress Evaluation Review Technique (PERT), systems engineering and value engineering—developed initially for military and space purposes—will lead to a more rapid identification of opportunities for innovation. And finally, the high standard of perfection and reliability required of military and space systems has led to the development of techniques of measurement, testing, and control that will serve to increase the quality and reliability of products and components. In the field of

electronics, this is particularly important.[9]

As for arms and international trade, the United Nations study quoted already estimated the average annual military demand by industrial countries for some internationally traded materials in 1958 and 1959 as 8.6 percent of total world output of crude oil, 3 percent of crude rubber, 15.2 percent of copper, 10.3 percent of nickel, 9.6 percent of tin, 9.4 percent of lead and zinc, 7.5 percent of molybdenum, 6.8 percent of bauxite, 5.1 percent of iron ore, 2.7 percent of manganese, and 2.3 percent of chromite.[10] It is difficult to come to such well-founded conclusions on the impact of arms expenditure on the size of firms, but the Economist Intelligence Unit study on Britain shows that the eighteen largest companies (10,000 or more workers each) of those that replied to the questionnaire, with 71 percent of total employment, had 75.2 percent of total employment on arms production.[11] It is also known that the defence pork barrel is very much a giant company concern in the United States. Despite official attempts to spread the gravy, the largest hundred firms received two-thirds by value of all defence contracts, and the top ten [received] one third, in the first half of the 1950s.[12]

Nor is it surprising. Only the biggest firms have the technical and technological resources to cope with the sophistication and sheer volume of arms production. But once they can cope, are members of the pork barrel club, growth is guaranteed. The major arms contracts are so enormous that "even the pretence of open tendering for orders could not be seriously kept in some of the most valuable and important government contracts."[13] "It is estimated," a US Assistant Secretary of Defence told the Joint Economic Committee of Congress in 1963, "that to establish a new production source on the Polaris missile, for example, would require up to three years and an investment of $100 million in facilities and special tooling." And although government auditing techniques are constantly perfected to cope with the new dependence on single supply sources, this time-and-materials or cost-plus basis for major contracts removes all traces of risk to income—and to growth. Sometimes, guarantees are so open-ended and performance so poorly policed that contractors go berserk and create new risks for themselves, as did Ferranti with its Bloodhound [missile] contract, when the firm was made to disgorge no less that £4.5 million uncovenanted profit on a £13 million contract in 1964. Normally, however, capital is more restrained and the risks to growth suitably anaesthetised.

Finally, planning. Military spending has been crucial in the development of government planning and the perfection of planning techniques. There is official evidence that planning in the United States was in direct response to Russia's ballistic breakthrough.[14] Close supervision over private industry is becoming part of any big arms contract. Modern methods of auditing and control stem straight from military needs. The same might be said of the increasingly essential tool of most large-scale planning exercises: the computer. Born out of the Second World War, its most sophisticated applications are still in military spheres, whether in solving design problems, playing war games, or stock and production control. Big computers are still denied export permits from the United States on military grounds.

These direct effects of arms spending are interlinked, and together they form a causal loop that seems to go on a perpetual round without the need for further stimuli. Yet although the facts seem conclusive enough, not all problems are tidied away. They might not be the only facts that could explain stability. Any academic economist should be able to construct a model in which savings and investment are exactly matched, and demand is set at the point of full employment. The techniques present no difficulties.

Non-academics have been at pains, with Strachey, to point out more pragmatically, that "defence spending could be replaced by other forms of governmental spending ... homes, roads, schools, etc, etc," or the government "could probably effect the same purpose by cutting down the tax on the small incomes."[15] And there is no reason in logic to doubt them. But capitalist reality is more intractable than planners' pens and paper. For one thing, too much *productive* expenditure by the state is ruled out. Seen from an individual capitalist's corner, such expenditure would be a straight invasion of his preserve by an immensely more powerful and materially resourceful competitor; as such it needs to be fought totally. Seen from that of the system, it would lead to such a rapid build-up of the capital:labour (value) ratio, Marx's organic composition of capital, and such a low average rate of profit as a consequence, that even the most marginal rise in real wages would precipitate bankruptcy and slump.

Only the last requires any explanation. Marx showed, to put it very roughly, that in the long run and despite much offsetting, the growing intensity of capital would force down the rate of profit in a closed capitalist economy.[16] The argument is simple: since unpaid labour is the sole source of profit and the outlay on labour-power a constantly declining part of all investment outlays, profit as proportion of total investment is bound to decline. He iffed and butted the "law" extensively and was at pains to explain that "this fall [in the rate of profit] does not manifest itself in an absolute form, but rather a tendency towards a progressive fall," but he clearly considered it the overriding trend. His argument rested on two assumptions, both realistic: [first, that] all output flows back into the system as productive inputs through either workers' or capitalists' productive consumption—ideally, there are no leakages in the system and no choice other than to allocate total output between what would now be called investment and working-class consumption; second, that in a closed system like this the allocation would swing progressively in favour of investment. The first [assumption] is the pivotal one. If dropped, and the ratio of the returns to capital to labour within the system become indeterminate, the second [assumption] falls and the law with it.

Marx himself pointed to existing leaks—capitalist personal consumption ("luxuries") and gold production—but realistically chose to ignore them. He was, after all, hewing a system from virgin rock, and they were neither here nor there in practice. Later theorists, forced to refine the model and also writing in a more affluent age, probed deeper into this nonproductive Department III. Von Bortkiewicz proved, in a paper published in 1907,[17] that the organic composition of capital in luxury goods production (the personal consumption of capitalists) had no part in determining the rate of profit. Sraffa, in by far the most ambitious refinement of a "classical" system to date, showed more generally that

> "luxury" products which are not used, whether as instruments of production or as articles of subsistence, in the production of others ... have no part in the determination of the system. Their role is purely passive. If an invention were to reduce by half the quantity of each of the means of production which are required to produce a unit of "luxury" commodity of this type, the commodity itself would be halved in price, but there would be no further consequences; the price-relations of other products and the rate of profits would remain unaffected. But if such a change occurred in the production of a commodity of the opposite type, which *does* enter the means of production, all prices would be affected and the rate of profit would be changed.[18]

While Sraffa characteristically refrains from adducing examples, nothing conforms so closely to the concept of "luxuries" as arms—which cannot under any circumstances enter the production of other commodities—and certainly nothing can begin to compare in size and significance. Seen from the angle of the system (that is, of pure theory), arms production is the key, and seemingly permanent, offset to the tendency of the rate of profit to fall.

But this is only one constraint on the state's freedom to adopt non-military production as a stabiliser—and the less convincing for being argued from first principles. Another, practical one is that arms production has a "domino effect": it starts in one country and then proliferates inexorably throughout the system, compelling the other major economies to enter a competitive arms race, and so pulls the major economies into the stabiliser's sphere of operations.

There is no other way. While the planlessness, or competitiveness (or, as Marx would have it, the "anarchy of production") within each national sphere has been tempered by government intervention, so that the spontaneous decisions of individual capitals are to some extent preordained by decisions covering a wider sphere, internationally anarchy remains very nearly absolute. Except for relatively small economies, there are no coercive authorities more extensive than the nation-state. Internationally, the system still performs in the classic manner through constant mutual adjustment by national capitals. This is why so homogeneous a set as the countries of mature western capitalism still need to regulate their relations by means of gold—the very essence of capitalist mysticism about social relations. It is why the even more homogeneous set of East European countries have been unable to do more than inch beyond bilateral trading as a characteristic expression of their mutual relations. The void between competitive reality and the illusion of collaboration even within closely knit blocs is immense. Between them it is immeasurable.

Under the circumstances, any country opting for full employment and stability through productive investments or even unproductive "hole-filling" public works is bound to suffer in world competition. Full employment might be achieved, but it might be achieved in isolation; and the result would almost certainly be a degree of inflation that could prise the single economy out of world markets. For it to endure, the ability of others to undermine it must be contained. In other words, full employment must be exported, and what better compulsion to "buy" it than an external military threat?

This is not to say that an arms budget was ever adopted anywhere as a means of securing an international environment conducive to stability. One can admit that governments usually step up their arms bills under protest; that the major steps have not necessarily coincided with economic downturns; that, in short, the *situation* has often been seen as unfortunate, restrictive, imposed from outside or whatever; one can admit that the initial plunge into a permanent arms economy was random—without affecting the issue. The important point is that the very existence of national military machines of the current size, however happened upon, both increases the chance of economic stability and compels other nation-states to adapt a definite type of response and behaviour, *which requires no policing* by some overall authority. The sum of these responses constitutes a system whose elements are both interdependent and independent of each other, held together by mutual compulsion—in short, a traditional capitalist system.

Once a part of reality, an arms economy becomes permanent almost of necessity. It is not merely that a system of mutual compulsion through military threat is more imperative than any other but that it becomes difficult to unscramble military and economic competition. As appears to be happening now, with Russia and the United States becoming resigned to adopting frighteningly expensive anti-ballistic missile systems, the arms race might have speeded up not for any real increase in military effectiveness, but in order to increase the cost of preparedness for the competitor. As *The Times* defence correspondent put it, the decision to introduce the systems now available to both sides makes sense only if they mean to declare all-out *economic war* against each other, both confident that the basic advantages of their respective economic systems would win in the end; both confident that the pressure of this crippling new weapons burden would cause the other side's economy to break first.[19]

That is between "enemies" as it were. As for relations between "friends," members of the [western] coalition have learned that common defence can be made to stretch beyond common interest and used as a cover for the particular interests of particular industries in particular countries. A case in point: under the two-year agreement ending 30 June 1967, West Germany promised to buy 5,400 million Marks worth of arms and equipment from the United States to offset American expenditure in West Germany. With only ten months of the period still to run, orders were still lacking to cover 2,400 million Marks, and "at present no more are in sight." As *The Economist* points out, West Germany's "obligation to buy so much military equipment from America ... constitutes a grave disadvantage to German industry, particularly the aircraft industry."[20]

It also constitutes a grave disadvantage to British industry, forlornly looking for a niche in the German arms market.

There is no need to strain for proof of the permanence of arms as an integral feature of our economies. What finer than the intense competition between and within the blocs in arms sales. The United States has its arms salesman. Our own Labour government has found it possible to appoint a minister for disarmament *and* a head of defence sales, the latter—on loan from his own mushrooming arms firm, Racal Electronics—with powers to set up special export lines, to influence design "at the formative stage,"[21] to control delivery dates, utilise the diplomatic service, and so on. For, explained the foreign secretary, "until we can get a widespread measure of disarmament by international agreement, it is reasonable that this country should have a reasonable share of the arms market."[22]

The absorption of arms production as part of the total economy, as essential to its competitiveness, has far-reaching consequences. The arms budget's flexibility as a stabiliser *within* each national economy is set at risk by its mediation *between* national economies. To expand armaments for good national economic reasons invites retaliatory escalation from its peers for equally good *international* reasons. There is no reason for escalation to stop at the point required for stability. Even if the unlikely occurs and it does stop there for one country, it is inconceivable that it would be a point of stability for others, if only because of the different sizes, structures, stages of development, sets of alliances, and such like, of the national economies grouped around a common shared military technology. So that at any one time, some would be favouring a reduction in armaments to safeguard their civilian competitive position, others standing pat, and others, perhaps, pushing for further expenditure. The current disarray of NATO, with France withdrawing; the US, Britain, and West Germany squabbling over support costs and nuclear sharing; the US straining to jack up European arms expenditure and Europe resisting, scarcely requires a different explanation. For that matter, neither does the confusion within the Warsaw Pact, where Romania is successfully Gaulling Russia.

The existence of an economic limit on arms outlay is crucial to the permanent arms economy. In a *war* economy, the limits are set by physical resources and the willingness of the population to endure slaughter and deprivation. In an *arms* economy, the capacity of the economy to compete overall, in destructive potential as well as in more traditional forms, adds a further constraint.

One of the results, paradoxically, is to reduce the compelling force of defence. As it is, it has taken a hard knock from the suicidal nature of much "defence" equipment. But the fact that *limited* preparedness—the sort implicit in a permanent arms economy—does not necessarily draw fire, has not yet done so, makes the setting of these limits the subject of endless debate, particularly for the lesser members of the western coalition who are least able to stand the economic pace. The stage is set for a slow erosion of arms expenditure at the periphery and its increasing concentration at the centre, in our case the United States. The facts are eloquent. Neither Cuba, nor Vietnam, not even "confrontation" has reversed the declining trend in British arms expenditure in real terms since the early 1950s. De Gaulle's *force de frappe* notwithstanding, and despite German rearmament, the United States was steadily increasing its share of NATO countries' total military expenditure even before the vast additions for Vietnam. This is scarcely a stable situation.

The existence of a ceiling on outlay is important for another reason. It provides a massive incentive to increases in productivity (measured in potential megadeaths per dollar) and so leads to the arms industries becoming increasingly specialist and divorced from general engineering practice. As one of the Organisation for Economic Co-operation and Development reports already quoted states,

> the direct transfer to the civilian sector of products and techniques developed for military and space purposes is very small compared with the total magnitude of military and space Research and Development. Furthermore, the technological requirements of defence and space are diverging from those of civilian industry, which means that the possibilities of such direct transfer would tend to diminish.[23]

Coupled with this specialisation and partly as a consequence, goes a rising capital—and technological—intensity in the arms industries. On both counts they become increasingly less able to underpin full employment unless permitted to pierce beyond the limits acceptable to an arms economy.

Closely related is the intractable form unemployment takes in a permanent arms economy. Rapid unplanned—and unplannable—technological change in the arms industries within a ceiling on expenditure creates regional-industrial husks of unemployment that remain grossly insensitive to general fiscal and monetary cures, and unskilled strata unemployable by the high-flying, quick changing technologies in use. Again, high boom in the west is obscuring the point, but the plight of the shipbuilding areas in the United Kingdom and in the United States, the problems of the aircraft manufacturing areas in the United States, even the problems of the American blacks owe at least something of their intensity to the changing tides of military expenditure and the increasing complexity of production for military use.

Instability itself is no killer of systems. It can help, by drawing attention to the system as a whole, and so to the possibility of an alternative; or by linking particular oppositions together. In our terms, it can fuse the sense of *personal* alienation and failure, which this society inculcates so liberally, into *class* consciousness and political purpose. Whether it does so depends on the receptivity of workers to ideas of fundamental change. And it is here, in this enhanced receptivity, that the permanent arms economy finds its true limits.

The argument has been set out elsewhere[24] and needs only be summarised here. The permanent arms economy tends to make labour scarce and skills expensive for an individual capital, while simultaneously enlarging the size of the typical capital and concentrating power in a few mighty, predominantly industrial complexes. These firms are forced to consider likely reforms—material concessions to workers—well before they make them, when considering their own long-term plans. At the same time, the state is forced into active management of the economy and into large-scale *productive* employment. Its apparent *political* neutrality wears increasingly thin, its policies become increasingly manifest as capitalist policies, whether as a direct employer, as a member (through the public corporations) of employers' organisations, or as an economic manager of the whole economy. Its uniqueness as an agent of reforms in the above sense is increasingly tarnished by the private sector's activities in that sphere. After all, fringe benefits in industry (that is, private reforms) at 13–14 percent of wages on average in 1960[25] compare very favourably with welfare "benefits expenditure" (that is, public reforms), which accounted for 12.6 percent of consumption expenditure in that year.[26]

The workers' response has been profoundly affected. Realism demands that the battle for reforms be conducted locally, industrially, directly, rather than nationally, politically, and through the medium of middle-class parliamentary representatives. It is true that realism often substitutes unit solidarity for class solidarity, job-consciousness for class consciousness, a business ethic for the rudiments of a socialist ethic. It is also true that such realism threatens to demolish the upper floors, the traditional class organisations, without waiting for the basement to be enlarged and strengthened. Nonetheless it is a realism that shifts the locus of activity from "over there" to "here," from "them" to "us," which gnaws at the artificial barriers between class and class organs and at the frequently conflicting loyalties to them.

The potential revolutionary of tomorrow and the active reformist of today are increasingly indistinguishable, while the instabilities of the permanent arms economy ensure that revolution becomes simply a phase in the activities of all sincere reformists.

Chapter 5

Marx's Theory of Value[1] [1968]

> In theory it is assumed that the laws of capitalist production operate in their pure form. In reality there exists only approximation; but, this approximation is the greater, the more developed the capitalist mode of production and the less it is adulterated and amalgamated with survivals of former economic conditions.[2]

It seems improbable that Marxists should have spent a century defending two very abstract propositions: that values are measured by the amount of time necessarily and actively spent in creating them; and that under certain stringently defined and wholly artificial conditions, equal values exchange. It is at least as improbable that anti-Marxists should have spent as much time attacking them or that a blander school of non-Marxists should now bother to deny their relevance. Yet in different tones and with different talent, they have done so and, as this essay shows, are still doing so.

The Propositions

Like all societies, capitalism manages to allocate its labour and distribute its output more or less systematically. Alone amongst them, it does so unintentionally, without overall planning. And it does so while sustaining an exceptionally fast rate of growth and despite intense and disruptive class struggle. However one looks at it, this is an extraordinary achievement.

Its explanation is the substance of classical political economy. Basic to it are the two propositions with which we started. And in the same way as the explanation at Marx's hands went well beyond capitalism's coherence and equilibrium to encompass its development and decay, so did the two standard propositions come to fulfil uncommonly explicit and important functions. The first anchored his model of capitalism to historical materialism: it measured the achievements of this society, the extent of its mastery over the environment, on a scale common to all—the cost in socially significant human effort. The second fastened on the element of normalcy, regularity, law within the system, without which it could not persist. Together they articulated a model that featured the most significant relationships in capitalist society as its own.

Few of these relationships were Marx's discovery. Class struggle, accumulation, exploitation, and expansion were attributed to the system before him, and without reference to him subsequently. What was new was his attempt to relate these known facts to each other systematically and above all quantitatively, and to do so in terms that both dealt in and rejected the categories used in justifying the system to its members, that is, critically.

Take class struggle. To say that labour-power is a commodity, that is, useless to its owner unless exchanged, is not very significant in itself. To say that it must exchange at its value; that this value is measured by the amount of time necessarily and actively spent in its creation and renewal; that this amount of time is manifestly less than the duration for which labour-power is bought; and that the difference is the measure of exploitation, or the time spent creating the flow of profits, rent, interest—is more than interesting. It puts class struggle in a social context. It provides a criterion for differentiating one type of income from another—income from work and income from "property" (that is, from the exercise of social power).

On a different plane, it explains the reality of inequality as well as the appearance of equal rights; the realities of dependence and compulsion as well as the appearance of contractual freedom.

Or take accumulation and growth. The time necessary and actively spent in production—Marx's "socially necessary labour time"—is contingent on technology and its application. Neither being evenly spread through the economy, there is a gap between what is individually and what is socially necessary, between individual and normal productivity. In its positive aspect, this gap is the source of above average profits. To exploit it by using "shadow," normal costs instead of actual, individual costs, and to widen it by innovation, speedup, or whatever, become through competition the operational goals of each capital. That they are paradoxical and ultimately self-defeating goals is true: above-average profits derive from a successful bid to push back the sway of ruling normal costs, while these costs are themselves established through the normalisation and socialisation of the special circumstances which make above-average profits possible. They are nonetheless compulsive for that; and their effect is to be seen in the dynamism of the capitalist economy, in the fact that growth is a condition of its existence.

In both cases—and they are representative—the facts are seldom disputed. Even their configuration might be allowed. What is never conceded is that they are linked and consistent with the two quantitative propositions on which Marx's value theory rests. To do so would be to concede the ism as well as the man.

The "Reduction Problem"

For a century or so, neither proposition has gained much of a hearing outside the socialist tradition. The first—value is measured by the time actively and necessarily spent in its creation, by "socially necessary labour time"—has been rejected on a number of grounds, the most important being that labour is not homogeneous and cannot be reduced to "simple, average labour," that is, to "the expenditure of simple labour-power, … labour-power which, on an average, apart from any special development, exists in the organism of every ordinary individual."[3]

One critic saw "this problem [as] certainly the most serious difficulty met by an inherent criticism of Marxist economics" and one without solution.[4] Others, from Bohm-Bawerk[5] through Bernstein[6] down to Joan Robinson,[7] have picked on it as a crucial weakness.

Marx himself did not give it much attention. He thought it enough to state that "the different proportions in which different sorts of labour are reduced to unskilled labour as their standard, are established by a social process that goes on behind the backs of the producers, and, consequently, appear to be fixed by custom"[8]; that the social process in question was one of enriching simple skills through education and upbringing which "costs an equivalent in commodities of a greater or less amount"[9]; and that the use of these enriched skills produces "labour of a higher class, labour that creates in equal times proportionally higher values than unskilled labour does."[10] He saw the level of skills as something analogous to the organic composition of capital and the use of skilled labour in production as analogous to the transfer of accumulated labour (constant capital) to the product, with one crucial difference, that in the latter case there is a simple *transfer* of value and in the former not.

Marx let the matter remain even vaguer than the analogy implies. He spent little time on justifying *unskilled* labour time as the measure of value: it was enough that "unskilled labour constitutes the bulk of all labour performed in capitalist society."[11] There seemed no reason to be more explicit, for at the time to reduce skilled to simple labour was to distil in theory a real and clearly noticeable social process in which the predominant skills (in agriculture and handicrafts) were being ruined; the use of undifferentiated, unskilled labour was growing explosively; and the social nature of individual labour, its role in the total division of labour, was being reaffirmed daily as a wholly external fact, embodied in machinery and in the organising will of capital. If the problem of reduction obtruded, it was because skilled wages were so disproportionate to the going rate for simple labour; if it was thought to be fairly unimportant nonetheless, it was because newly employed skills were still relatively few.

Times changed. Under pressure from the critics and from the growing mass, variety and definition in the skills used by capital, Marxists laboured to refine the original statement. Hilferding's formulation of 1904 has remained more or less the stock answer to this day. As he put it:

> For the production of ... skilled labour power … a number of unskilled labours [are] requisite … Its expenditure consequently signifies the expenditure of all the different unskilled labours which are simultaneously condensed therein … In what it has to give for the product of skilled labour, society consequently pays an equivalent for the value which the unskilled labours would have created had they been directly consumed by society. [Of course,] a skilled labour may contain, not unskilled labours alone, but in addition skilled labours of a different kind, [but] these in their turn are reducible to unskilled labour.[12]

Although echoed since by most Marxist writers on the subject,[13] it is an unsatisfactory answer. In the actual process of education as it takes place in schools, at the apprentice's bench or at home, the labour used in creating skills is itself skilled labour by and large, which in turn owes its provenance to the input of skills and so on through the reaches of time past. This must always have been true—enough at least to justify Marx's perfunctoriness about the reduction process—but never more than today when manual labour is typically skilled or semi-skilled, and unskilled labour however defined (and most definitions include a skill component) forms only a fifth or so of the whole.[14]

It would satisfy one's sense of history and of aptness if *skilled* labour time could be substituted as the measure of value. It would also simplify the arithmetic, since a narrowing of differentials always accompanies a general enrichment with skills.[15] But skills are nothing if not concrete, and nothing concrete can serve as a general measure of value. For if it is difficult to translate the value of, say, an electrician's labour-power into that of a labourer's, even though all electricians can work as labourers, it is impossible to effect the translation as between an electrician and, say, an engineering fitter. Neither exercises that "labour-power which, on an average, apart from any special development, exists in the organism of every ordinary individual." Each is immobilised by the other's particular concrete skill. In fine, while skilled labour is *representative* where unskilled labour is now not, it lacks the *universalism* which unskilled labour still has. A measure of value needs both. In Marx's day the two combined naturally in unskilled labour. It was the typical form of labour—and so representative; it was functionally subordinated to capital, socialised so to speak only at work, to which it brought no more than brute force—and so universal. Today labour's functional subordination to capital is more total; integration and socialisation occur as much off the job as on it—in education, in leisure, via the media; it brings to work specialism, functional immobility, the need to combine in fairly fixed proportions not only with external capital but with itself. If, therefore, in Marx's day the social character of labour could be represented by an individual labour-power, today it cannot. What is employed now is a composite, a blending of individual skills into a collective unit, which, although unrecognised in theory, exists in practice as the recipient of collective bonuses, the product of industrial training schemes, of educational efforts or of recruiting drives. In effect, it is what moves between industries.

There is nothing abhorrent to Marx's method in this. On the contrary: in order to eliminate random differences in the work intensity and inherent skill of individual workers, he posited an "average social labour" which resulted "whenever a certain minimum number of workmen are employed together."[16] In another connexion he posited an "average capital" (with "the same, or approximately the same structure as the average social capital") as a limit towards which "all other capitals, of whatever composition, tend."[17] A composite labour-power, weighted in accordance with the skill composition of the total social labour force—a standard composite, as it were—is of the same genre.

Its use does not "solve" the reduction problem. The blend of skills in each industry is unlikely to coincide with that of the standard composite, and some sort of reduction process —from nonstandard to standard composites—is still needed. But since industries and, more particularly, the large capitals that straddle them, share a narrower range of composites than the range of individual skills within them; and since the range of composites narrows as the composition of capitals becomes increasingly uniform (as will be shown in the section "The 'Transformation Problem'" below), the problem is reduced in importance and tends to disappear in practice. At the same time the measure of value is shifted from the individual to the collective plane, where it obviously now belongs.

A Methodological Interlude

A more general objection (which, if upheld, would destroy the argument not only in the preceding section but throughout this article) is that it is pointless to seek empirical evidence for Marx's categories. He was, after all dealing with the "reality behind the reality," the essence beneath the surface of phenomena. In this view, occasionally, if furtively, held by contributors to this journal, it does not matter at all if the concept "simple labour" (or "value," or "surplus value" presumably) has an objective correlative; importance attaches only to the coherence of the model that requires the concept and to its ability to illumine reality whether or not it mirrors it.

It can be admitted at once that no model mirrors reality in all its detail: scaling down—the building of the model—is a process of exclusion and simplification, and scaling up again—the model's use—replaces the original rich texture of uniqueness with flat expanses of generalisation and abstraction. So much is true. What is *untrue* is that the process of scaling down can produce categories that have no objective correlative; or that in the contrary process of scaling up, features essential to the model can be made to disappear. To suppose anything else is to justify the use of ideas as a pure convenience.

Marx was aware of the need to root his categories in reality. Paradoxically, *Capital* is at its most empirical when dealing with the larger abstractions (as in Volume I). The subsequent two volumes, in which successively closer approximations are made to the actual functioning of the system, are by contrast almost devoid of factual material. No doubt this is partly due to the fact that Marx did not prepare the published text himself; but mostly, as can be seen from Engels's Introductions, it is because there was so little. Presumably Marx felt it more important to anchor a grand generalisation in experience, rather than a small one. "Abstract labour" or "labour in general" was one of the grandest. Yet it "has found its highest development in the most modern of bourgeois societies, the United States."[18] The reduction process was another. Yet, although it "appears to be an abstraction … it is an abstraction which takes place daily in the social process of production."[19] If it is "British empiricism" to appeal outside the model in justifying its categories, Marx, despite his accent, despite his philosophy, and despite his own protestations, was a "British empiricist" of a high order.

The "Transformation Problem"

The need for verification sustained the longest, most exhaustive and boring of the debates on the labour theory, relating to its second proposition—that value equivalents exchange.

In the first volume of *Capital,* Marx conveniently assumed that capital and labour-power combined in a fixed value proportion—the organic composition of capital was given; that labour-power was used at the same intensity and for the same length of time in all cases—the rate of surplus value, or exploitation, was given; and that, as a result, surplus value accrued to capital in proportion to its size—the rate of profit was everywhere the same. Prices therefore equalled values and the proposition about value equivalents exchanging presented no difficulty.

In Volume III, one of these restrictive assumptions was dropped: the rate of exploitation was still held constant, but capital and labour-power were allowed, as realism demands, to combine in different value proportions. One of two conclusions had now to be drawn: either the rate of profit on different capitals varied in line with their organic compositions and prices coincided with values (which was manifestly not the case, nor could be so long as capital was free to move from less to more profitable spheres); or prices diverged from values in such a way as to more or less equalise profit rates. Obviously this was what was happening. Equally obviously, the systematic divergence demanded clarification.

Marx set about the problem in part II of the third volume of *Capital.* Essentially what he did was to aggregate separate capitals into one social capital and redistribute the total profit (equal to the total surplus value) among the capital components in proportion to their size. For an individual capital, total revenue (price of production) would then be equal to cost price (that is, depreciation on fixed capital and outlay on circulating capital and wages) plus its share of total profit, or cost price plus the average rate of profit. A capital of low organic composition (relatively labour intensive) would receive a revenue below the value of its product; a capital of high organic composition (relatively capital intensive) would price its products above their value. Not to do so would be to induce a congestion of capital and low profits in labour-intensive sectors, scarcity of capital and high profits in capital-intensive ones, with consequent redistribution of investment until each capital was satisfied that it was receiving the ruling rate of profit.

Marx illustrated his argument with a minimum of fuss. He was interested in showing that values *can* be transformed into prices, that the exchange of value-equivalents on which his theories of exploitation and surplus value rested, although modified, still held—and this he did.

The illustration was not intended as proof. In particular, he explicitly abstracted from the complications introduced by different capitals' use of each others' outputs as inputs[20] and so accomplished only half the "transformation" required: in effect, each capital's output was "priced" but its inputs were "valued." The formal problem thus remained: to find a ratio of price to value, whether a commodity was considered as output or input, that would ensure a rate of profit common to all capitals. The critics naturally thought this impossible; nor was the immediate defence too productive. It was left to latter-day Ricardians, Ladislaus von Bortkiewicz, a statistician at Berlin University in the first third of the century, and, implicitly, Piero Sraffa, editor of Ricardo's *Works* at Cambridge, to open and decisively close the solution.

There is no point in tracing their arguments here. It is enough to say that Bortkiewicz constructed a determinate equational system (in which the number of unknowns was no more than the number of equations) from Marx's conditions of equilibrium as set out in part III of the second volume of *Capital* and so arrived at a formally satisfactory solution[21]; and that Sraffa, in an ambitious and formidable work, *Production of Commodites by Means of Commodities,* showed there to be one set of price ratios for every fractional breakdown of output between wages and profits.[22] Marx has been vindicated, even if not by Marxists.

While economists have puzzled over the "transformation problem," investing it with an importance never intended, reality has moved in an opposite direction—toward an increasing uniformity of organic compositions in different industries. This was to be expected on general grounds. As Marx points out, "at first, capital subordinates labour on the basis of the technical conditions in which it historically finds it. It does not, therefore, change immediately the mode of production."[23] Ultimately, however, it does; at first haphazardly as technical innovation occurs now in one, then in another industry, in response to market pressures or pure chance. Then more systematically as innovation and with it the deepening of industry's capital structure—the raising of its organic composition—becomes the organised output of research and development teams, themselves the planned product of national educational apparatuses. In this process the most traditional, labour-intensive industries have farthest to go and make the greatest relative progress.

Empirical backing is not easy to find. The ruling schools of economics have no use for capital:labour (value) ratios and spend no time elaborating them from the raw data to be found in censuses of production; Marxist economics is denied the resources of orthodoxy which would make such elaboration possible. Nonetheless, what meagre evidence exists supports the thesis that these ratios (if only in their bastard form—capital [value]:labour [quantity]) are converging and that, more directly, the range, or dispersal, of industry organic compositions in this form is narrowing remarkably quickly.

On the first point, the fact of convergence: of fourteen British industries ordered by relative capital: labour ratios (in the above sense) in 1961, five of the first seven showed a lower than average rate of growth in this ratio between 1948 and 1964 and four of the bottom seven, an above average increase.[24] On the second point—the speed of convergence—it is possible to show that the dispersal of US industries, as represented by the 500 largest firms, around the median, as represented by assets per employee, fell by more than two-fifths between 1960 and 1967; or, more rigorously, the coefficient of variation from the median fell from 75.4 to 43.0 in those eight years.[25]

It would be wrong to suggest that Marx's Volume I assumption of a single organic composition of capital was intended as anything more than an expository device. It would be as wrong, however, to assert—as Sweezy does—that there is "no justification [for it] in actual tendencies at work in a competitive capitalist economy"; or that "there is obviously nothing to bring the ratios of constant to variable capital in the steel and clothing industries into conformity": and that it is this unreality which distinguishes it from others of Marx's propositions, such as the tendency of profit rates toward equality. On the contrary, the growth in scale of manufacturing, its increasing technological intensity, the increasing organisation and planning of research, all on a background of labour shortage and compulsive economic growth, are in fact prodding the steel and clothing industries into conformity, as they are prodding reality closer to Marx's proposition.[26]

Supercession by Planning?

The "non"-Marxist critique spares itself the pain of wrestling with Marx's own categories: they were useful in his time but irrelevant today. Marx should rest embalmed in his own distinction and be ignored except in as much as he has been pacified and annexed.

One variant originated with the debate on value theory in post-revolutionary Russia. It is still reverberating through the non-Chinese eastern bloc and has even found a sophisticated echo in non-Stalinist circles in the West. It states simply that planning and the Law of Value (in its "exchange of equivalents" aspect) are diametrically opposed and mutually exclusive principles of economic organisation; the one denies existence to the other. In its refined, academic version it states, less simply, that since understanding, intention, and behaviour are inseparable, social "laws" as distinct from physical ones lose their compelling character through being formulated; that Marx, by revealing the principles by which capitalism organises itself, effectively annulled them. At its most sophisticated, this view would agree with Marx in denying explicitly an identity between formulating a social "law" and its supersession, between recognition and annulment[27]; would admit that between the one and the other an institutional bridge need be built; but would say, so it has been, or is being, built—from Russia to the United States planning is respectable, needs are foreseen, catered for, and the "common mind" of the "agents of production" which Marx would not or could not envisage as reality, is to be found in the planning commissions or their equivalents in every capital city.

In a sense they are right. The evidence of planning is plain. But the evidence has always been there. There has always been a measure of planning under capitalism and the picture today is very little different, scale for scale, from what it was in Marx's day. What the critics have done is present a false disjunction between the Law of Value and planning; between compulsion and choice; necessity and freedom. Under capitalism, the antonyms are and always have been inseparable; individual capitals have always attempted to evade the full consequences of planlessness by extending their own sphere of control. Their growth as a result has always resulted in even greater anarchy.

Marx was explicit and repetitive on this: "in a society with capitalist production," he concluded "anarchy in the social division of labour and despotism in that of the workshop are mutual conditions the one of the other."[28] Others, from an intellectual tradition more congenial to the agnostic critics, have taken a narrower view, but are emphatic enough: "the development of the modern business enterprise can be understood only as a comprehensive effort to reduce risk. It is not going too far to say that it can be understood in no other terms."[29]

Nor can it. At the very least, capital must see that its outlay on labour-power, raw materials, and so on is no more than at ruling prices; and that they are employed at the prevailing standards of efficiency. Anything less would result in a lower than average rate of profit, a relative decline in competitive ability and ultimate extinction. Anything more, however, results in setting new standards for productivity, for the "socially necessary labour time" that other capitals must in the end adopt. The imposition of these new standards, as the preservation of the old, is the foundation of despotic planning. In other words, the transformation of competition's planlessness into planning is the specific function of capital, the ruling class's only justification. And if the attempt to limit the effect of planlessness results in expanding the area of planning—through accumulation, concentration, the formation of monopolies, trusts, cartels, and even national capital units—this is no proof of anarchy's supercession but of its displacement.

To prove supercession, the critics need to show that the relations between individual capitals are determined a priori. This they can still do for the state capitalist countries. Even in Yugoslavia, the most "devolved" and "reformed" of them all, "the government uses various market instruments in order to make the Social Plan workable and efficient and to attain planned goals."[30] In the countries of orthodox capitalism, the thesis would be more difficult to prove, but at least it is arguable within each national state. But internationally the system still forms in the classic capitalist manner—there is no goal, no a priori purpose, no fundamental check to the spontaneity of competition. Final authority is dispersed over a number of independent governments, each important enough for its decisions to be crucial to those of all the others yet each taking its decisions independently and privately, and so with inherently unforeseeable consequences. The resulting extreme vulnerability of each to all leads to consistent attempts to speed up national responses to international economic events, that is, to plan and centralise economic control in each national centre. Planning is reactive, not autonomous.

Such planning breeds planning. A product of international integration and competition, it destroys the automatism of international adjustment—pure in theory, less so but still there in practice—and the world market becomes an increasingly unstable environment, demanding faster national adjustment, increasing national articulation, and so more planning. The distinction between the national economy in which competition is heteronomous, one method of attaining goals set by international competition, and the international economy where primordial competition still holds, grows sharper and sharper.

Naturally attempts are made to order the international environment, to plan the planning: the wilful or inexpert use of the policy discretion now available to each national capital is potentially so dangerous to the rest that intense diplomatic pressure—backed by the threat of financial and political sanctions—is brought to bear to compel the adoption of particular policies. But the results are neither lasting nor universal. If nothing else, the level of world spending on armaments is witness to their limitations.

Capitalism is still a competitive system; and the law of value still the basis for its analysis.

Chapter 6

Maginot Marxism: Mandel's Economics[1] [1969]

Mandel's *Economics*[2] is a Marxist failure. It is unsure of the central capitalist dynamic. It evades the essentials of the system as it operates today. It is more concerned with defending Marx's categories of analysis than with applying them. In consequence, it does little damage to the system intellectually or, by derivation, in practice.

The Central Dynamic

If capitalism is peculiar among class societies, it is not because a surplus product is systematically pumped from the mass of producers—this happens in any class society—nor because a small section of society—the ruling class—organises that pumping and benefits from it—that too happens in any class society—but because there is no central, public arrangement to ensure that the process will go on in an orderly, continuous, and predictable way. Key choices about the deployment of resources are left to individual capitals, big and small, public and private.

Within nation-states the doctrine of *ultra vires* holds, permitting individual capitals to do anything not expressly forbidden by laws whose scope and content they themselves determine to a large extent. Beyond, in the world shared between national capitals or the states with which they are more or less identified, positive constraints scarcely exist. Not even the largest state is coextensive with the system, so there are no overriding institutions that can make binding decisions for it. Yet a sort of order emerges from the chaos.

That it does so is because the behaviour of individual capitals is narrowly determined by the competition between them. Simply in order to exist over any length of time, each capital must grow as fast as it possibly can, by reinvesting the major part of its share of surplus-value (accumulation) or by absorbing and taking over other, less successful capitals (centralisation), or by doing both. If an individual capital did not grow, it would ultimately be unable to afford the rationalisation and innovation with which to meet those that did, or unable to ride as successfully the sudden changes in market conditions that are part of the system. For an individual, capital growth is the ultimate compulsion.

Growth does not come about automatically. Since capital is not a being but a systematic relationship between beings, somebody has to decide to make growth happen, to devote the freely disposable resources as they become available to investment rather than consumption. That somebody, whether an individual or a group, must be able to measure its performance against very clear criteria. It must also be very strongly motivated to make the right decisions, for primordial Adam has still not been gorged, not even by affluent late capitalism.

The precise forms these criteria and incentives take are unimportant. Historically the former have been as different as the amount of money profits and the volume of gross physical output; and the latter as different as material privilege or superior status at one end of the spectrum, and material loss or physical punishment at the other. What is important is that the criteria measure consistently the contribution of an individual's, or group's, decisions to the growth of any single capital; and that the incentives elicit as consistently the decisions that promote such growth.

This distinction between the behaviour of capital and the social and psychological mechanisms that ensure that behaviour, between the rules and the players of the game as it were, is obscured. It is nonetheless real, and of prime importance analytically. For the behaviour of capital—its blind unconcerted compulsion to grow—derives directly from the central peculiarity of the system—its fragmentation into more or less autonomous competing units—while the mechanisms whereby the ruling class organises itself to promote that behaviour do not. These are common to all class societies.

The distinction does not exist for Mandel. On one page he concedes "the *accumulation of capital*" as "the great driving force of capitalist society."[3] On another it is "the capitalists" thirst for profit"[4]; and on yet another money is "the initial and final form of capital towards which the whole of economic activity is directed."[5]

The Essential Model

The primacy of growth is essential to Marx's model of the system at work. Each capital is driven to jack up productivity by coupling its workers with more, and more costly, machinery, while simultaneously trying to hold down wages. As this rationalisation spreads, labour-power becomes a smaller component of total capital (the "organic composition of capital" rises) and smaller even in absolute terms (the "reserve army of labour" grows); the value added in production and surplus value become smaller in relation to total investment; and so the average rate of profit falls. Booms become progressively less profitable and shorter; slumps more lasting and severe. Stagnation threatens and the system becomes increasingly restrictive.

The model is a closed system, in which all output flows back as inputs in the form of investment goods or of wage goods. There are no leaks.

Yet in principle a leak could insulate the compulsion to grow from its most important consequences. If "labour-intensive" goods were systematically drawn off, the overall organic composition of capital would rise faster than in a closed system. However, if "capital-intensive" goods were drawn off, the rise would be slower and—depending on the volume and composition of the leak—could even stop or be reversed. In such a case there would be no decline in the average rate of profit, no reason to expect increasingly severe slumps, and so on.

Capitalism has never formed a closed system in practice. Wars and slumps have destroyed immense quantities of output. Capital exports have diverted and frozen other quantities for long stretches of time.

A lot has, since World War II, filtered out in the production of arms. Each of these leaks has acted to slow the rise in the overall organic composition and the fall in the rate of profit. But since their size and composition have been spontaneously arrived at and not tailored to attaining these results, their impact at any given time has been unpredictable except in broadest outline.

The Historical Perspective

Arms production has clearly provided the largest and most effective normal drain since World War II. Being a "capital-intensive" drain, it will have had a restraining effect on the tendency of the organic composition to rise. Without separating out the organic composition of the arms-producing industries and firms from that of the non-arms-producing ones and then carrying the exercise through all the backward linkages to their suppliers, their suppliers' suppliers, and so on—an exercise which has yet to be undertaken—there is no way of measuring the effect directly, but it must have been considerable. For the expected immediate consequence of a rising organic composition, namely a fall in the average rate of profit, has not occurred. If US figures are any guide, the rate of profit has kept more or less level for the entire post-war period, as Table 1 shows.

There having been no long-term slide in profit rates; there has also not been a series of ever-deepening slumps or signs of growing restrictiveness. In fact, output has seldom fallen from one year to the next since the war and then never by more than 2 percent, and the tendency throughout the system has been *generally* away from inconvertibility, tariff barriers, resale price maintenance, and so on. Nor has there been a steady increase in unemployment. Despite the evidence that has accumulated this last year or so of growing instability, the system has been kept open.

Mandel will have none of this. He does not so much as hint at the stringency of Marx's assumptions or at the extreme abstraction and simplicity of *Capital's* theoretical construct. Marx said, therefore it must be. Models turn into the real thing; and the real thing becomes as simple as the model.

We are told, quite rightly, that "increasing organic composition of capital ... is the basic tendency of the capitalist mode of production."[6] But then tendency is assumed to be fact and the next tendency in Marx's logical sequence—that of the average rate of profit to fall—is quickly tagged on as fact too: one table shows it to have dropped by two-fifths between 1889 and 1919[7]; another that net accumulation of capital fell catastrophically between the 1860s and the 1930s[8]; and two others, that depreciation has claimed more and more of gross output between the 1880s and the 1920s and between the 1880s and the 1940s (to 1948).[9] Since nothing beyond the forties could sustain Mandel's thesis, the facts are suspended then.

Table 1: US Corporate Profits before Tax and Net Working Capital, 1948–67

Year	Pre-tax profits $ billion	Net working capital $ billion	Profit rate %
1948	32.7	68.6	47.7
1949	26·2	72·4	36·2
1950	40.0	81.6	49.0
1951	41.2	86.5	47.6
1952	35.9	90.1	39.8
1953	37.0	91.8	40.3
1954	33.2	95.0	34.9
1955	44.9	102.9	43.6
1956	44.7	107.4	41.6
1957	43.2	111.6	38.7
1958	37.4	118.7	31.5
1959	47.7	124.2	38.4
196o	44.3	128.6	34.4
1961	50.3	148.8	33.8
1962	55.4	155.6	35.6
1963	59.4	163.5	36.3
1964	66.8	170.0	39.3
1965	77.8	180.1	43.2
1966	85.6	189.4	45.2
1967	81.6	200.1	40.8

From *Federal Reserve Bulletin*, relevant years.

On to "the inevitable slump." Since the key fact here—the mildness of post-war recessions—is too public and obtrusive to be suppressed, it is conceded and even explained.[10] But, incredibly, it is not allowed to affect the larger analysis: the elusive inevitability is still announced at regular intervals[11]; slumps still punctuate a trend towards stagnation.[12] The uncomfortable fact is attached not incorporated.

The same is true of the drive to restrictiveness, immobility, and decay. One by one they come: the "absence of fresh fields for investment"[13] (as if interest rates were not constantly pressing upwards to attract scarce money capital, or were not now at a historically high level); the decline in trade relative to production[14] (as if trade in manufactures has not gone up at twice the rate of output since 1948)[15]; the growth in the rentier class[16] (as if it has not been nearly euthanised since World War II by the combination of high profit retentions and high personal taxation); the march of cartelisation in Britain[17] (as if competition for and from world markets were not increasing, or resale price maintenance were still with us). There is even the quaint assertion, based on a crude misunderstanding of what insurance is about, that "the chief preoccupation (of the capitalist regime) has become *security,* that is, conservation, and is no longer *expansion*."[18]

But since this sort of statement and others about "monopoly capitalism" limiting and fettering "the development of the productive forces" look hairless even to Mandel, we are given a sop: it "does not mean that world production, or even that of the leading countries, sinks into stagnation; but it falls even further short of the possibilities offered by modern techniques."[19]

But once again, the admission is not allowed to affect the argument. The magpie goes gathering on, and we are left wondering what to make of non-stagnating stagnation, slumpless slumps, and similar Mandelania.

State Capitalism

Nothing in Stalinist (including post-Stalin) Russia defies analysis in terms of Marx's model. The process of pumping out surpluses from the mass of producers is as vulnerable in Russia to wild and random encroachments from other capitals as it is anywhere else. The people who organise and benefit from it are under as oppressive a compulsion to fast economic growth as is any similarly placed class elsewhere. They need to be as clearly motivated to ensure growth as their counterparts abroad; and if their criterion of success has been the volume of gross physical output rather than money profits, the distinction is one of detail not essence—output has served the bureaucracy perfectly well as a success indicator, at least until very recently.

Some of these signals do get through. Mandel does concede that the deployment of resources in Russia is determined by its competitive relations with the outside world. As he puts it:

> International competition with capitalist economy also necessitated an increased shift of emphasis to the quality of products, the productivity of labour and the rationalization of investment, the volume of which moreover necessitated the maintenance of a high rate of growth even on the purely quantitative plane.[20]

He even recognises that with an "excessive rate of accumulation ... the bureaucracy becomes the regulator and chief (sic) director of accumulation,"[21] that the "central political, economic and military administration" has exclusive "controlling power over the social surplus product,"[22] and that the "Soviet leaders" "deliberately chose to base themselves on the interests of privileged minorities rather than those of the mass of the workers, in order to give the necessary impetus to industrialisation."[23]

Typically, none of this means anything in terms of the analysis as a whole. Within fourteen pages of reading that "international competition" determines the "emphasis … on quality …

productivity … rationalisation … high rate of growth," determines in other words the content of the Plans, we are told that on the contrary, "Soviet planning ... is real planning, insofar as the totality of industrial means of production is in the hands of the state, which can thus centrally decide the level and rate of growth of production and accumulation."[24] In even less space we make the transition from a bureaucracy organised as "regulator and . . . director of accumulation," which is nothing if not a productive role, to a bureaucracy whose key characteristic is "bourgeois norms of distribution."

Part of this sloppiness derives from Mandel's original confusion about capitalism. Part from his determination to cast Russia as a "transitional" society, neither capitalist nor yet socialist, a "*contradictory combination of a non-capitalist mode of production and a still basically bourgeois mode of distribution.*"[25]

Russia is not capitalist, he writes, because the bureaucrat is not "subject to the tyranny of profit,"[26] (true, the tyranny is of plan fulfilment); because there is no tendency for the rate of profit to fall (untrue, the tendency is there but checked as in the West); because there is no internal competition nor unimpeded operation of the law of value (true, nor is there—by definition—within any single capital); no flow of capital from low-productivity to high-productivity sectors (untrue, how else do the planners ensure growth); little exporting of capital to backward countries (true, but there is little of that from the West too); no overproduction (untrue, Mandel himself draws attention to the billions of roubles of unsold retail stocks of unwanted, socially unnecessary consumer goods)[27]; no bourgeoisie (true, but a bureaucracy with—remember—"controlling power over the social surplus product"); no free contractual relations between enterprises (less true as economic reform embraces a growing part of industry); no crisis (true, but not highly significant given the situation in the West). And so on.

But Russia is not socialist either: there is "extensive social-inequality, bureaucratic privilege, lack of self-determination for the producers," etc.[28] For, you see, "the Bolshevik Party did not understand in good time the seriousness of this problem (of bureaucratic management), despite the many warnings sounded by Lenin and by the Left Opposition"![29]

So Russia is transitional. But what is a transitional society in Mandel's context other than a verbal convenience? Is such a form possible between capitalism and socialism? True, there have been transitional societies in the past. For centuries after the Renaissance individual capitals were growing within feudal society, gathering economic power, weakening the host, becoming more able and willing to seize political power. They could do so because the dynamic of capitalism—accumulation—does not and never did require centralised control over the whole of society in order to function. It is a dynamic that operates within autonomous units, small or large, and for that reason it could coexist with the localism, the traditionalism and subsistence-orientation of feudalism.

But socialism is a total system. It cannot grow piecemeal within the interstices of a capitalist society. How does workers' control of production coexist with control by a ruling class when the means of production in dispute are one and the same? How does self-determination and consumer sovereignty ("production for use") coexist with the external compulsion and blind accumulation that results from capitalist dispersal? There may be room for transitional forms in distribution, but at the level of production and control over production the only possible transition is a sudden, revolutionary one.

The Politics of Confusion

It is useless to look for independent or critical thinking in Mandel. Nowhere in the two volumes is there a sense of fresh exploration or the feel that capitalism is posing old problems in new ways, and that the explanations need to be worked afresh out of the loose body of analysis written in the Marxist tradition. On the contrary, doctrine is first, its use secondary: "we seek to show," he announces in his Introduction, "that it is possible, on the basis of the scientific data of contemporary science, to reconstitute the whole economic system of Karl Marx."[30] And in his final chapter we find him still waving the truncheons of uncritical orthodoxy: "Marxism rejects ... it readily admits . . . Marxism explains."[31]

Here at least Mandel is consistent. In the defence of orthodoxy the medium becomes the message. Since facts are to be paraded as so many defence witnesses rather than used to explain what is actually happening, only the most docile, old, and used ones are selected. Since precision might entail a critical inspection of the doctrine, it is drowned in irrelevant detail. And since there are other Marxists who do better as critics of the system, because they think rather than intone, they are swept under the text into a footnote and their ideas passed over.[32]

Vagueness and sloppiness swamp everything: parallel to that bureaucracy which is only the *"chief [sic]* director of accumulation" there is a working class whose "conquest of power" and whose "socialisation of the major means of production and exchange . . . fail of their purpose *to some extent [sic]* if they are not accompanied by radical changes in the *atmosphere* [sic] in the enterprise."[33] Crude philosophical idealism suffuses every thought, whether it is about the individual unconscious still harbouring "echoes from the primitive communist past" of 7,000 years ago, or about the amazing triumph of disembodied Marxist theory "capable of inspiring, and not unsuccessfully, the economic policy of states both large and small."[34]

Behind it all lies a confusion between social power and its packaging, between control and its forms. It is a congenial confusion for Mandel because it allows him to practise his unique fugitive accent—the easy shift from urban workers, to "third world" peasants, to students as the revolutionary focus; the rapid transitions from reforms to "structural reforms" to direct action as the current tactic; the indiscriminate loving-up to the only fixtures in his political world—the dissident and not so dissident bureaucracies of both Social-Democracy and Stalinism.

In the realm of theory it places him plumb in the centre of "the school of "vulgar" economics—a school characterized by the abandonment of all attempts to systematize and synthesize."[35]

Chapter 7

Capitalism: The Latest Stage[1] [1971]

Introduction

A hundred or a hundred and fifty years ago, capitalism was a fairly small system contained within a few nation-states. Few ruling classes saw survival in terms of the accumulation of capital. Now even the most powerful states are no more than components of the system; and only a handful of ruling classes can escape the compulsion to increase productive capacity endlessly.

Individual capitals have grown immensely from small and insecure beginnings through amalgamation, absorption, and destruction. They are now so huge as to sometimes constitute a single state capital as happens in the East. And even where they are smaller, as in the West, they have become large enough to make co-ordination among themselves and between them and their states both possible and necessary. Planning of a sort has invaded the nation-state and sometimes even transcends it.

Relative stability and fairly rapid economic growth have replaced the wild fluctuations and periodic stagnations of the early years; labour has moved from the streets into factories in the advanced countries, and industrial wages have risen far above physical subsistence in nearly all. Even the wars have changed: early capitalism's were predatory and annexationist; late capitalism's are wars of annihilation.

It would be surprising if the changes were less. Every society looks different near the end of its term in comparison with what it does near the beginning. A society as dynamic and expansionist as capitalism can be expected to be almost unrecognisably different.

Yet it remains capitalism. And socialist theory remains tied to it as it has from the start—analysing the system as it is in order to help supercede it. What follows is an analysis of the system at its latest stage.

Structure

Nobody plans for capitalism as a whole. Decisions *are* taken—about the use of resources, about war and peace, about methods of production or wage rates—but they are part decisions, dispersed among different authorities, private and public, big and small. They are uncoordinated but not independent: each decision influences other decisions taken elsewhere in the system, and each is influenced in its turn.

Within nation-states there is now normally some coordination. Sometimes, as in the state-capitalist East, it is near total, at least in principle. Sometimes, as in the oligopoly-capitalist West, it is less inclusive although increasing. But internationally there is little coordination in practice and none in principle—independent nation-states or national capitals are sovereign and the multinational firm very nearly so. If they accommodate one another, they do so out of self-interest, not because they are constrained to.

Yet a kind of order emerges from the chaos. The system does go on from year to year and from decade to decade, through war and revolution. It does so because all capitals provide a confining environment for each; because survival within its peculiar system of interdependent autonomy promotes a more or less predictable pattern of behaviour from each.

Each needs to insure against the others' decisions, against their wilful or inexpert use of policy discretion. A firm must be able to defend its market or match another firm's innovations. A state needs to be able to guard its capital stock from physical encroachment. In either case, sheer size is the greatest insurance a single capital can normally have, and growth is therefore its ultimate compulsion.

Growth can come about through conquest or takeover. It can also come about—and this is the more important historically—through accumulation, the reinvestment of savings generated within the systems. Neither is easy, the first for obvious reasons, the other because the conditions needed to induce it are so varied and complex.

Growth has to be systematically motivated. It does not simply happen. Somebody has to decide to devote freely disposable resources as they become available to investment rather than consumption. That somebody, whether an individual or a group, must be able to measure its performance against very clear criteria. It must also be very strongly motivated to make the right decisions, for primordial Adam is still not gorged, not even by affluent, late capitalism.

Neither the measurement nor the motivation has ever come easily. Today they are complicated by the very size of the capitals in play and by the related fact that the decision-takers are increasingly both salaried and anonymous. In the East a decade of debate between reformers and traditionalists and a year of open conflict (in Czechoslovakia) have still not resolved the problem. In the West, where it has never been as acute, the state or outside consultants are increasingly being invited to probe the bigger units to measure and improve their managements' performance.

A second condition for growth is that there be a continuous orderly and predictable flow of resources for expansion. Savings do not arise spontaneously, nor accumulate naturally as investment. They are also clearly not volunteered out of income by the small minority who make economic decisions—even if they were they would hardly amount to much. They must come, involuntarily as may be, from the mass of workers. But for that to happen, workers must be divorced from any influence over the nature and destination of their product, which means that they must be denied positive control over the productive apparatus, which in turn means that they must be prevented in practice from holding productive property or effective rights in such property. In other words, workers must be turned into proletarians and kept that way.

Two further conditions (our third and fourth) are implied in this: workers must be taxed of their main contribution to the upkeep of the system at source, in production, before they can get hold of it or realise that it is theirs—taxation of an altogether different order and kind from the relatively minor contribution to the state's upkeep they are forced to make out of received income. And that primary taxation must be systematised both in practice—so that society's institutions can be organised to police it—and in theory, so that taxation might remain un-perceived as such, or at most seem as inexorable, in the nature of things, not arbitrarily imposed.

It is these last two conditions that Marx caught in his theory of value and related concepts of surplus value, exploitation and ideology or *false* consciousness. If value is the product of labour and its measure the amount of time necessarily spent working, if the ability to work is also valued on the same basis, and if equal values exchange, then the fact that workers are not in control of their product or of the productive apparatus, and are therefore bound to exchange their ability to work more or less at its value, provides both the regular hidden tax mechanism and its legitimacy. For the ability to work has less value than the product of work—the difference being surplus value, or the profits, rent, and interest which sustain the system. It is a predictable surplus because based on the very slow-changing value of the ability to work. And it is an ideologically defensible surplus because, however real the inequality in bargaining power between labour and capital, the appearance of equal rights and contractual freedom is maintained—in principle at least, equal values exchange and nobody is forced to work.

This last is a special case of a fifth condition for the working of a capitalist system—its overall social arrangements must be projected as permanent laws embedded in the nature of man or in the nature of economic activity or of societies or whatever, so that a single code of behaviour for the disparate uncoordinated agencies within that society will bounce back from shared reference points which appear to be fixed and objective. The result is the typical inversions of the ruling ideology. Instead of the ability to work or labour-power being seen as a saleable item, a commodity, because uncoordinated accumulation could not take place unless it were, the ruling explanation has it that accumulation must take place in order to enlarge the job market. Instead of innovation and rationalisation being seen as conditions for accumulation in a competitive setting, they are presented as the ends and accumulation the means. And so on.

No society can exist without accepted modes or norms of behaviour. Most locate and elaborate them within common institutions. But in capitalism, a society without a centre, yet a society nonetheless, they have to be externalised or, in Marx's terms, reified and turned into fetishes. In a sense it was Marx's greatest distinction to have been able to see through the ideology to the social arrangements it distorts and to provide the socialist movement with a view of the reality from which it would need to launch its aspirations. In this lay the "science" of his scientific socialism.

The Dynamic

Marx also provided a model of how the system works and changes within these social arrangements. Reduced to the very barest essentials, it is as follows.

Each capital is driven to raise productivity by coupling its workers with more, and more costly, machinery, while simultaneously trying to hold down wages. As this rationalisation spreads, labour-power becomes a smaller component of total capital (the "organic composition of capital" rises) and smaller even in absolute terms (the "reserve army of labour" grows); the value added in production and surplus value become smaller in relation to total investment; and so the average rate of profit falls. Booms become progressively less profitable and shorter; slumps more lasting and severe. Stagnation threatens and the system becomes increasingly restrictive. The workers' revolt against the details of repression becomes generalised into revolution; the system is overthrown and mankind emerges into freedom.

In Marx, the model assumes a closed system in which all output flows back as inputs in the form of investment goods or wage goods. There are no leaks. Yet in principle a leak could insulate the compulsion to grow from its most important consequences. If "labour intensive" goods were to be drawn off systematically, the overall organic composition of capital would rise faster than in a closed system. If "capital intensive" goods were drawn off, the rise would be slower and, depending on the volume and composition of the leak, could even stop or be reversed. In such a case there would be no decline in the average rate of profit, no reason to expect increasingly severe slumps, and so on.

Capitalism has never formed a closed system in practice. Wars and slumps have destroyed immense quantities of output, incorporating huge accumulations of value, and prevented the production of more. Capital exports have diverted and frozen other accumulations for long stretches of time. Since World War II, a lot has filtered out in the production of arms.

Each of these leaks has acted to slow the rise of the overall organic composition and the fall in the rate of profit.

Imperialism

For thirty or forty years preceding World War I, investment in colonial and semicolonial territories constituted the most important leak from the system.

It was private investment and had naturally a more immediate purpose than retarding the rise in the organic compositions of capital in advanced countries. It was made specifically to finance the state, the public utilities, and the productive apparatus needed to wrench backward countries into alignment with the world economy. And it did not last very long. But while it did it eased the system's capital congestion considerably and effectively.

It could not last indefinitely because investment in empire on the whole was productive investment. Individual projects might have been wasteful or misconceived. Many of them were, even in capitalist terms. The lag between the start of a project and production might have been very long. Ultimately, however, most of the investment bore fruit in greater output, larger accumulations, and a renewal of the need to drain away capital. Imperialism in other words was a literally expanding system. In principle, it could postpone unhealthy capital congestion only as long as the world was not more or less colonised, and no longer.

Its end was signalled by World War I, an attempt to share out colonial possessions more evenly. But the war itself started a train of developments that ultimately made imperialism *considered as a system of capital drain* unnecessary.[2]

In the first place wartime disruption of international trade and the real concessions that the proto-nationalist movements could exact in the circumstances led to a rash of native industrialisation in the Asian colonies, the hub of the system. Not all of it could be destroyed by the imperialist powers after the war. The national movements were strengthened by it and the costs of policing empire rose commensurately.

In the imperialist countries themselves, the war induced far-reaching structural change. It speeded the relative growth of manufacturing so as to dwarf all other forms of capitalist activity. It encouraged huge concentrations of capital and an even larger growth of the state as an economic agent. It thereby started a process that made planning of a sort both necessary and possible within the nation-state, and so reduced the need for a colonial cushion to absorb the shock of unbalanced growth at home.

War also deepened the capital structure of the imperialist countries. The drive for self-sufficiency in food and raw materials impelled the manufacturing giants to deploy their industrial techniques in these fields and to be sparing in the use of material inputs. In time this led to a revolutionary shift in the bias of materials (and food) production from being primarily an extractive process to being a manufacturing or near-manufacturing one. It also led to a rupture of the traditionally imposed division of labour and trade, between the metropolitan economies and the colonies. The former became less dependent on the latter for needed raw materials just as the costs of getting them were rising.

So too with markets. As supplies from the backward countries became less important, their share of world income declined, sometimes catastrophically, and so did their relative importance as customers in the world market.

But above all World War I started a process that culminated in a permanent *unproductive* capital drain from the system, more in tune with the interests of the big technology intensive industrial capitals that had flourished during its course. The period in which classic imperialism stabilised the system was more or less closed by World War I. After twenty years of major adjustment and transition in which capital drain was neither systematic nor effective, World War II began a period—our own—in which the drain has once again been systematised through the permanent arms economy.

The Arms Economy

The drain provided by arms budgets since World War II has constituted a far more effective mechanism for stabilising the system than classical imperialism ever could, for it has involved a systematic destruction of values, not a relocation of their use, and it has acted in integrating the system far more effectively than any other form of expenditure.

The mechanism is essentially simple. Capital is taxed to sustain expenditure on arms and so deprived of resources that would otherwise go toward further investment. The expenditure itself constitutes a net addition to the market for "end" goods, all the more significant for being expenditure on fast-wasting products in constant need of renewal and change. Since one obvious result of such expenditure is high employment and, as a direct consequence, rates of growth since the war amongst the highest ever, the dampening effect of such taxation is not readily apparent. But it is not absent. Were capital left to invest its entire pre-tax profit, the state creating demand as and when necessary, growth rates would have been very much higher. Finally, since arms are waste (or a "luxury") in the strict sense that they are neither wage goods nor investment goods and therefore cannot constitute inputs into the system, they have no direct part in determining it, and their production has no direct effect on profit rates overall. But since their production is a leak of high capital intensity, it tends to offset the system's inbuilt bias towards declining rates of profit (as was shown previously, in the section "The Dynamic").

The integrating mechanism is as simple. Arms production has a "domino effect": starting anywhere in the system, it proliferates inexorably, compelling each major economy to enter the competitive arms race and so pulling them into a close-knit system of mutual response.

This does not imply that an arms budget was ever adopted anywhere as a means of propping up the rate of profit or of articulating the system. One can admit that governments usually step up their arms bills under protest; that the major steps have not necessarily coincided with economic downturns; that in short, *the situation* has often been seen as unfortunate, restrictive, imposed from outside or whatever; one can admit that the initial plunge into the permanent arms economy was random—without affecting the issue. The important point is that the very existence of national military machines of the current size, however happened upon, both offsets the bias toward declining profit rates and compels other national capitals to adopt a definite type of response and behaviour that requires no *policing* by some overall authority. The sum of these responses constitutes a system whose elements are both interdependent and autonomous, held together by mutual compulsion—in short, a traditional capitalist system.

Once adopted, if only by chance, an arms economy becomes necessary. It is not merely that a system of mutual compulsion through military threat is more imperative than any other, but that it becomes difficult to unscramble military from economic competition. They fuse. And once that happens, the contradictions of the arms economy as a system begin to crowd in.

Some of these contradictions are ideological. A military threat in today's conditions is a much more immediate and compelling argument for adopting specific policies by a national state and for policing the behaviour of independent capitals—if such exist within it—than the abstract, general principles objectified as natural laws in a more innocent age. It is an argument quickly grasped by those who need it—in Moscow or Washington, London or Peking, Delhi or Islamabad, national defence is the supreme arbiter. Yet it is an ultimately self-defeating argument, for by sanctioning its behaviour in terms of policy-making and expediency rather than absolutes and imperatives, the system is demystifying its operations and disarming itself ideologically. Paradoxically, "to make a profit is natural" is far stronger a rationale for the system than "the Russians are coming."

Other contradictions are political and economic. The arms budget's flexibility as a stabiliser *within* each national economy is set at risk by its mediation *between* economies. To expand outlay on armaments for good national economic reasons—to offset approaching recession, for example—invites retaliatory escalation for equally good international strategic reasons. There is nothing to ensure that escalation stops at the point of stability. Even if the unlikely were to occur and it stopped there for one country, it would require a heroic coincidence for that to be the point of stability for others, if only because of the different sizes, structures, stages of development, sets of alliances, and suchlike of the national economies grouped around a shared military technology. So that at any one time some would be favouring a reduction in armaments to safeguard their civilian competitive position, others standing pat, and others pushing for further expenditure. As was shown repeatedly during the 1960s, neither in NATO nor the Warsaw Pact, nor in the Middle East nor South and South-East Asia, does there seem any way of harnessing strategic and economic expediency so that they pull in the same direction.

Nor can there be. In a *war* economy, the limits to the outlay on arms are set by physical resources and the willingness of a population to endure slaughter and privation. In an *arms* economy, the capacity of the economy to compete overall, in destructive potential as well as in the more traditional forms, adds a further major constraint, and with it a further nest of complications. One of these is the difficulty of gauging a "necessary" defence effort. As it is, all but the superpowers are being squeezed out by the growing cost and complexity of the key weapons systems. Military expenditure has also taken a knock from the suicidal nature of much "defence" equipment.

Even apart from these, the fact that *limited* preparedness—the sort implicit in an arms economy—does not necessarily draw fire, has not yet done so, makes setting the limits the subject of endless debate, particularly among the lesser members of the major coalitions, the ones that are least able to stand the economic pace and most attracted to the growing opportunities for trade with one another. At least one part of the stage is set for a slow competitive erosion of arms expenditure as a proportion of potential output such as took place in the West from 1953 to the present day, Cuba and Vietnam notwithstanding.

A related difficulty is the freer play for recessionary tendencies allowed by a declining ceiling on arms outlays. This can be exaggerated. Even in its classic *laissez-faire* period, the changing ratio of consumption to an economy's investible surplus put a floor to economic downswings. The higher the floor, the smaller (though the more frequent) the swings. That floor is raised at any level of arms outlay—and very much more than would appear from the normal index used (defence expenditure as a proportion of GNP) because at *any* level it is a substantial part of the investible surplus. Yet there is no denying the danger to overall stability of a decline in relative outlay.

The existence of a ceiling on outlay is important for another reason. It provides a massive incentive to increases in productivity (measured in potential deaths per dollar) and so leads to the arms industries becoming increasingly specialist and divorced from general engineering practice. Coupled with this specialisation, and partly as a consequence, go a rising capital and technology intensity in the arms industries. Although this hardly affects their potency as a stabiliser of profits, it does reduce their value as a source of employment and social stability. It makes them less able to underpin full employment even at the same level of relative expenditure. At a declining one, and given the existence of some technological spin-off to civilian productivity (which makes the need more exacting), their ability to sustain high employment becomes increasingly questionable.

The New Arms Race

For the moment, however, it is not a decline in arms expenditure that threatens the system but an enormous increase, tied to the deployment by both the US and Russia of nuclear-tipped Anti-Ballistic Missile (ABM) systems and Multiple Independently targeted Reentry Vehicles (MIRVs).

The decision to deploy these weapons had been resisted for nearly ten years, ABMs were too complex to be expected to work, yet not complex enough in principle to cope with the tasks assigned them. They were expected to respond to surprise attack with hair-trigger sensitivity, yet provide stiff-trigger assurance against accidental or unauthorised launching. They were very prone to obsolescence from advances in offensive weapons and strategies; and three or four times as costly. Above all, they threatened to upset the balance of terror—each side's power to assure the other's destruction *regardless* of who strikes first.

Yet by September 1967 the US administration could no longer block them. Once missile defence came within range of technical *feasibility,* as it did in the United States by the end of the 1950s, imputing its *deployment* to the enemy was merely a matter of time. By 1960 American military planners had endowed Russia's "Tallin" air-defence system—itself designed to meet an American bomber programme that never took off—with an *anti-missile* capability it was never intended to carry. More accurate or less biased intelligence came too late to reverse the US's reactive plunge into perfecting the penetration aids that have culminated in the multiheaded missile. That plunge in its turn pushed Russia inexorably to missile defence ("Galosh," from the early 1960s) and to a huge missile-deployment and MIRVing programme (the SS-9s, late 1960s). As inevitably, Russia's moves precipitated the US decision on ABM and MIRV.

The logic is inescapable. At its most superficial it is fuelled by mutual distrust, by common ignorance and mutual transference of outside, "Chinese" intentions, and by conservative "worst-case" contingency planning. At a deeper level it reflects the pitiless inertia of a world society organised for unrestrained competition at a stage in its development when competition converges on calamity.

It is not a negotiable logic. Whatever might happen by way of formalising the ABM/MIRV round of arms escalation at the Strategic Arms Limitation Talks or anywhere else the superpowers are unlikely to reverse it. For nuclear strategy has already changed under the influence of the new, as yet undeployed, weapons, and some of the political consequences are already apparent.

Strategy has shifted from a retaliatory to a first-strike bias. Since the most effective and cheapest way to neutralise a missile defence is to overwhelm it, any ABM deployment, however feeble or rudimentary, or even any hint of such deployment, presents an irresistible argument to the other side to multiply its strike force. Since one method—arming missiles with MIRVs—is hugely productive of offensive power, and since no conceivable ABM system could neutralise it, a MIRVing programme is bound to be matched.

But MIRV parity is qualitatively different from missile parity: once the ratio of warheads per missile becomes larger than the ratio of warheads per target, each side then possesses a destructive power larger than is required to overwhelm the other's missiles. Under these circumstances, the attractions of a first strike, preemptive strategy in offence and of a "launch on warning" strategy in defence become obvious. With them grows a cumulative, self-justifying pressure to raise offensive power by a truly prodigious multiple until such time as technological change will have once again reduced the ratio gap to what it was many tens of billions of dollars previously.

The cost of the new strategy is commensurate with its dangers. In its very earliest days, it was authoritatively thought that "to maintain an effective system one would essentially have to turn over the whole system, the whole $20 billion system, every few years."[3] Its effect has been equal to the cost. Once the Tet offensive had forced the US to identify their priorities, there was no doubt which way the decision would go. To the growing queue of military contractors, armed forces strategists and congressional lobbyists impatient for the new weapons, Vietnam quickly became a distraction from the essential American interest. Indeed, as Nixon pointed out in his tour of the region (July 1969), the whole of South-East Asia was a distraction. Even Europe—now it was Secretary of Defence Melvin Laird speaking—could be downgraded. And while there might be slips and sallies on the way—Nixon's surprise Spring 1970 offensive in Vietnam is one, the subsequent invasions of Laos and Cambodia are others—the direction of technology and strategy is toward Fortress America.

But that is only a beginning. The effect of the new arms race is unlikely to remain confined to military dispositions, however important they may be.

The Backward South

Most obviously the arms race will have a crippling effect on the abortive capitalisms of the South.

The period now ending had at least two redeeming features for their new ruling classes. It sustained East–West competition in the supply of loans and aid, and it opened the East to trade. It therefore slowed, if only very slightly, the shrinkage of their economic space in the world.

The first of these is unlikely to last far into the 1970s; both the nature and the size of the new weapons system run counter to it. The second might or might not last. But even if the growth of East–South trade keeps up its recent spanking pace, the cost of survival to the new, unstable, and badly integrated ruling classes of the South is sure to grow even faster. For they are faced not only with rebellion and revolution within their countries, but with big power aggression and an intermittent conflict among themselves.

None of this would be so important were it not for the flow of increasingly deadly and costly weapons from the big powers. But the flow exists—and has been rising at 9 percent per year in terms of volume throughout the 1950s and 1960s and much more than that in terms of firepower and destructiveness. And it is set to rise very much more in the 1970s when the new weapons systems are phased in and conventional stocks are released.

Under these circumstances, successful economic development is both an imperative for the ruling classes of the South and, for most if not all of them, literally impossible. Imperative because without it they are able neither to buy nor make the weapons that could secure their continued existence. Impossible because the developed countries are so far in advance particularly in military matters and exert such immense pressure that even after the most strenuous efforts, their resources cannot hope to match their needs, while the efforts themselves could easily destroy the precarious stability on which they rest.

This paradox lies at the heart of the immense and bloody civil war raging within the South's middle class—between the section trying to keep afloat on the ebbing tide of aid, hopeful of integration in the world economy by international agreement and without violent structural change, and the section pledged to harsh autarkic development, hopeful of carving out a place in the world economy despite it; between those committed to a variant of orthodox capitalist growth and those committed to state capitalism; between the Indias and the Chinas; and within the Indias between the so-called "Right" and the "Left." If the one is blind to the structural changes in the world economy underlying the South's expulsion, the other is blind to the ruinous effect these same structural changes have on the possibility of "development in one country," be it even so large and well-endowed a country as China.

Meanwhile the endless millions of peasants and workers pay for stagnation—as for the spasms of attempted development. Here and there, for a time they might appear to gain a crust, or some respite, but only as dictated by the needs of one or other protagonist in the civil war. Nowhere, despite debased talk of socialism, of democracy, of people's power, and despite an occasional independent intervention by workers, do any but a section of the middle class come to power. Nor can it be otherwise. The combination of pressure and exclusion from a competitive world economy admits of no form of response, or even attempted response, other than a limitless concentration of resources in the hands of a small and ultimately oppressive local ruling class.

The world's villages can hardly destroy developed capitalism. They cannot find relief while it persists. For them, even more than for the rest of us, hope of a human existence is bound up with the prospect for revolution in the heartlands of the system.

The Revolutionary Prospect

The revolutionary prospect is not as far-fetched as it seemed a decade or so ago. Thirty years of boom have created a number of pressure points within developed capitalism, which the new arms race might well burst open.

One of these is the growing unemployability of unskilled workers, of whom the black ghetto population in the United States is merely the most cornered, and important, group. For them the arms industry with its pronounced skill bias is particularly inhospitable territory: in the US these industries now use proportionately 23 percent more professional labour, 69 percent more skilled and 25 percent more semi-skilled labour than industry in general. Once the high technology weapons of the 1970s displace the current generation in production, and the techniques used in their manufacture spread outwards to civilian goods, the discrepancies can only get worse.

Another pressure point is the forced drain of resources from the periphery of the system to its industrial heartlands—a reflection of the need to create increasingly huge minimum capital concentrations in order to survive in the integrated world market of today. In almost every country of the developed world—from Quebec in Canada to Georgia in the USSR, from Scotland here to Vizcaya in Spain—this drain has revived dormant and dead nationalisms, regional and linguistic movements. Some of these movements, the struggle for civil rights in Northern Ireland, for example, have become important. All are likely to grow as the giant American corporations feed on the new arms expenditure and force a countervailing gigantism on the rest of the system.

A third pressure point is the university campus, where herd logistics, primitive recruitment to ideological service, and mental rough-handling have succeeded in moving several hundred thousand students the world over into sporadic confrontation with authority and a significant, if small, minority into political opposition. As the frightening irrationality of the new arms race unfolds, it will become increasingly difficult to prevent the student mass from reacting permanently.

These are weak points in the system, but not the weakest. So long as they form no part of its major, seismic fault—the conflict between labour and capital in production—they can do little more than serve as foci for revolutionary thought and organisation, not of revolutionary action.

However, the arms economy has not passed over the broader class struggle. Under its benign influence, the size of the dominant capitals has grown so enormous and the space between them become so decompressed that survival as an independent capital has become dependent in many cases on wrenching entire national economies into new shapes and on making entire national working classes bear its strains, whether in the form of wage freezes or forced labour mobility or unemployment or whatever. At the same time, the long boom has diluted the workers' positive commitment to the system and eroded the institutional forms—the mass social-democratic and Communist parties in particular—in which it used to be expressed, so that now their tolerance of strain is far less than that of their fathers. The result is that economic growth and stability have not only become a familiar condition within developed capitalism, but also a necessary one for its proper functioning, just at a time when continued growth requires instability in the form of structural adaptation and change.

The rise and fall of Gaullist France is a spectacular illustration. De Gaulle was brought in, in 1958, to preside over the liquidation of an old-time imperialist war in Algeria, over the reconstitution of French industry into a large-unit, technically advanced structure to cope with the Common Market, and over a military transformation that would turn a conscripted para-police force into a professional modern army. He held down labour costs so successfully that by 1966 French industrial wages were second lowest in the Common Market and hours worked the longest. Without draconian measures unthinkable in peacetime, it was impossible to keep them that way for long, and indeed in May–June 1968 the regime was rocked by the biggest general strike in history—bigger by far than the British General Strike of 1926, bigger even than the strike accompanying the Russian Revolution—and one with strong insurrectionary impulses.

In the event, the workers were bought off. The "more" they had asked for and been refused was granted as soon as they began to question the accepted rules for allocating it—as soon, that is, as they reached for control. French capital, with US and German help, found the resources to buy them off. But French capital has been hammered in the process. It is unlikely again to try to assert its independence as a key centre of decision-taking on a world scale.

It was not only French capital that was caught in the strobe lights of May–June 1968, but the system as such. Nothing was in play in Paris that is not to be found in some degree everywhere else. On the contrary, if de Gaulle's paradox was the need to dispense wage restraint, enforce mobility of labour, legislative controls, and deflation on an already highly employed and ideologically detached working class, then most of the major centres of national capital are edging toward a Gaullist paradox of their own. Scale for scale, the costs and results of maintaining competitiveness in an increasingly compressed and unstable economic environment were no greater for French capitalism than they are for German or British or European capitalism; and scale for scale, they are also no greater for these than are the cost and results for the US or Russia of maintaining military effectiveness within the terms of the new arms race. We have seen that the costs are likely to be prodigious. The results could be even more so. For capitalism in its latest phase is again creating the conditions for a convergence of working-class protest and revolutionary politics that could change the world.

Whether or not that convergence takes place in the 1970s depends as much on revolutionaries as on anything discussed in this chapter. But that is to trespass on areas covered elsewhere in this volume.

Chapter 8

Waste: US 1970[1] [1974]

Productive and Unproductive Activity in Capitalism

There has never been serious disagreement with the central proposition of political economy—that capitalism depends for survival on the growth of its productive apparatus. The early political economists took it as read. Marx made it the centrepiece of his analysis. But there has also never been any real agreement about the sources of that growth. For good reason. Like any other class society, capitalism transfers surplus from productive workers to the rulers. Unlike any other class society, capitalism projects that transfer on its ideological screen as an exchange of equivalents. Except by fortunate chance or as a result of criminal activity, no one on that screen gets anything for nothing. If the capitalist or members of his supporting cast receive income, it is because they are engaged in productive activity; if housewives don't, it must be because their labour, however necessary it might be, is unproductive.

In other words, as a system of competition capitalism depends on the growth of capital; as a class system it depends on obscuring the sources of that growth. And since it needs to *act* on what it dare not perceive, its custodians—military planners and executive government—have been forced to develop rules of thumb about worth and waste[2] while the conceptualisers and ideologists, led by the economists, puzzle with words.[3]

Like the custodians, revolutionaries need to know what is essential to capitalism; unlike them they need have no conceptual inhibitions and no truck with the ideologists. We, better than anyone, ought to be able to define what is productive in terms of the system's purposes, if not in the terms it uses to describe them.[4]

Productive Labour and Necessary Labour

If the fundamental drive in capitalism is growth of capital, only workers employed directly by capital *to make more* capital can be productive[5]; the others are not, although they might be necessary for society and even essential for capital itself. In the peculiar logic of the system, a gentleman farmer is productive but a market gardener working on his own is not; a window cleaner is not productive, but one supplied by a window-cleaning contractor is.

In the early days of capitalism, this peculiar logic differentiated very clearly between two groups of *indirect* workers: those, like engineers, mechanics, or managers who "contribute in one way or another to the production of the commodity" and who were considered productive because they were normally on capital's payroll; and those, like teachers, doctors, mothers who produce or contribute to the production of *the* commodity—labour-power—but who were considered unproductive[6] because they were not usually employed. They worked on their own account.[7] One group was clearly no less necessary to capitalism than the other. The distinction between them lay rather in the degree to which their services were shared between the system and the larger non-capitalist society in which it was embedded.

When capital's criteria for productiveness were being formulated, the brute labour-power it needed was being driven and drawn for the most part from outside the system; its producers, insofar as they were engaged in producing labour-power were doing so incidentally, as part of activities that were characteristic of the non-capitalist societies of the time. It was easy then for capital to avoid employing them, and paying them; as easy for capital to shunt the cost of producing its labour-power on to the declining societies it was undermining in any case, as it was difficult for it to avoid investing in the indirect labour-power that was unique to its own mode of production.

Times changed and so did the balance between the system and society. Capitalism became too large and complex to rely on virtually free supplies from outside. Capital had to provide for its own necessities, and so to take on the responsibility for reproducing the society that provided them. The individual capital, the system's basic unit, grew with the task to embrace the state and the entire national capital more or less. The original distinction between necessary and productive labour was undermined; and with it the distinction between indirect labour engaged in producing labour-power and indirect labour producing all other commodities.

Employment by Capital and Expansion of Capital

If the ageing of capitalism or, more specifically, the enormous growth in the size and responsibilities of its component units, brought into direct relation with capital many socially necessary activities that were for good reason considered unproductive for the system in Marx's day, it also opened a gulf between the two criteria of productiveness that he used interchangeably—employment by capital and augmenting capital.

Marx was not blind to the distinction but he did not need to elaborate on it. In the reality he was considering—early nineteenth-century Britain in which the industrial bourgeoisie was freeing itself from anachronistic practices, and political economy was freeing it from anachronistic categories—the two criteria were consonant with one another. Capital employed only such labour-power as would lead to its "self-expansion." And all the rest, the "incidental expenses of production" including the expense of maintaining state and church, and the cost of the indirect labour spent in the production of labour-power, could be lumped together in one portmanteau category—payment for unproductive labour. He foresaw clearly enough the costly consequences to the capitalist class of its assuming state power and the social and ideological responsibilities that go with it,[8] but that was for the future. It was not allowed to affect the analysis.

But now that capital is king and has pressed vast sections of world society into its service, the two criteria are no longer congruous. Millions of workers employed directly by capital produce goods and services that it cannot use for further expansion under any conceivable circumstances. They are productive by one criterion and unproductive by the other.

Clearly a choice has to be made of the essential, rather than the institutional criterion. The choice should make it possible to distinguish between the rising cost of maintaining the social framework of the system out of its own resources and the declining costs of production within it and so highlight the ageing of the system. Given the need to choose, productive labour today must be defined as labour whose final output is or can be an input into further production. Only such labour can work for capital's self-expansion. In the final analysis, all output able to sustain the ability to work, that is, all output used by or consumed directly or indirectly by productive labour, is the product of productive labour; all other output is produced by unproductive labour.

This definition makes no distinction between employing agencies, and so avoids the anachronism of excluding state expenditure as unproductive per se[9] or non-productive.[10] It also avoids the Utopian trap of judging productiveness by criteria that might be suitable for a future socialist society or "in the light of objective reason."[11]

Within a logic that is the system's own, it focuses on the decay of capital as much as it does on its growth, on the system's inability to use its output as much as on its ability to produce it. For that reason, the definition is right for now, the period of the permanent arms economy, the final stage in the system's existence, in which the further expansion of capital is limited by the particular forms it is compelled to adopt.

The distinction between productive and unproductive labour within capitalism extends by analogy to the instruments of labour and to the surplus itself. Plant and equipment that can be used only by unproductive labour or that are normally so used are clearly waste. Surplus embodied in such waste apparatus or expended in unproductive employment is wasted, not accumulated. In other words the labour, materials, and equipment devoted to sustaining unproductive labour and maintaining a waste sector is waste. And the physical output in which this activity is embodied is sterile. It cannot be used productively. To spell it out, in late capitalism only part of surplus can be used for the expansion of capital. The rest is waste product.

Waste Product and Productive Surplus

Marx did not draw these structural conclusions from his distinction between productive and unproductive labour. Nor did most of his critics and followers. Although he assumed, realistically, that capitalists consume unproductively as well as productively, that is, some part of their consumption out of surplus—personal consumption—does not go into maintaining either the ability to work or the apparatus of production, and although at the extreme, in his model of simple reproduction, he assumed that *all* capitalist consumption is unproductive, he yet considered productive the labour spent on that unproductive consumption, labour—to repeat—that does not lead to capital growth. In terms of one of his criteria of productiveness, it certainly is; it is labour employed by capital. It is productive also in terms of the common sense view that labour spent on keeping some people in idleness must produce a *surplus,* particularly when that surplus looks physically very much like necessities and its technique of production is nearly the same,[12] when, that is, waste-goods are not immediately recognisable as such.

But in terms of Marx's second, and essential, criterion—the production of surplus *used or useable for the expansion of capital*—labour spent on maintaining unproductive consumption, *labour spent on waste-goods production,* including labour spent on the technical apparatus necessary for waste-goods production, is unproductive. It is surplus transforming and surplus absorbing labour, not surplus creating.

Classing waste-goods production as unproductive rather than productive activity has far-reaching consequences: if it is productive, there can be no inner barriers to the growth of the system. True, waste grows and that's a dreadful waste, but so does waste production, and that's productive. You can discount the waste or count, with the economists, its contribution to net national income. Depending on the way you're looking at it, the system grows or doesn't. The choice is arbitrary.

If waste-goods production is productive, there can also be no final constraints on the adaptability of the system. All that would be needed to change its nature is to change end uses, to do something about final demand. For, in this Keynesianised Marxism represented by the *Monthly Review* school, intermediates in production have function but no substance.

More fundamentally, classing waste-goods production as productive makes nonsense of the concept of necessary labour—the labour required to maintain the ability to work, or more loosely, the labour including the indirect labour required to produce the normal constituents of a worker's standard of living. It makes nonsense of the concept of surplus as all output—at ruling cost—over and above necessary output, and therefore makes nonsense of the labour theory of value and everything that flows from it (including the locating of the basic conflict in the system at the point of surplus production).

Capitalism now employs hundreds of millions of people who by no stretch of the imagination can be said to contribute to its growth. From its inverted point of view, if not explicitly in its terms, they are unproductive even if they are necessary to maintain class rule and the independence of individual capitals. Their consumption is unproductive. The equipment they work with is waste. The surplus goods they create and absorb are sterile. Together these constitute a huge waste sector within an increasingly maleficent system.

Surplus Goods Production: The Waste Sector

There is no way of measuring the waste sector directly. The data do not exist. But we can get a view of its size if we define it as:

- production generated directly and indirectly by military expenditure; plus
- production generated directly and indirectly by unproductive government expenditure other than military; plus
- production generated in waste industries and the waste sectors of productive industries, and production generated directly and indirectly by them, including production generated by gross fixed investment in these industries and sectors; plus
- production generated directly or indirectly by the personal consumption expenditure of workers employed directly or indirectly in waste production; of employees in “unproductive occupations”; and personal consumption expenditure out of business and property income; less multiple counting.

Production Generated by Military Expenditure

This is the prime expense incurred by the system for maintaining independent capitals. The overwhelming bulk of expenditure goes on goods and services that cannot, in any circumstances, be reclaimed for further production; and the little that can—outlays on occupational training, or on publicly-used transport facilities, for example—is more than offset by expenditure ostensibly productive and actually undertaken for military ends on a “freelance” or speculative basis.

Production Generated by Unproductive Government Expenditure Other Than Military

Most central or (in the US) federal government outlay and some local government outlay is devoted to maintaining class division and the individual’s place within a class, not to expanding production. Some of the outlay is spent on coercion (police, prisons, law); some on material persuasion (state pensions, veterans’ allowances, farm subsidies, business administration); and some on both (general administration).

The following categories of US federal government outlay are considered waste:

- Space research and technology
- General government (general administration; general property and records management; central personnel management and employment; net interest paid; other)
- Old age and retirement benefits
- Civilian safety (police; corrections)
- Veterans’ benefits and services (disability and pension allowances; insurance; administration and other services)
- Regulation of commerce and finance
- Stabilisation of farm prices and income

These accounted for 60.6 percent of federal government non-military expenditure in 1970. Using the same categories, 18.1 percent of state and local government expenditure was taken as waste-generating in that year.

Production Generated in and by Waste Industries and the Waste Sectors of the Partially Waste Industries; Including Production Generated by Gross Fixed Investment in These Industries and Sectors

Waste industries are those whose outputs are in principle unassimilable as inputs into further production, either because they are a surrogate for personal expenditure by capitalists (such as business entertainment) or because they are an expense of surplus-distribution among sections of the ruling class (such as finance). Where they include a productive sector, as they occasionally do, it has been abstracted.

The following industries are treated as waste:

- Finance and insurance
- Real estate and rental (excluding maintenance and repair construction)
- Business services
- Business travel, entertainment, and gifts

Partially waste industries are those whose outputs are in principle assimilable as inputs into further production, although in practice a proportion is systematically drained off into unproductive use. The partially waste industries form a huge category. In almost every industry the production process is invaded by the sales effort—to the extent of a tenth of consumer expenditure in the US, in one estimate.[13] Large parts of industrial activity are devoted to financial (as distinct from material) record keeping.

There is waste associated with planned obsolescence; the building and maintenance of prestige offices in central business districts; and so on.

Most of this cannot be quantified easily or at all, and we have been forced to select the most obvious of the major industries in this category (at the cost of severely understating our case).

These are:

- New construction
- Trade
- Office, computing, and accounting machines
- Motor vehicles and equipment
- Automobile repair and services
- Office supplies

The degree to which these are wasteful and waste-inducing as well as the derivation of the results are given in the next section of this essay.

Production Generated by Personal Consumption Expenditure of Workers Employed Directly or Indirectly in Waste Production, of Employees in "Unproductive Occupations"; and Personal Consumption Expenditure out of Business and Property Income

"Waste occupations" fulfil the coercive, supervisory, espionage, and persuading functions normally associated with government, but required *within* the productive sector to maintain class rule. They also fulfil functions in selling. Using US job classifications as a rough guide, these "waste occupations" are:

- Accountants and auditors
- Clergymen

- Sales
- Engineers
- Funeral directors and embalmers
- Personnel and labour relations men
- Public relations men and publicity
- Religious workers
- Social and welfare workers
- Social scientists
- Farm managers
- Managers, officials, and proprietors (except self-employed)
- Agents (not elsewhere classified)
- Bank tellers
- Bookkeepers
- Collectors (bill and account)
- Decorators and window dressers
- Foremen (not elsewhere classified)
- Furriers
- Taxicab drivers and chauffeurs
- Private household workers
- Attendants, professional and personal service (not elsewhere classified)
- Elevator operators (except hospital)
- Guards, watchmen, and doorkeepers
- Marshals and constables
- Policemen and detectives
- Sheriffs and bailiffs
- Watchmen (crossing) and bridge tenders
- Farm foremen
- Lawyers and judges
- Insurance adjusters, examiners, and investigators
- Sales workers (except salesmen and sales clerks in non-waste trade)
- The same proportion of the category "occupation not reported" as the ratio of those in waste occupations to total employment.

There is one segment of waste personal consumption which we have ignored although it is important—personal consumption out of salaries containing surplus, that is, personal consumption out of high executive and professional incomes which are classed as "earned" for tax and ideological reasons, but which are actually larger than anything that could be justified in terms of output.

A preliminary exercise shows that this category of personal expenditure would add something like 2.2 percent of gross output, and of final demand, to the waste sector, but the method we adopted was so crude we prefer to understate our results than assert too much too baldly.

Methods and Sources

The method is based on a static input–output model. Final demand vectors for the various types of waste were estimated, the waste industries and waste sectors of the partially waste industries being treated as exogenous. These vectors were then multiplied by the corresponding total requirements matrix to find the induced output generated by each category of waste. Subtracting from gross output by industry gives productive output by industry. The waste industries were regarded as having no productive output, and the outputs of the partially waste industries were reduced first by the amount of waste they themselves produced, then further by the output generated by the other forms of waste in their productive sectors. The waste final demand vectors were subtracted from total final demand to give productive final demand. All calculations are in 1958 US dollars, implicit price deflators being used where necessary.

The Input–Output Matrix

An 82 x 82 matrix for the US in 1970 was given by the Bureau of Labor Statistics (BLS), US Department of Commerce, as were gross output levels by industry. The waste industries were deleted from the transaction form of this matrix, and the partially waste industries reduced in the requisite proportions. New direct and total requirements matrices were obtained, corresponding to the smaller transactions matrix.

The Waste Vectors

Military Expenditure

Military expenditure for 1970, distributed by industry, was published in "Employment Effects of Reduced Defense Spending," by R. P. Oliver.[14] The industrial classification used is the same as that in the BLS matrix, except that "Communications, except Radio and TV" and "Radio and TV" are combined as one industry. The figure was split in two in the proportions of these industries' gross outputs.

Federal Government Non-military Expenditure

The waste categories defined in the section "Surplus Goods Production: The Waste Sector" amounted to 60.6 percent of federal non-military expenditure.[15] Figures for federal military and non-military expenditure in 1970 and 1963 were given by Stephen P. Dresch in the preliminary draft of a report for the Department of Economic and Social Affairs of the United Nations.[16] The 82 sectors used by the BLS are here consolidated into 35 industries. Total federal expenditure in 1963, in 82 industries, was published in the 1963 Input-Output Tables of the US.[17] Federal military expenditure in 1963, from Dresch in 35 industries, was disaggregated using Oliver's 1970 figures. Subtraction from the published total federal final demand vector gave a 1963 federal non-military vector in 82 industries. Dresch's 1970 non-military vector was disaggregated to 82 industries using this vector. Briefly, at the 35 industry level, the federal non-military final demand vector is that supplied by Dresch, but to disaggregate it, 1963 figures were used. The resultant vector was multiplied by a factor of 0.606 to give federal government non-military waste final demand.

State and Local Government Waste Expenditure

State and local government expenditure were treated in the same way as federal expenditures, Dresch's 1970 figures being broken down using 1963 figures. The waste factor in this case was 0.181.[18]

The Waste Industries

The inputs of the waste industries (except those from each other) were added, industry by industry, to form the waste industry final demand vector. Maintenance and repair construction in the real estate and rental industry was counted as productive and excluded.

The Partially Waste Industries

As will easily be seen, we have derived the waste proportions in our six partially waste industries very crudely, but in each case the degree of waste has been greatly understated.

Trade

Insofar as trade distributes necessary consumption goods and the equipment necessary directly and indirectly for their production, it is productive; otherwise it is waste. To isolate the necessary distributive function, we compared employment in trade in two large, equally class-ridden economies with comparable-sized working populations, but with a markedly different organisation of distribution—the US and the USSR. Using, as a rough measure of the necessary minimum proportionate size of a distributive network, the ratio of employment in trade to total population in Russia in 1964 (the latest year for which figures were readily available), US trade could be deflated to some 22 percent of its actual size—78 percent of activity in trade is waste.[19]

Office, Computing and Accounting Machines, and Office Supplies

The proportion of clerical and kindred workers in waste occupations was found to be 18.93 percent. This was the figure used for the waste sectors of these two industries.

Motor Vehicles and Equipment, and Auto Repair and Services

Company cars were considered a form of waste, being essentially a tax evasion mechanism, rather than the provision of necessary transport. Since nonhousehold purchases of new passenger cars amounted to 15.95 percent of all such purchases in 1970, this was the proportion treated as waste.[20] This is an overestimate in that passenger cars do not form the entire output of the industry, but since there are so many other, far larger, waste mechanisms permeating this industry,[21] which are difficult to evaluate, it was allowed to stand. The auto repair industry was reduced in the same proportion as the motor vehicle industry.

New Construction

There is a breakdown of the value of new construction into the following categories: housing, industrial buildings, office buildings, service stations and repair garages, and stores and other mercantile buildings.[22] This gives a 13,000 place sample of private construction, but since the 13,000 place universe accounts for approximately 85 percent of all new residential construction in the United States, it was taken as representative of the industry as a whole.

Then, 18.93 percent of office buildings were taken as being wasteful, the proportion of waste office workers; 78.04 percent of stores and mercantile buildings were reckoned waste, the proportion of waste trade; and 15.95 percent of service stations and garages were taken as waste, the proportion of waste in the auto repair industry. The combination of these figures gives a level of waste of 6.96 percent in the new construction industry.

The partially waste industries final demand vector was formed by the addition of these proportions of their inputs (except those from the waste industries which have been deleted from the model).

Gross Fixed Investment in the Waste Industries and the Waste Sectors of the Partially-Waste Industries

The figures for this vector are from Dresch et al.

Waste Personal Consumption Expenditures

First, the number of people involved was estimated, then their earnings, and then their personal consumption expenditures.

For the purposes of this calculation, the economy was divided into 16 major industries. Using detailed statistics of occupation by industry for the 1960 civilian labour force,[23] the number of people in waste occupations was found. Assuming, for want of more recent figures, that the occupation structure of industries remained unchanged, the numbers in waste occupations in 1970 were obtained.

To these figures were added military generated civilian employment and military employment.[24] To remove the double counting of waste occupations within military generated production, it was assumed that the density of these waste occupations is the same in military and non-military generated production within any industry.

The employment in the waste industries and the proportion of the employment in the partially waste industries were then added. Again, to avoid double counting, the density of waste occupations and military generated employment was assumed constant throughout the partially waste industries.

This last set of figures gives the number of people in waste employment because of their occupation, their employing industry, or the end use of their product.

The figure for each industry was then multiplied by the average wage or salary earnings for that industry,[25] and these induced earnings were then summed.

The proportion of these earnings spent on personal consumption was taken to be the ratio of personal consumption expenditures to personal income for 1970.[26]

The waste personal consumption sum was distributed according to the personal consumption expenditure vector for 1969.[27]

Personal Consumption Expenditure from Business and Property Income

The percentage of business and property income spent on personal consumption in 1960–61 was estimated in the following way. The proportion of business and property income received by a given income bracket[28] was multiplied by the ratio of personal consumption expenditure to total income for that bracket,[29] and the results summed over all income brackets. This assumes an unchanged income distribution between 1960–61 and 1962, and that consumption expenditure comes from earned and unearned income in equal proportions.

This percentage was then applied to business and property income received in 1970.[30]

The resulting personal consumption expenditure figure was distributed by industry according to the 1969 personal consumption expenditure vector and was then adjusted for the fact that a large proportion of this income is received by the upper income brackets whose expenditure patterns differ significantly from the norm. Using percentage breakdowns of consumption expenditure by type (food, clothing, housing, etc.) and income bracket,[31] the industries of the vector were fitted to these expenditure types, and the elements of the vector weighted by the ratio of expenditure by income bracket to average expenditure for 1960–62 in the proportions of business and property income received by income brackets.

Although no more than an approximation to the 1970 expenditure patterns of this income bracket, this was felt to be at least some improvement on the original vector.

To avoid double-counting the waste generated in the waste sectors of the partially waste industries, the inputs from each of these industries to the final demand vectors were reduced by the waste factors of the industry.

That proportion of the waste supported personal consumption vector due to military generated employment was shifted to the military vector, which therefore included both Department of Defense expenditures and the induced personal consumption expenditures.

The resulting final demand vectors were each multiplied by the total requirements matrix to find the induced output levels in the rest of the economy.

Table 1 shows the proportion of each industry's output devoted, directly or indirectly, to waste.

Table 2 shows the waste final demand vectors. The waste industries have been treated throughout as a final demand category, so that total final demand in the model equals actual 1970 final demand plus the inputs to the waste industries. For comparison with the actual 1970 final demand levels, waste industry inputs have therefore been excluded from both totals on the right hand side of the equation:

Productive Final Demand = Total Final Demand - Waste Final Demand

Results and Conclusions

Productive gross output summed over all industries came to 38.57 percent of total gross output. This figure, while involving multiple counting of product shows the position in terms of ongoing activity, and indicates that of employment. Productive final demand was 39.71 percent of total final demand in 1970.

Within the terms of the definitions developed in previous sections of this essay, three-fifths of the work *actually undertaken* in the US in 1970 was wasted from capital's own point of view. This excludes the work that *might have been* undertaken were it not for unemployment: an average of four million in that year, or 4.9 percent of the work force (say 12.5 percent of the productive work force). It excludes the productive output lost through duplication, excessive seemingly productive consumption, irrational ideologically induced methods of work, and so on. It excludes a view of the system from some other, historic, standpoint. To repeat: it is a measure, cautiously estimated, of the waste that goes on inside the system. It does not measure the waste *of* the system. It is the measure capital itself would take of itself if only it could.

Table I: Waste Output of Industry Distributed by Waste Category: US 1970

Industry	Military	Federal government non-military	State and local government	Waste industry outputs	Waste industry inputs	Investment in waste industry	Waste personal consumption	Consumption from business and property income	Total waste	Waste as percentage gross output
I Livestock and livestock products	2425.44	-10.٢٥	43.70	0.00	3243.97	16.62	7893.18	4706.72	18319.43	57.86
2 Other agricultural products	1721.٧9	-37.98	-19.30	0.00	3444.43	52.64	5615.54	3385.60	14162 .72	51.79
3 Forestry and fishery products	127.24	-61.68	32.50	0.00	217.77	48.63	359.99	247.69	972.15	51.27
4 Agricultural, forestry and fishery services	124.77	4.60	32.41	0.00	408.72	5.83	378.94	228.12	1183.38	61.25
5 Iron and ferroalloy ores mining	178.٠٥	16.56	32.90	0.00	269.48	52.69	188.64	141.52	879.85	40.29
6 Nonferrous metal ores mining	207.70	18.36	23.92	0.00	205.58	32.38	144.٥٦	١٠٩.٢١	741.71	47.98
7 Coal mining	250.26	27.26	46.51	0.٠٠	548.77	33.18	461.45	206.11	1573.54	45.29
8 Crude petroleum and natural gas	1657.60	51.00	229.84	0.00	2440.33	109.٣٦	٣٠٥٨.٩٣	1832.23	9379.29	57.15
9 Stone and clay mining and quarrying	86.58	21.87	48.90	0.00	334.04	99.84	123.24	93.87	808.34	31.16
10 Chemical and fertilizer mineral mining	63.51	5.21	26.50	0.00	98.46	7.٢٨	101.٥٤	74.73	377.23	23.03
11 New construction	543.54	1008.18	3072.00	5169.40	0.00	5382.00	0.00	0.00	15175.12	20.43
12 Maintenance and repair construction	1197.41	131.16	821.12	0.00	10416.16	54.88	1476.71	845.38	14942.81	78.25
13 Ordnance and accessories	5538.50	178.63	2.64	0.00	10.30	0.59	107.02	173.02	6010.71	66.57
14 Food and kindred products	6976.21	-6.75	182.57	0.00	5154.98	26.15	23584.76	14009.43	49927.36	56.85
15 Tobacco manufactures	482.41	0.01	0.25	0.00	250 .20	0.07	1976.69	836.42	3546.04	52.82
16 Broad and narrow fabrics, yarn and thread mills	1604.05	78.25	61.53	0.00	771.49	38.36	4791.63	4056 .٨٠	11402.10	70.22
17 Miscellaneous textile goods and floor coverings	412.90	3.84	22.06	0.00	497.69	26.15	1158.01	909.67	3030.32	51.25
18 Apparel	1879.83	72.27	48.52	0.00	221.87	6.68	6708.21	6064.83	15002.21	66.38
19 Miscellaneous fabricated textile products	335.91	-124.27	11.19	0.00	348.91	15.63	1032.96	781.27	2401.59	60.28
20 Lumber and wood products, except containers	516.11	113.31	358.10	0.00	1816.55	527.15	855.48	648.47	4835.18	42.70
21 Wooden containers	36.42	-6.93	2.43	0.00	117.25	3.84	66.52	43.٨4	263.37	49.23
22 Household furniture	418.36	11.٧٦	27.٩٢	0.00	74.71	26.58	1201.٠٧	938.41	2698.81	53.93
23 Other furniture and fixtures	68.55	27.50	123.46	0.00	71.14	22.58	99.47	80.02	492.73	١٦.٣٣
24 Paper and allied products, except containers	1090.51	112.74	192.٥7	0.00	5744.46	127.٩٤	2427.88	1882.93	11579.04	61.32
25 Paperboard containers and boxes	495.73	5.81	51.55	0.00	1190.06	40.69	1089.10	744.88	3617.82	52.93
26 Printing and publishing	840.97	66.41	232.74	0.00	13060.78	24.68	2028.21	1422.07	17675.86	85.٥٥
27 Chemicals and selected chemical products	2095.72	175.94	310.60	0.00	2902.57	194.91	3163.02	2308.84	11151.60	41.67
28 Plastics and synthetic materials	914.16	52.91	85.81	0.00	1122.٤٩	84.61	1744.27	1443.52	5447.77	45.49
29 Drugs, cleaning and toilet preparations	1006.53	10.41	179.17	0.00	672.18	19.67	3286.86	1950.47	7125.٢٨	49.14
30 Paints and allied products	181.09	8.95	58.97	0.00	637.88	43.06	264.34	198.86	1393.16	50.28
31. Petroleum refining and related industries	3062.82	85.69	410.90	0.00	3691.81	197.13	5363.29	3558.73	16370.37	55.60
32 Rubber and miscellaneous plastics	1394.31	66.16	149.49	0.00	2333.28	159.50	2394.79	2093.03	8590.57	50.36

products										
33 Leather tanning and industrial leather products	85.77	1.32	2.55	0.00	43.44	1.59	268.63	239.62	642.93	70.50
34 Footwear and other leather products	333.91	1.37	2.٧١	٠.00	97.66	1.13	1104.98	997.49	2539.25	74.44
35 Glass and glass products	315.34	16.٢٥	56.13	0.00	563.64	42.06	627.04	406.69	2027.17	51.40
36 Stone and clay products	474.96	119.95	348.36	0.00	1539.78	526.32	522.89	419.22	3951.49	30.47
37 Primary iron and steel manufacturing	2392.38	241.87	452.٧٣	0.00	3556.٦٧	752.86	2511.76	1889.18	11797.45	36.01
38 Primary nonferrous metal manufacturing	2248.18	164.08	246.89	0.00	2017.13	343.٨٣	1421.٣3	1086.٦٥	7528.09	39.39
39 Metal containers	238.48	3.57	15.48	0.00	223.٦٨	6.30	676.14	409.٤٨	1573.14	48.48
40 Heating, plumbing and structural metal products	393.87	132.48	346.74	0.00	1325.39	525.63	262.52	237.12	3223.75	23.56
41 Stampings, screw machine products and bolts	665.86	27.68	62.87	0.00	729.60	96.23	732.01	523.89	2838.13	43.24
42 Other fabricated metal products	917.26	67.88	149.93	0.00	1400.71	230.57	1276.25	912.46	4955.07	40.51
43 Engines and turbines	337.96	42.57	9.75	0.٠٠	332.٩٠	14.٣٠	196.٦١	180.80	1114.89	27.94
44 Farm machinery and equipment	57.01	7.43	16.١٨	0.00	377.57	6.57	83.78	65.٣١	613.85	18.60
45 Construction, mining and oil field machinery	211.٧٣	33.88	51.77	0.00	235.53	34.42	84.94	62.85	715.12	14.58
46 Materials handling machinery and equipment	150.54	32.30	21.٠٢	0.00	97.48	33.03	28.93	27.40	390.71	16.16
47 Metalworking machinery and equipment	533.04	22.38	44.35	0.00	484.16	50.36	293.02	236.31	1663.62	23.99
48 Special industry machinery and equipment	101.92	7.77	16.30	0.00	194.48	11.37	122.69	105.54	560.08	11.28
49 General industrial machinery and equipment	522.77	32.41	60.94	0.00	458.59	78.35	257.07	208.36	1618.49	21.82
51 Office, computing and accounting machines	290.32	30.78	17.22	1939.19	1101.66	300.01	59.67	43.03	3781.88	36.92
52 Service industry machines	234.28	25.57	86.30	0.00	428.60	38.09	356.55	270.98	1440.37	24.52
53 Electric industrial equipment and apparatus	1043.24	71.90	78.63	0.00	534.03	91.55	431.05	361.69	2612.08	26.09
54 Household appliances	481.46	11.92	32.34	0.00	155.84	35.95	1643.98	1271.08	3632.57	50.22
55 Electric lighting and wiring equipment	359.83	28.07	75.44	0.00	400.24	106.71	398.71	305.10	1674.10	41.92
56 Radio, TV and communication equipment and supply	6261.38	208.63	43.42	0.00	958.66	44.26	1823.99	1547.78	10888.11	51.03
57 Electronic components and accessories	2156.21	72.02	21.69	0.00	429.15	32.20	775.32	635.26	4121.85	37.25
58 Miscellaneous electric machinery equipment	285.76	13.63	15.58	0.٠0	438.28	39.78	406.55	320.52	1520.10	47.09
59 Motor vehicles equipment	3000.44	123.٥١	319.51	8923.55	4017.٣6	2069.55	8583.07	5403.15	32440.14	57.98
60 Aircraft and parts	8322.77	-25.47	6.02	0.00	152.70	6.75	98.05	115.٣٣	8676.16	43.87
61 Other transportation equipment	1534.29	287.93	26.63	0.٠0	241.85	14.83	1193.83	1844.٩٤	5144.31	56.64
62 Scientific and controlling instruments	984.10	19.29	75.68	0.00	387.26	53.36	688.08	445.٠٠	2652.79	34.43
63 Optical, ophthalmic and photographic equipment	544.90	81.07	25.98	0.00	604.90	2.41	589.04	423.79	2272.09	44.02
64 Miscellaneous manufacturing	679.13	18.33	157.63	0.00	1325.82	25.05	2195.60	1658.82	6060.38	63.28
65 Transportation and warehousing	5773.76	104.59	585.24	0.٠٠	9400.42	432.97	8305.21	9940.22	34542.41	61.10
66 Communications;	1418.21	55.46	159.70	0.00	5015.29	62.89	3508.99	1331.59	11552.13	51.30

except radio and TV broadcasting										
67 Radio and TV broadcasting	50.14	0.00	5.70	0.00	3167.32	0.00	0.00	0.00	3223.15	85.74
68 Electric, gas, water and sanitary services	2935.35	148.51	524.01	0.00	7675.93	233.67	7888.51	1755.50	21161.48	49.78
69 Wholesale and retail trade	2497.14	54.45	134.55	124710.26	2204.44	6901.97	8033.45	6053.06	150589.30	94.23
70 Finance and insurance	0.00	0.00	0.00	39325.00	0.00	0.00	0.00	0.00	39325.00	100.00
71 Real estate and rental	0.00	0.00	0.00	104951.00	0.00	0.00	0.00	0.٠٠	104951.00	100.00
72 Hotels; personal and repair services exc. auto	1483.68	25.39	62.07	0.00	2322.59	10.90	4524.48	2848.88	11277.99	67.32
73 Business services	0.00	0.00	0.00	50364.00	0.00	0.00	0.00	0.00	50364.00	100.00
74 Research and development	472.37	1.83	2.51	0.00	31.81	3.08	51.86	29.13	592.59	94.21
75 Automobile repair and services	647.85	16.58	88.26	1999.33	2237.16	62.16	2081.85	1392.09	8525.28	68.10
76 Amusements	530.53	3.61	-26.44	0.00	1324.67	2.42	1578.99	637.86	4051.٦٥	60.59
77 Medical, educational services and nonprofit organizations	3296.68	136.78	118.26	0.00	603.96	15.16	11297.٣٠	3635.71	19103.75	49.51
78 Federal government enterprises	334.44	48.71	157.15	0.00	3353.52	25.14	790.17	414.17	5123.31	65.02
79 State and local government enterprises	652.07	175.97	95.98	0.00	2520.40	47.97	1735.72	752.25	5980.36	72.88
80 Gross imports of goods and services	4806.61	273.83	237.35	0.00	3541.33	259.01	5429.89	6064.55	20612.56	41.٣5
81 Business travel, entertainment and gifts	0.00	0.00	0.00	9187.00	0.00	0.00	0.00	0.00	9187.00	100.00
82 Office supplies	116.46	32.44	159.٣2	513.٠٠	1023.13	8.70	135.55	77.36	2065.97	76.23
Sum	**99970.77**	**5148.72**	**12149.83**	**347081.73**	**131948.46**	**21196.79**	**168424.46**	**113762.77**	**1464638.00**	
% Total Output	**6.83**	**0.35**	**0.83**	**23.70**	**9.01**	**1.45**	**11.50**	**7.77**		**61.43**
% Total Waste	**11.11**	**0.57**	**1.35**	**38.58**	**14.67**	**2.36**	**18.72**	**12.64**		**100.00**

Table 2: Waste Final Demand by Industry, Distributed by Waste Category: US 1970

	Military	Federal government non-military	State and local government	Waste industry output	Investment in waste industry	Waste personal consumption	Consumption from business and property income	Total waste	Total final demand	Waste as % total final demand	Waste industry inputs
1 Agriculture	562.02	-109.00	-66.39	0.00	0.00	1592.97	945.66	2925.26	10526.60	27.79	3277.00
2 Metal mining	0.30	0.50	0.00	0.00	0.00	0.00	0.00	0.80	214.60	0.37	12.51
3 Coal, stone, et al.	108.07	14.60	36.11	0.00	0.00	229.35	189.85	577.98	2398.20	24.10	1119.20
4 Oil and gas	2071.95	27.70	228.04	0.00	0.00	3650.74	2272.96	8251.39	15741.90	52.42	2247.90
5 Construction	1089.74	1088.78	3826.59	1296.23	5382.00	0.00	0.00	12683.33	72150.70	17.58	9036.10
6 Ordnance	5167.11	168.60	1.99	0.00	0.00	92.25	156.48	5586.43	6698.30	83.40	3.20
7 Food	5364.77	-11.90	120.73	0.00	0.00	18309.11	10869.51	34652.22	66702.90	51.95	3530.00
8 Tobacco	394.66	0.00	0.18	0.00	0.00	1617.32	684.23	2696.39	5805.30	46.45	204.50
9 Textiles, apparel	2066.65	21.50	46.14	0.00	0.00	7048.42	6193.80	15376.50	19090.30	80.55	555.50
10 Lumber, wood products	36.31	-14.20	1.27	0.00	0.00	79.12	41.81	144.31	538.20	26.81	563.00
11 Furniture	316.36	23.10	116.53	0.00	0.00	1197.69	929.29	2582.97	6216.90	41.55	82.40
12 Paper and products	149.53	36.80	3.26	0.00	0.00	452.94	502.29	1144.81	1876.30	61.01	1653.00
13 Printing, publishing	490.77	35.10	116.00	0.00	0.00	1279.70	974.62	2896.18	5619.00	51.54	10620.40
14 Chemicals, plastic	1134.34	68.50	232.75	0.00	0.00	2427.42	1588.07	5451.08	14210.30	38.36	961.40
15 Rubber, leather	350.75	22.10	41.45	0.00	0.00	850.14	942.78	2207.22	4085.90	54.02	1237.50
16 Footwear	290.86	1.10	0.91	0.00	0.00	974.75	886.45	2154.06	3732.50	57.71	68.90
17 Primary metal	120.05	39.00	0.54	0.00	0.00	15.38	11.84	186.81	2588.20	7.22	1270.90
18 Fabricated metal	280.07	20.30	29.67	0.00	0.00	358.44	282.88	971.36	4461.40	21.77	1561.30
19 Non-electrical machinery	795.72	106.90	166.12	0.00	0.00	341.47	293.27	1703.48	28235.40	6.03	1622.10
20 Electrical equipment	6646.04	247.36	52.87	676.50	280.00	3463.04	2890.72	14256.54	23412.50	60.89	2066.69
21 Transport equipment	10236.15	318.39	241.14	5300.82	1612.00	7411.39	5616.70	30736.60	50375.80	61.01	2919.64
22 Instruments	806.23	72.30	57.54	0.00	0.00	673.00	512.65	2121.71	6120.60	34.67	655.20
23 Miscellaneous manufacture	413.28	5.10	108.60	0.00	0.00	1640.38	1249.27	3416.64	7396.50	46.19	865.60
24 Transportation, warehousing	3572.94	-28.90	213.76	0.00	0.00	4355.13	7074.85	15187.78	21045.90	72.17	5731.10
25 Communications	1035.12	36.20	120.87	0.00	0.00	2807.64	856.12	4855.96	5688.90	85.36	7362.80
26 Utilities	1339.56	44.70	285.78	0.00	0.00	4507.29	238.10	6415.43	17036.90	37.66	4510.20
27 Trade	1898.35	10.43	17.25	92776.37	6743.00	7033.48	5356.52	113835.40	118883.10	95.75	1360.49
28 Finance, insurance	0.00	0.00	0.00	22756.60	0.00	0.00	0.00	22756.60	22756.60	100.00	0.00
29 Real estate	0.00	0.00	0.00	76401.90	0.00	0.00	0.00	76401.90	76401.90	100.00	0.00
30 Hotels, services	1366.90	20.50	53.87	11680.83	0.00	4250.07	2678.50	20050.66	20122.40	99.64	2183.30
31 Auto repair, services	393.01	4.29	44.88	1032.24	0.00	1559.93	971.10	4005.45	6471.70	61.89	1790.18
32 Amusements	387.93	2.20	-22.81	0.00	0.00	1195.13	480.18	2042.64	5006.30	40.80	477.50
33 Medical, educational, non-profit	3159.66	130.70	105.89	0.00	0.00	10981.36	3474.49	17852.10	37455.70	47.66	473.80
34 Miscellaneous	810.52	224.69	308.69	341.98	0.00	1055.47	557.71	3299.06	4344.50	75.94	5302.21
35 Imports	2752.16	194.60	3.26	0.00	0.00	2102.93	3567.07	8620.01	49800.00	17.21	689.90
Sum	**55607.87**	**2822.04**	**6493.46**	**212263.46**	**14017.00**	**93553.46**	**63289.78**	**448047.07**	**743212.20**		
% Total final demand	**7.48**	**0.38**	**0.87**	**28.56**	**1.89**	**12.59**	**8.52**			**60.29**	
% Total Waste	**12.41**	**0.63**	**1.45**	**47.38**	**3.13**	**20.88**	**14.13**			**100.00**	

Chapter 9

Black Reformism: The Theory of Unequal Exchange[1] [1974]

There are a number of explanations for the unending misery of the people in backward countries. One of them is the theory of unequal exchange, which sees in international trade the mechanism for exploiting backward countries and in rising real wages in the West the trigger for that mechanism.[2]

Unequal Exchange

Stripped to the bone, and expressed in the terms of its protagonists, the argument runs as follows: if *all* factors of production in a competitive economy (not only capital and labour-power, but any direct or indirect component of production that can be used to enforce a claim to a share of the product) were fully mobile, each would receive a standard return wherever it was put to work; and the distribution of the product amongst the classes and groups which control the factors would be the same everywhere.

Where some factors are more mobile than others, the sharing of output amongst them will vary from place to place in accordance with the relative strength of the classes or groups in control of the less mobile factors. In these circumstances the mobile factor would not always and everywhere receive the standard expected return unless part of its total income shifted from where its share of product is relatively high to where it is relatively low. In other words, an uneven distribution of product within the system sets up flows of income from one part of it to another via the equalisation of returns to the mobile factor or factors. Or, more starkly, the cost of any tax or rent imposed on the mobile factor anywhere in the system can be clawed back from the rest of it.

Where (as is the case today) the factors of production are not only unevenly mobile but are also confined in separate currency areas, with each currency area needing to balance its international payments over time, the only way of sustaining this flow is through unequal exchange in international trade, that is, trade in which the partners with relatively high primary returns to the mobile factors systematically price their products, or are forced to price their products, below value in terms of direct and indirect labour inputs, and those with relatively low primary returns to the mobile factor systematically charge more than value.

Since capital is now more mobile internationally than any other factor, more so than labour-power is or ever was, and very much more so, naturally, than land or government, the equalisation of returns to the mobile factor is through the formation of a world average rate of profit.

The theory's protagonists see nothing new in this. Capital has always been mobile and so has always been vulnerable to squeezes from the relatively immobile factors of production. In eighteenth and early nineteenth-century England, for example, the squeeze came from the landlords and their state in the form of high prices for protected food. What might have ended up as super-profits if capital were not mobile, or as a sustained decline in export prices if it were not squeezed, was converted into a super-rent retained in the country. The world was forced to pay so large a tribute to the English landlords that capital flowed perversely —*into* capital-rich England from the capital-hungry periphery.

Variations on the theme were played in pre-war Japan and post-revolutionary Russia where the state alone hampered the mobility of capital and so prevented the abnormally high primary profits that were being made from leaking abroad.

Today, the argument runs, the squeeze on capital is still going on, but the agent, in the developed West at least, is the working class. Since the 1860s[3] or, more realistically, the 1880s when mass trade unionism emerged as a major social force, workers have pushed their real incomes far beyond physiological need. What Marx recognised as a "historical and moral element" in wages has taken wing so that real wages in the West are now some thirty times the subsistence levels ruling in the backward countries of the South. Once again what might have ended up as superprofits for capital, or lower export prices to the rest of the world, is captured by an immobile factor, labour-power; the benefits of superior techniques are held in the countries in which they arise; and the backward countries are saddled with a constant, irreversible deterioration in their terms of trade to make good the loss of profits to capital in the North. It is they who are made to pay for the high and rising real wages of workers in the privileged heartlands and for the relative social harmony that has prevailed there. In the circumstances there can be no common working-class interest worldwide. The privileged workers in the North have a stake in high primary profits and in its corollary, low wages, in the South—as large a stake as they have in high wages and low primary profits at home. Naturally, the converse is true for the destitute workers in the South. For each group, high profits (and low wages) are an advantage so long as they arise outside the range of its own mobility and so long as capital remains mobile.

At present only workers in the North benefit unequivocally from a free flow of profits. Workers in the South can wish only to disrupt it, for it denies their countries the potential investment on which employment and, ultimately, wage rises hinge. "The choice," writes Emmanuel in their name, "is between unequal exchange and autarky."

Unequal exchange is not new in Marxist analysis: it is implicit in the stable coexistence of different branches of production with different internal structures (or organic compositions of capital) but similar rates of profit, and is covered therefore by the literature on the "transformation problem." Its application to the relations between the developed and backward regions of capitalism is also not new. Otto Bauer, Evgenyi Preobrazhenski, Henryk Grossman, Maurice Dobb, and many others dealt with it in some form. What is new is the importance attached to the mechanism, the refinement with which it is presented, and the political conclusions drawn from its existence.

The Autonomy of Wages[4]

The contemporary theorists trace the course of North–South relations in the last hundred years or so to the rise in real wages in the capitalist centres. Wages are the "independent variable of the system," its determinant.

In the North, the argument runs, wages are very much higher than they are in the South. Even after allowing for direct and indirect social benefits, for differences in the intensity of labour, for differences in the length of the labour year or in average skills, and for all other influences, there remains a large residue, which simply cannot be explained in terms of the cost of maintaining labour-power. It is a super-wage, the product of wage-drive pure and simple, a Northern worker's luxury paid for by the entire population of the South, including its workers.

This distinction between the cost element and the luxury (or "historic and moral") element of wages is crucial. The whole weight of contemporary writing on the subject rests on it. Yet astonishingly little has been done to justify it empirically. Emmanuel, for example, takes a broad factor of 30 as the difference between real wages in developed and backward countries and splits it evenly between the two elements: greater intensity of effort is awarded fifteen, and the "historic and moral" element the other fifteen. That's it. The argument stops short where the arithmetic should begin.

For convenience and in order to present the unequal exchange argument in the most favourable light, Britain and India can be taken to represent the system's centre and its periphery, respectively.

In 1966 net disposable income per wage-earning household, that is, the amount actually available for maintaining and renewing the ability to work after taking into account taxes and subsidies and subsidiary earnings, was £1,100 in Britain[5] and Rs2006 in India.[6] This is not Emmanuel's 30 to 1 disparity, but it is still enormous—in the region of 7 to 1 at the official rate of exchange. However, since official rates of exchange obscure as much as they reveal, we shall ignore them.

The government recognised subsistence minimum in Britain in 1966 was £210.6 a year; in India it was Rs741.[7] The ratio of average income to subsistence income is therefore 1.93 times higher in Britain than in India. Taking as the unit of income the minimum required to keep a worker alive and working, the average British worker's household is paid almost twice as much as the average Indian worker's household.

If wages in the two countries were paid for equal abilities to work in terms of intensity and quality, that would be that. British workers would still be seen to be living in relative luxury—above the level required to maintain or renew that ability. Their wage would be higher than the cost of labour-power. In reality of course there are huge differences in the average worker's competence in the two countries. At any comparable level of skill the British worker is normally able to keep up an intensity and a consistency of effort far beyond anything his or her equivalent can do in India. Naturally there are exceptions to the rule.[8]

The rule is difficult to establish, but there is some evidence to suggest that under broadly similar conditions and with labour-power of similar skill, physical productivity in India is under a quarter of what it is in Britain.[9]

That means that the British:Indian wage ratio of 1.93 to 1 is *less* than the British:Indian productivity ratio of 4.44 to 1. In other words, *the cost of a unit of labour-power of similar quality is less in Britain than it is in India.* The cost of a unit of labour-power in Britain is less than half—43 percent—of the cost in India.[10]

There is some sense in comparing groups of British and Indian workers of the same level of skill. There is none at all in comparing the average competence of all British and Indian workers at the same level of skill. For if there is one outstanding difference between the two, it lies in the different degrees to which they are culturally enriched. The average British worker can be expected to read and drive; he or she will normally be able to handle a wide range of tools and concepts, and respond to a wide range of stimuli on the basis of knowledge rather than from personal experience. The Indian worker will not. The *average* competence of the two are obviously worlds apart qualitatively.

The cost of maintaining them effectively—their value—is bound to reflect this difference. For example, a truck driver dare not make a practice of sleeping at the wheel, and must therefore be able to ensure rest at home and a home to rest in; a bullock-cart driver dare and often does nod off, so his housing is less important to the employer (unless he uses the same roads as the truck driver!), and his wage will not need to contain as large a housing component. New entrants into a factory in Britain need to be able to read, and their parents' wages need to contain therefore a child-support and -education component. New mill hands in India need not, and usually do not, read, so the pressure on their parents' wages is less. And so on and on—there is no end to the comparisons that can be made.

These differences in the average competence required of workers in the centre of the capitalist system and at its periphery, and the related differences in the cost of their maintenance, have grown with the ageing of the system and have had important effects. They explain, for example, why free international migration of workers has very nearly disappeared in the last fifty years despite an astounding growth in the world market for skilled labour and in its mobility between countries. For while it is true that the immediate reason for forming and reforming the apparatus of migration control has always been political or the outcome of some pressure-group activity, underlying their success is capital's balking at the prospect of having to pay the full wage and welfare cost of relatively skilled labour-power to workers who command—in its terms—an impaired competence.[11]

These differences explain also the unsteady but inexorable rise in worker's real incomes in Russia and Eastern Europe where the bureaucracy is being taught, sometimes spectacularly through mass revolt and the rolling of heads, always painfully, that the ability to work with skill cannot be maintained on a budget more or less adequate for reproducing crude labour-power.

Skills are costly to create and maintain, which is not to say that the workers who possess them do not *enjoy* the higher incomes they command. On the contrary: the car that might be necessary for the British worker to get to and from work—it is clearly necessary for the American one—incidentally provides services that are valued for themselves. High standards of health and education are enjoyable in spite of being necessary. In the circumstances, the fundamental distinction between cost and luxury can easily be blurred, particularly by writers from the peripheral countries of capitalism where the luxuries of the rich are often what workers in the centre use as necessities.

It is also true that real wage increases are not achieved without a fight; capital does not make a rational assessment of the maintenance costs for the constantly improving competence it requires from its workforce. For this reason wage increases or minimum wage laws can be, and are, dressed up by capital's propagandists as a forced entry into affluence, in the teeth of employer opposition. But that is only the appearance. The substance is that the system must adapt to the rising cost of maintaining an increasingly valuable average ability to work. It does so, as it does to most changes, blindly, unwillingly and through conflict. It needs better workers. Whether it likes it or not, it has to pay for them.

But how much does it pay? Having adjusted the average wage in Britain and India to take account of transfers and taxation, of productivity, and the cost of intensity of effort, can the same be done for the cost of maintaining different levels of average competence? It can't, at least not directly; but if the Indian and British armies can be said to represent, however crudely, the technological maturity of Indian and British capitalism (a comparison which favours India), and if the maintenance cost per enlisted man in these very similar institutions can be said to represent the basic cost of the average competence required in the two countries, we arrive at a skill premium for the average British worker of 476 at the official rate of exchange, or 121 at our own wages exchange rate.[12]

Taking the low figure and adjusting our previous results gives us a ratio of 0.63:1 for the cost to capital of a unit of average ability to work within the capitalist sector in Britain and India. What seems at first to be an enormous gap between British and Indian wages, and by extension between wages in the centre and at the periphery of the capitalist system, can be more than explained by the cost of maintaining the very different average abilities to work in the two countries. It has little to do with militancy, little to do with trade unionism, little to do with the "institutional factors" which are supposed to have helped labour extract a rent from capital. *Workers in the North get more because they need more in order to produce much more better. In fact, they are relatively underpaid in terms of the quantity and quality of their ability to work. They get much more per head than workers in the South, but they get much less per unit of labour-power. They are richer, but more exploited.*

Centralisation of Capital on a World Scale

The debate on wages separates the upholders of class and of national politics and is important for that reason. But from the point of view of the theory of unequal exchange it is irrelevant. Even if changes in real wages did affect profits and profit flows in the ways suggested, so would a change in the real return to any relatively immobile factor of production as defined by the unequal exchangeists—in taxes, for example, which have grown much faster than wages since the 1880s—per head of population, as a proportion of total product, or *in toto,* and this both West and East.

The crucial question for the theory as distinct from its politics is not what triggers the mechanism of unequal exchange, but whether that mechanism exists at all, and if it does, how important it is. Let us start with relative importance.

The absolute scale of production is important for society. On it depend the type of technique that can be used and the range of articles that can be made. But for the individual capital absolute size as such is unimportant. It is simply an inevitable outcome of the drive for greater relative size. The single capital stands to gain in competition as much from a uniform reduction in the scale of its competitors' operations as from an unmatched increase in its own. So long as growth and destruction are allocated in its interests, it finds them equally welcome. Relative size is what counts.

This even-handed attitude toward progress and retrogression on the part of the single capital is reflected in the mechanisms for centralising capital. All of them naturally shift the relative scale of central and peripheral capital in the former's favour, but they range from the relatively benign to the malignant, from mechanisms that add (to A) but subtract not (from B) to those that add not (to A) but subtract a great deal (from B).

The oldest and least complicated is plain plunder—the "primitive accumulation" of capital in the centre of the system through transferring the periphery's already-accumulated surpluses, in the form, usually, of precious metals and stones. In its pure form—as a tribute exacted from pre-capitalist societies—it is a net gain to capitalism, even if the gain accrues entirely to the centre. Clearly it is no loss to the as yet non-existent capitals in the South.

Pure "primitive accumulation" or *positive centralisation* was a limited device, bound by the smallness of pre-capitalist hoards and by the low productivity of the societies that created them. It gave way to a number of bastard varieties in which all or part of currently created surplus is transferred from the countries and capitals in which they arise to the centre. The tax tribute that sustained the colonies' export surpluses over a long period was one of these.

More typical of today is *neutral centralisation* in which a transfer of surplus between capitals takes place, but with no net gain or loss to the system as a whole. The export of profits, fees, and royalties, unless they are completely offset by "aid" receipts, comes into this category. These amount to some $6 billion a year. Less well-known is the export of skilled manpower —the overt brain drain.

The mechanism is simple and brutal. Since World War II the countries of the capitalist centre have refined their migration controls into highly selective instruments with which to compete for skilled migrants while rejecting unskilled labour-power. The result now is that a significant proportion of graduates in the South are sucked into the advanced countries, particularly in technical and scientific fields. There are no overall figures but some idea of the extent of drain can be gained from the fact that three countries only—France, Canada, and the US—absorbed more than half the engineers graduating in Iran and Syria, and a third of such graduates in Chile and the Lebanon between 1962 and 1966. More than five times Hong Kong's total output of engineering graduates in these years migrated to the same three countries. The same goes for natural scientists: three-fifths of Hong Kong's graduates, half of Venezuela's, a fifth of Chile's and the Philippines's travelled the same route in the same period; as did two-thirds of Hong Kong's new physicians, one quarter of Lebanon's or Chile's, and one-fifth of the Philippines's.[13]

The cost of this explicit brain drain to the emigrant countries is immeasurable. One partial estimate puts the direct cost of educating the migrant graduates at some half billion dollars at today's prices.[14] This sum does not include the costs of maintaining them during their student life. It does not reflect the damage caused to the drained society through losing a young labour force, the members of which it can be supposed, are the brightest, most inventive and most energetic of their class and age[15]; or the damage caused to that society by restricting its capacity to absorb scientific advances made elsewhere. It does not measure the cost of creating the manual skills that drain away in larger absolute numbers—the 600,000 carpenters, mechanics, repairmen, nurses, and so on who migrate yearly.[16] This alone might cost over one-quarter billion dollars in direct outlay every year.[17]

Above all, it does not begin to touch on the cost of distorting the whole structure of education in the South—the curricula, the models, the criteria of excellence—which makes the migration of skills possible[18] and which contributes to the incredibly high dropout rates at every step up the education ladder in the South. If we assume Latin American rates to apply to the South as a whole and the cost of schooling and college education in five backward countries studied by the United Nations Institute for Training and Research to be equally representative, the direct cost of educational wastage in the South must be of the order of $13 billion a year.[19] That means that the *direct costs* of educating the migrants and of the waste associated with maintaining an educational system compatible with the needs of the capitalist centres can be no less than $14 billion a year, and might be several times more.[20]

Similar in effect although even less open to scrutiny is the *covert* brain drain in the South—the absorption of skills locally by foreign-controlled or multinational companies. Here too the best products of the local educational establishment are absorbed by foreign capital; a proportion of educational and other social capital is annexed in everything but name by the foreign firms; and curricula are distorted to serve the employment needs of the biggest and best employers—the foreign companies—and of their local imitators.

This covert brain drain is an aspect of a larger mechanism, equally neutral, for centralising capital—the direct transfer of control over local surplus to foreign capital *in situ,* without any physical displacement. The multinational firm abroad usually controls a far larger range and quantity of assets than it owns in any legal sense. Most of its finance—sometimes more than half of its share capital, and very often the vast bulk of its loan capital—is subscribed locally, and derives from locally produced surplus.

Its labour is local; its management is mostly so and its technical cadres almost entirely so. It is also able to command a proportion of the host country's social capital and government services in the same way as it absorbs part of the country's privately appropriated surplus—in a real sense, that proportion is annexed.

It is difficult to put a figure on foreign-control-without-ownership. But if India is still doing duty as an example, and if the relative position of foreign capital in the country has not changed substantially in the past decade, the ratio of foreign-controlled to foreign-owned capital in the private sector is something like 2.4:1 and its share of the surplus appropriated by that sector about two fifths.[21] Assuming further that the foreign-controlled sector absorbs a similar proportion of government current account expenditure, something like 12 percent of the Indian surplus outside of agriculture is annexed by foreign capital.[22]

Multiplied worldwide[23] and making every allowance for the crudity of the arithmetic and the recklessness of its implicit assumptions, Northern capital in the South was absorbing some $51/4 billion a year in the mid-1960s, or $10 billion at current prices—as direct a transfer of surplus as any, notwithstanding the fact that most of it remained physically where it was.

An even more subtle and obscure form of centralisation takes place via the arms trade. What appears to be normal international trade, or even the exchange of equivalents, in which a handful of countries at the centre exchange their typical products for the typical products of a large number of countries at the periphery, is in fact an exchange of *necessarily* unproductive resources for potentially productive ones, or the exchange of "dead" surplus for "live" surplus. To be more specific, the tea that India sells Russia in exchange for MiGs, or the coffee Brazil supplies in exchange for US missiles and anti-guerrilla training, or the oil Britain gets from the Persian Gulf in exchange for whole armouries, is consumed by Russian or American or British workers, and is productive, in principle at least, for that reason.

But the tea (or coffee or oil) equivalent received by India or Brazil or the Persian Gulf states in the form of weapons or weapon instruction is not consumed by workers and can never be. It can never enter the productive process in those countries, however indirectly. It is utterly sterile.[24] What the exchange has done is shift potentially productive surplus from India to Russia, or from Brazil to the United States, or the Middle East to Britain and waste in the opposite direction. From the point of view of the capitals involved, *it is a one-way transfer of investible surplus that takes place even on the assumption of equal exchange.* Worldwide this transfer accounts for some $5.8 billion a year.[25]

So far we have kept within the bounds of benign centralisation in which the relative sizes of capitals change in consequence of shifts of surplus into the system (positive centralisation) or in consequence of shifts between individual capitals within it (neutral centralisation). The size of the system either grows or remains the same. We now need to look at the alarming and increasingly pertinent case of *negative* centralisation in which changes in the relative sizes of individual capitals lead directly to a decline in the size of the total system—a form of retrogressive transfer through surplus destruction. War is an extreme example. But there are a million and one ways short of war in which weaker capitals can be made to dissipate their surpluses rather than use them. If for example they buy modern arms, they must also buy a package of local expenditures to make them work, and so end up sterilising more of their realised surplus.[26] If they buy modern plants, they must buy an associated package of local overheads and of administrative and sales devices that absorbs still more, not always productively.

They are compelled to make huge, single-shot expenditures in facilities for which the minimum sizes are set by the immense capitals of the North in terms of their own huge absolute sizes, gained after decades of concentrating the world's surpluses in their hands. The minima have now become so large that no country in the South can hope to attain them on its own. None can hope to bring together what it takes to exchange equal values with the advanced capitals or to exchange equal clout.

There is a mountain of evidence. Backward countries are strewn with broken-backed prestige projects and prestige industries—witnesses to the occasions when the effort was made but failed for lack of scale. Banks in the financial centres are cluttered with offshore accounts, product of a "perverse" flow of capital from the South, and witnesses to the occasions, more numerous, when the effort was not even made. The evidence covers conspicuous middle-class consumption in the South, the uncontrolled expansion of their bureaucracies[27]; the growing absolute number of their illiterates and ex-literates[28]; and many of the structural distortions "blocking" capitalist development.

What the evidence means in terms of pounds and pence is harder to say. However, if there is any reality in the textbook figures and quantitative relationships normally adduced for backward countries, and if it is right to believe that the high and rising threshold sizes for participation in the capitalist system are beyond the reach of all backward countries without exception,[29] the loss to the system in the form of surplus generated but wasted must be in the region of $65 billion a year at 1972 prices: total surplus currently available to government and business (at 20 percent of total gross domestic product in the South or $77 billion at 1972 prices plus net transfers on public "aid" account of about $5 billion) less the absolute transfers already mentioned. This sum is a crude measure of relative centralisation.

Compare these figures (speculative as they are) with those given by the protagonists of the theory as the loss to the South from unequal exchange. Amin reaches a total for unrequited transfer of $22 billion a year, $8 billion of which is in the modern sector and the rest in the traditional sector.[30] Our own total is $82 billion: $0.75 billion for actual brain drain; $10 billion for the direct attachment of surplus *in situ;* $5.8 billion for the exchange of productive for sterile surplus; $65 billion for the waste due to the non-clearance by the South of the high threshold sizes imposed by the North. Even if we ignore the downward bias of these estimates and the non-inclusion of many other forms of benign centralisation—the exchange of non-military waste for productive surplus, the migration of unskilled labour, the absorption of surplus in the South by Northern state capital—it is clear that unequal exchange *as measured by the theory's protagonists* is not the characteristic instrument of centralisation in the current period, nor even the "elementary transfer mechanism … that … enables the advanced countries to begin and regularly to give new impetus to that *unevenness of development* that sets in motion all the other mechanisms of exploitation and fully explains the way that wealth is distributed."[31]

Given the size and scope of the transfers that are taking place, it requires a very academic understanding of the terms to agree that "if a country's trade balance, visible and invisible, is neutral or negative, this country can be exploited by its trading partners only if unit prices are implicated." Whoever believes that, and the ensuing corollary that "everything else is merely the paperwork of bankers and the verbal acrobatics of economists,"[32] is blind to the variety of exploitation of the South by big Northern capital and is condoning it by default.

The Immobility of Capital

The argument for unequal exchange is usually couched in terms of advanced country A trading with backward country B, two independent and competing authorities of unequal strength, and with capital flowing between them. Although this type of formulation is hallowed in academic tradition, and although it is of some relevance to current trade between the state-capitalist countries and, temporarily and very partially, to trade between some of the others in wartime, it has little relevance to international commerce as it actually takes place, particularly between the North and the South. Such trade is not between *countries* A and B, but between *capitals* A and B, or parts of the same capitals in *both* A and B.[33] These capitals are essentially immobile.

Nothing need be said about the immobility of state capital. It is that by definition. But what about private capital—the $60 billion or so worth ($85 billion at market value) of direct investments in the South? How mobile is it in practice?

The typical foreign investment today forms part of a very large "multinational" corporation with headquarters in the North: 187 of the largest US corporations own four-fifths of all US assets abroad[34]; much the same is true of European and Japanese investments. It is true of the investments whatever they happen to be in: oil and metal mining, industry proper and even plantations—the units of capital are immense and "multinational," and the decisions directly affecting them are taken in New York, London, Tokyo, or Paris.

This was not always the case. Sixty or seventy years ago there were similarly large international companies operating in the colonies, but the *typical* foreign investment was smaller, regionally directed by expatriates or settlers, Anglo-thises or Franco-thats—large in local terms certainly, but not so large or so independent of local resources as to be able to dispense with a protective colonial state; dependent on its metropolitan links but not so deeply as is the typical local affiliate on its parent or headquarter company today.

It is not that the parent supplies indispensable fixed capital assets or finance—that happens and is important, but local capital and loans are usually to be had for the asking, at least in the larger countries of the South. Nor does the parent company necessarily provide exceptionally skilled technicians or managers—although it often does so and in some location-tied industries like oil this service is indispensable; in most other cases most of the higher staff are recruited locally. The parent is also not always essential for the original or ongoing supply of technology, although it often is, since local scientific resources cannot always satisfy the demands made by modern industry. In most cases, however, the foreign investor's operations in the South are routine, and whatever technological and scientific sophistication it requires is usually built into the machinery and procedures brought from abroad rather than added in process. In effect, there is no one area or function in which the parent company is always indispensable to its subsidiaries or affiliates in the South, and therefore no single controlling device open to it. It is simply that the size and spread of the typical internationally investing corporation is so immense that it can almost always supply the scarce factor, whatever it happens to be at any time: finance, techniques, skills, materials, components, and so on. In other words, what the large multinational corporation actually provides is, above all, insurance—a guarantee against uncertainty and unwelcome change. That is what permits its local affiliates to specialise farther and to grow faster than its purely local rivals dare.

In effect, foreign firms in the South might look autonomous; they are often huge in their own right; *but they are only part of a larger irreducible unit.* If the local affiliate appears particularly profitable, that is because it belongs to the larger unit. If it seems particularly mobile, either in the crude geographic sense implied but not explored in the theory of unequal exchange, or in the sense used here, of being able to encroach at will on locally generated surpluses, it is because of the support given by belonging to that larger unit. And since the larger irreducible unit owes its size to the size of the economy in which it is based, it is more or less permanently anchored.

One can go further to say that the basic unit of capital in effect, if not in law and not in analysis or ideology, is larger than even the largest individual company; that the scope of the technical division of labour, or planning, of which it is part, as distinct from that of the social division of labour or the market, embraces the "economy" or "country" or "state" or even, fitfully and weakly, a group of states like the EEC and its periphery. In these terms, some capitals like the American or to a less extent the Japanese are larger than their "national capitals" by the addition of their "multinational" corporations; others are more or less as large as their national capitals, like the Russian, for example, or—one suspects—the British, where national and non-national multinationals probably cancel out one another; and some capitals are smaller, sometimes very much smaller, as in the South where the multinationals are exclusively part of one or other foreign capital.

Whatever their size, all capitals are now so irreducibly huge and so embedded in national political structures they simply cannot be mobile in any real sense. A theory that rests on the assumption of mobility is built on sand.

Not that unequal exchange is unreal. It is, like the colonial tax tribute, one of the bastard forms of primitive accumulation or positive centralisation. It reached a peak of importance for western capitalism during the colonial era and, for eastern state capitalism, during the Stalinist era. It still exists on the margins of the system in the backward South where dwarf capitals exact what they can in tax and other forms from the non-capitalist societies they occupy. But as between immobile independent capitals competing and compounding in world markets without the use of force, it does not and cannot exist.

The Politics of Unequal Exchange

The academic manifestation of unequal exchange is disconcerting. An abstruse and extended critique of Ricardo is used to call bourgeois economics to account for its unreality; Marx is made to fight on an issue that could not have interested him—the workings of an *incomplete* capitalism. The theory itself is tied tightly to the behaviour of wages in the West, yet need not be. It is made dependent on the mobility of capital, yet on the evidence of its protagonist's own writings, surplus is what moves rather than capital. It is presented as the only mechanism for the transfer of that surplus, yet it is clearly one of many. Somehow one thing does not lead to another in the standard expositions except by way of erudite non sequitur.

Intellectual disarray on this scale provokes probing, and since the theory's exponents are not fools, they must be judged to be naives, politically motivated.

They start off soundly enough by rooting economic backwardness in economic drain: the dominated countries are plundered of the surplus that otherwise would have gone into extending their productive apparatus. The theorists do not deny other mechanisms at work—they recognise the self-reinforcing attraction of capital towards the largest markets, the similar self-reinforcing specialisation of the South in low-skill labour-intensive occupations, and so on. They even derive these directly from "the disparity between wage levels that produces unequal exchange" and so "independently of this draining off process," but there is no doubt in their minds that these other "blocking" mechanisms play subordinate parts.

And they are right. But then, having fixed on drain as the cause of backwardness, they leap onto its opposite as the answer to development. All that is needed for the backward countries to break into successful capitalist growth is to trap the outflow or to reverse its direction: slap a tax on exports, proposes Emmanuel. Go for autarky and diversification. Use the North's own weapon against it by forcing through high wages in the South—that might induce not merely a flow of surplus in the right direction, but even a flow of capital.

How these proposals are expected to materialise or which are to be preferred are never made clear. Nor does it matter, since in principle all of them can be implemented. For as long as capital is mobile and as long as this mobility is achieved through the mechanism of unequal exchange which (to repeat) is *an "accidental feature" of capitalism, not a structural necessity,*[35] the direction of the flow depends on bargaining and on nothing else.

The assumption of mobility is clearly not just an aid to analysis. It is a programmatic implement. It rests on a prior assumption of some power—that capital is infinitely divisible.

If that is true, there can be no threshold sizes for investment at any time; no irreducible size of productive capital below which it would not be able to exchange equal values with other existing capitals.

In a more general sense, if the premise of infinite divisibility were well-founded, capital would always and only be essence, never appearance; always a principle, never an institution historically determined. Politically, if capital were infinitely divisible, development and growth would always be possible within the system no matter how narrow their starting base. Capitalism could still expand. Hundreds of millions of people for whom even the most savage exploitation is better than the torment of literal redundancy could still choose to join it. All that would be needed is to adjust capitalism somehow, to tame it.

This is the reformist marrow of the theory. It is a black, "third-world" and gutsy-sounding variety, but a reformism nonetheless. Like all reformisms it looks to capital to temper the system's worst effects. For that reason it dare not confront the system, not even intellectually through close inspection. So like all modern reformism it is still bewildered by state capitalism: Russia is a country, we are told, which is socialist internally but capitalist in its relations with the outside world[36]; a country that long ago opted for the socialist path of development, whose hallmark, naturally, is low wages and massive accumulation, in preference to the notorious capitalist path of high wages and massive centralisation.[37]

Like all reformism it finds no difficulty in substituting labour for capital as the enemy in practice: cutting Northern workers down to Southern size will do just as well as shovelling Southern profits into Southern wage packets. And, like all reformisms, it is crippled by its lack of a sense of history.

Conclusion

As long as individual capitals were too small in aggregate to absorb the surplus available for productive investment, capital was mobile: it could migrate, it could form spontaneously on the margins of the capitalist centres of the time. The system could extend. Once the threshold size for an individual capital rose above that limit in aggregate, that is, once the surplus could not sustain both the (faster) growth of existing capitals and the formation of (larger) new ones, immobility set in. The extension of the system in the strict sense of capital replication, or in a looser sense of proletarianising a growing proportion of the world's population, ended. As the system aged further and individual capitals grew larger, the surplus available became inadequate to sustain all existing capitals. Some had to go and, in the process, a new critical minimum expenditure, on arms and therefore unproductive this time but equally compelling, was claimed of the social surplus, further crippling its ability to sustain the system. At this stage the system contracts in the strict sense that the number of capitals lessens, or more loosely, that the world undergoes relative deproletarianisation.

This is not the place to deal with the extension and contraction of the system in any detail. It is enough to say that the number of productive industrial workers as a proportion of the active labour force in the world as a whole has fallen since World War II. Even in the capitalist heartlands, despite an unprecedented and almost unbelievable growth of some 68 million in the industrial labour force,[38] more and more people are being excluded from production, unable to cope with the increasing pace and skill demanded of workers by the mighty tension-ridden capitals that employ them: the prematurely aged, the dropout, and many of the apparent social, psychological, and physical invalids. Even here, despite an unprecedented flow of prime labour-power from the edges of the system, the number of wage earners as a proportion of population has been declining, even if only slightly.[39]

The capitalist system is becoming smaller in relation to society. The working class is becoming smaller in relation to humanity at large. A few grotesque concentrations of economic and social power blot out the future for most people on earth. What is needed now is an analysis of stagnation, not a theory of expansion; revolution, not anachronistic attempts at reform.

Chapter 10

Memories of Development[1] [1971]

The economic development of backward countries became a problem in western analysis only after World War II, some time after it had emerged as a problem in practice. Until then the future seemed well taken care of: capitalism would reach into the outermost bounds of the earth in search of raw materials and trade outlets. It would sap the self-sufficiency of the local economies wherever it went and would draw them into systematic contact with the world market.

On occasion, it would be bloody, and civilised men guarding the uncertain marches between purposive violence and brutality might be shamed. But they would not denounce the system for that alone, for the mission it was pursuing with its boots was a civilising one, *absolutely* in the canon of the classical political economists, *relatively* in Marx. It was bringing to the entire world the benign influence of capitalism's superior productivity and leading mankind to a common heritage.

These civilised men were wrong, and by the mid to late 1940s they were said to be wrong, not only by the Marxist and other subcultures of political criticism, but by the main body of academic economists concerned with development.

The capitalist system certainly grew, but not always—not, for instance, during the two world wars and the intervening depression. It did wrench the backward countries into alignment with the world market, but it also stopped them from fully entering it.

The cheap materials that poured out of the modern mining and plantation enclaves in backward countries did encourage further specialisation downstream—in the capitalist heartlands. The demand for equipment, skills and services for use in these enclaves did the same upstream—again, "at home," not in the host environment. The size of investment, the scale of operation, the experience of social control, all swelled where capitalism was already a going concern.

But everywhere else, indigenous society subsided into increasing agriculturalisation and unemployment, a loss of skills and productivity—a spiral of growing backwardness and poverty. Growing futility, too, since the invasion of capitalism had both destroyed the backward countries' social and economic integration, and raised the price of entry into the new system beyond their immediate reach.

So, by the end of the 1940s, the academic mainstream had turned interventionist, almost to a man. Academics prescribed, planned, and travelled tirelessly in the cause of policy. They advised governments to harness to domestic "take-off" the development impulses leaking abroad; they pressed for large initial efforts and therefore for state planning and state enterprise; they masterminded a protracted war on the theory and practice of economic liberalism.

They were not agreed on everything. They quarrelled about the extent to which the backward countries could, or should, be protected in the initial stages of their development; the place for foreign capital; the best use of aid; the relative merits of state and private enterprise. More recently a cocky neo-liberal minority has struck out alone, impressed by the seemingly irrepressible growth of world trade and the obvious failure of their colleagues.

But, by and large, the postwar orthodoxy has survived. For each country, it goes, there is a pattern of production that would both employ its people, and be reasonably efficient in world terms; governments should create that pattern, alone or with outside help. It is the optimistic, interventionist orthodoxy, enshrined in McNamara's World Bank, which only last month denied promised funds to Gabon for not having exercised sufficient control over the foreign interests despoiling that country's resources.

There is an eastern orthodoxy as well. It too has undergone change, although in an opposite direction. As it emerged from the intense Russian debate on industrialisation in the mid-1920s, it totally opposed all thought of development through integration with the ruling system of production and trade. On the contrary, if Russia was to avoid military defeat or economic suffocation, or both, at the hands of that system, she would have to withdraw as far as possible from contact with it, exercise the strictest control over what little remained of foreign trade, and pour everything into a huge, broad-based industrialisation. Implicit in the approach, although not expressed at the time, was the idea that the planned economy would ultimately prove its superiority by winning for Russian industry a place in the world system on Russian terms—that is, as part of an integrated, articulated, and developed national economy.

Long before that stage was reached, however, the early orthodoxy had foundered. The eastern Europeans rose against its terrible cost in the mid-1950s and won a mite of freedom. A second round is being fought out now. Within Russia herself, the threat of economic rundown is impelling the government to open the country more and more to world trade, including trade with the backward countries. And the economists have been forced to rediscover, and commend, the advantages of an international division of labour—the "dynamic comparative advantage" of western economics.

The new eastern orthodoxy on development is not like its western counterpart in all respects. It is more interventionist, more autarkist, more state capitalist. It deals in longer time spans and larger scale. It is slightly less crippled by academic casuistry and slightly more by political and social constraints. But it does share the basic assumption of the major western school—that development is possible in the world we know: that there is something the backward countries themselves can do, with or without outside help, some trick of policy, that can shift the world pattern of production and distribution in their favour, so that they might be absorbed into it as whole societies.

The reality is harsher than that. The minimum cost of entry into the world market is growing every day. The resources from which to fund it in backward countries are not. The relative size of this critical minimum—made up of a minimum development effort (in investment, distribution, education, government, ideology and so on), and the minimum defence effort on which it is predicated—is the nub of the problem of underdevelopment. Take China, the plain man's best example of a country that can "make it"; which has the resources, the discipline, the leadership—the everything—needed to impose its own amendments on the world; which has already made remarkable material progress since the communists took over.

China also makes nuclear weapons and the missiles to deliver them. Abhorrent as these are from a socialist or simply humanitarian standpoint, they do make sense in terms of national interest and nationalist ideology, as well as in narrow military terms. Technologically, they are obviously an amazing achievement. But from the point of view of economic and social development, they are a disaster.

The claim has not yet been made that Mao's thoughts are especially effective in smashing atoms, so we can presume that China's scientists, many of whom were trained abroad, use techniques similar to those used in the rest of the world and need resources of a roughly similar order of magnitude. For example, it seems reasonable to suppose that they use as much electricity in the production of fissile material as the Americans used in their first gas diffusion plant at Oak Ridge, Tennessee—some 14.9 billion kilowatt hours a year or *one quarter, to one half, of total Chinese electricity production in 1964*—depending on whether one accepts Russian or American figures. The Chinese might be using a like proportion of scientists, technicians, and skilled workers; of scarce materials, services, and components. Even if they are not, even if they enjoy all the advantages of late-coming and do not have to pull skilled workers out of the armed forces, or empty their treasury of silver, or requisition men and machines from other urgent uses, as the Americans did thirty years ago, they must still be diverting a huge proportion of their productive capacity from productive use.

This is not something they can afford to do. The critical minimum development effort is growing as violently as the military one. When Mao took power, a four to five million ton/year steel plant was exceptional, a one to two million ton/year plant large. Now the Japanese are setting a floor to viability at 10 to 12 million tons a year. Of course, Chinese steel can be, and is, protected; and so is every single branch of Chinese production.

But the economy as a whole is not, and cannot be. Ultimately, it will have to prove its viability in competition with the rest of the world—economically, if possible, militarily if need be. Or collapse.

The scale of the effort needed makes it unlikely that the proof will be forthcoming. Given the alternative, it must be tried. So the Great Leap Forward is followed by the Cultural Revolution, and the Cultural Revolution will no doubt be followed by another gigantic social spasm, and that by another, as the ineluctable necessity to achieve a given initial size pushes the Chinese regime to the limit in gathering and deploying the economic surplus, and to even greater extremes in centralising the political and social authority to make that possible. All this, while propounding devolution and mass involvement.

But there are limits beyond which they dare not step. Once the unity of the country and the continued coherence of the state are called into question, centralisation must necessarily stop.

And if that happens before it can produce the critical minima, development itself becomes a dream. China's fate is not an internal Chinese matter. Failure is bound to close the period in which a Russian-type state capitalist development could be thought feasible for backward countries, even if the more orthodox western variant was not; in which the bloody, treacherous forced march through autarkic industrialisation could be thought to constitute progress in some restricted sense; in which the west could find it expedient to temper its savagery here and there, in order to offset the attraction of this "progress."

Above all, failure means the end of a terrible illusion, held as fervently by many seeming revolutionaries as by members of the more orthodox schools: that economic development in backward countries is possible without revolution in the developed; that there is hope of a humane existence for the majority of mankind while the Russo-American system of conflict continues to generate its frightful military and economic pressure waves.

Real optimism hangs on the death of that illusion.

Works Cited

Amin, *L'accumulation a l'echelle mondiale*; Atkinson, "Who Are the Poorest?" Baran and Sweezy, *Monopoly Capital*; *Barclays Bank Review*; Bell, *The Sterling Area in the Postwar World*; Bernstein, "On the Meaning of the Marxist Theory of Value"; Sweezy, ed., *Karl Marx and the Close of His System*, by Eugen von Bohm-Bawerk and *Bohm-Bawerk's Criticism of Marx*, by Rudolf Hilferding; Bortkiewicz, "On the Correction of Marx's Fundamental Theoretical

Construction in the Third Volume of *Capital*; United States, House of Representatives Committee on Government Operations, Research and Technical Programs Subcommittee, *Hearings on the Brain Drain of Scientists, Engineers and Physicians from the Developing Countries to the US*.

Chapter 11

Two Insights Don't Make a Theory[1] [1977]

It has been thirty years since Cliff set out the state capitalist analysis, which has been the main theoretical nutrient of *International Socialism*, its forerunners, and its heirs. In these thirty years capitalism has remodelled itself so radically that only the freest and most daring imagination of the time could have sensed what was to emerge.

State Capitalism and Private Capitalism

There are no empires left. There are only independent states, more or less powerful militarily and economically, with more or less integrated and secure ruling classes. Although all of them are constrained to a greater or lesser degree in their freedom to act by the actions of the others and the actions of their own workers, the most powerful of them usually manage to implement policies that make them even more powerful.

These policies are of two kinds: labour policies at home, designed to extract as much product from the workers for as little expenditure as possible; and foreign and international trade policies, designed to gain from abroad a share of the unpaid output of other workforces or to prevent the loss abroad of domestic unpaid output. In pursuing both policies the people who run the state can be seen to be fulfilling the traditional capitalist functions of extracting and centralising surplus value. But in both respects there's an important new element that the capitalist in the private capitalist system seldom needed to take into account.

In private capitalism, labour policy was simple: as a capitalist you paid as little as you needed to and got as much as you could from as many workers as you could afford to employ given the size of your total capital and its distribution among wage and other costs. The capitalist had no further responsibility. If unemployment was high and wages could be driven below subsistence, that was fine—the private capitalist had no need to worry if, as a result, the current stock of labour-power was not fully renewed from day to day or not fully reproduced from generation to generation. There was always more to be found, for in private capitalism labour-power could easily be shunted in and out as part of the interchange between the system—the profit-seeking market economy—and the great outside—the imperfectly monetised, semi-subsistence rural economy of direct agricultural consumption in which that market economy developed; and it could be done at very little cost to capital.

There is no great outside any longer. Although one or another state capital might be able to take in and expel labour cheaply whenever necessary, the cost of producing and reproducing that labour is borne somewhere within the system. Even fairly weak countries now deploy arrays of instruments designed to maintain or augment the existing stock of labour-power—minimum wage legislation; unemployment insurance; educational, health, housing, and family welfare services. A single capital can avoid paying fully for these instruments, but only by shifting the cost on to other capitals—there is no non-capitalist society to ravage for human resources.

In its external policy, too, a state capital has to take on a wider range of functions than any but the most exceptionally placed private capital in the past. Then as now, capitals tried to outbid one another in gaining legal or de facto monopolies: they used force and fraud, ganged up against each other, and broke solemn agreements. But it was only in the rarest of rare circumstances that a capital in the era of private capitalism could unilaterally alter the conditions of struggle with other capitals, by bending to its advantage the legal, currency, or military arrangements that governed the market. Normally it had to take for granted that it was to operate under the same general constraints as its competitors and confine itself to competing on price and availability.

A state capital operates under very different conditions. There is no system-wide legal code governing the relations between such capitals other than that agreed between them. There is no common currency always acceptable to them all. And there is no power on earth that could hold them to such arrangements even if they existed. On the contrary, a state capital controls many of the instruments through which its relation with other capitals are mediated. Paradoxically, it faces for that reason a far less certain world than did its private capitalist predecessor.

These differences in both the internal and external policies of capitals are underpinned by the different parts the state plays in the two systems. In private capitalism, the state almost always presided over the fortunes of a number of capitals: it policed society in their *general* interest, suppressing workers, oppressing peasants; it defended them against external attacks or promoted their interests through such attacks, in principle, and often enough in practice, it also affirmed the *general* interest of the capitals in its jurisdiction against the particular interests of each of them by setting out norms of behaviour and adjudicating between them in cases of conflict. In private capitalism the idea of a neutral state had some purchase in reality: in order to fulfil all the functions assigned to it, it needed to enjoy some independence of individual capitals.

There is no such independence in state capitalism. The state presides over the fortunes of a *single* national capital. While many of its former functions remain—the state still suppresses workers and, in countries where they exist, oppresses the peasants—and while many new functions have accrued to it, particularly in the sphere of direct involvement in productive activity, including the renewal of labour-power, it does not represent the general interests of capital in relation to an individual capital, but rather the interests of the single capital in relation to all other capitals and classes. That many of its actions further the general capitalist interest goes without saying; but it adopts them only to further its own interest. The state in state capitalism cannot be an authority above the capitals, it cannot adjudicate between them or represent the interests of capitalism as a whole. The state as we understood it in private capitalism has been fragmented and the fragments absorbed by individual capitals.

The Labour Market in State Capitalism

State capitalism approaches the pure model of capitalism more closely than private capitalism ever could or did: within it capital is king because capitals are kings and there are no others. Capitals have no constraints on their behaviour and decisions other than those they impose on themselves as a result of their encounters with each other and with other classes. There are still many non-capitalist or imperfectly capitalist social formations within the territories occupied by the weak state capitals: but there is no non-capitalist space between them.

One clear implication is that the growth of a state capitalist system depends wholly on its internal resources, on the size of the productive working class, and on the rate of surplus extraction from it. While individual capitals can grow by absorbing other capitals, the system as a whole cannot—there is no place in it for the primitive or original accumulation that fuelled the growth of private capitalism. There is no non-capitalist society to rob.

There is also no external market that is not some capital's domestic market; no peasant sector external to capitalism forcibly waiting to be integrated into the capitalist market economy; no "third persons." In private capitalism, individual capitals carved a huge market for themselves out of the ruin of non-capitalist modes of production. More often than not they did so under a system of colonial control or some equivalent system of monopoly and exclusion. Today, the ruin of non-capitalist societies takes place on a relatively smaller scale in the protected backyards of individual state capitals—in the Brazils, the Indias, or the Chinas.

The result is that the expansion of a capital's sales in the series of domestic markets that make up the world market has to be negotiated between states. Very often the bargains they strike relate not to the entry of goods as such but to the conditions for undertaking production in each others' territory, by means of the misleadingly named multinational corporation.

The world market too is more real than ever before. For most of the private capitalist period, it was divided into protected spheres in each of which a group of metropolitan capitalists monopolised the forced, unequal exchange of functionally different products between themselves and their country's colonies. The world market was then more a concept or an aspiration than a reality. Now although there appears to be far more regulation and inhibition of trade, the absence of a non-capitalist sphere ensures that there is a real world market, even if still not fully formed.

The only market of which this is not true, which on the contrary tends to disappear the closer reality approaches the model of state capitalism, is the labour market. In private capitalism although the workers' freedom to hawk their ability to work was often curtailed by influx and migration controls, by legal attachments to jobs, to dwellings and to creditors, they were free in principle, and often free enough in practice for the principle to carry some weight, to move between capitals in search of a buyer or a higher bid for their labour-power. In private capitalism, capitals bought and used the ability to work; they did not produce it or invest in its production. That was the concern of the individual worker or the workers' family within the system, or of the peasant community outside. However limited their freedom, workers in private capitalism were free outside the workplace.

In state capitalism, workers can no longer hawk their ability to work between competing capitals; from their point of view, all employers in a country, whether Britain, the US, or Russia, work to common guidelines on pay and conditions, are simply agencies of a single capital. Shifting from one to another can improve one's circumstances—even within a single plant or office, some jobs are better than others—it can't change the terms of the bargain. Even international migration in search of jobs is not the exchange between capital and workers that it appears to be: the interstate treaties that govern such traffic fix it firmly within the larger pattern of commercial bargaining between state capitals. What is left of that exchange is between the modern and peasant sectors within the weak, imperfectly developed, peripheral state capitals and in the labour black-market sustained by illegal migration from them to the central state capitals.

If labour-power is to remain in continued supply in state capitalism, capital must assume responsibility for its production and maintenance. However reluctantly or inadequately, each capital must invest in a stock of labour-power from which it then taps a service, rather than buying a service from free stock as was the position in private capitalism. It is in order to conserve this stock of labour-power that state capitals must maintain their panoplies of welfare services: for the same reason they must pay the unemployed. And since they can no longer cast out their workers, they need to employ other means to tame them—control over their leisure time and activities, positive structuring of their attitudes. In state capitalism workers are no longer free in principle, even in the crippled sense such freedom was understood in private capitalism.

Naturally many of the concepts that tie in with the existence of a labour market in private capitalism cannot survive its atrophy. One of them is the reserve army of labour seen as a motley of would-be workers who are paid only when hired, which contracts and expands in sympathy with the rate of accumulation within the system. In state capitalism, there is, in principle, no reserve army of labour: and even in practice, in the imperfectly developed state capitalist system we're living in, where workers are paid more or are paid less according to whether they are employed or unemployed, according to whether they are men or women, working under direct supervision or at home, they are almost always paid.

Another concept that cannot survive unchanged the attenuation of the labour market is that of the working class. In private capitalism the working class defined itself primarily through being engaged in those activities that were a sphere of accumulation for capital. There were important activities in which capital did not engage, notably the production of many foods and raw materials and, most important of all, the production of the ability to work. In state capitalism there is by definition a perfect fit between capital's sphere of activity and social activity. All production including the production of the ability to work is production by capital, and everyone engaged in that production is a member of the working class. They may be productive in the sense that what they do is necessary for further production, or they may be unproductive, but they all relate to capital, whether they work in a factory, a government office, a school, or in the home. Not only can the working class be expected to be larger in state capitalism, even in an imperfectly developed state capitalism, it can be expected also to form a significantly larger proportion of the total population and to be very much more diverse.

The change in the composition of the working class and in its relation to capital must have profound effects on every aspect of working class life. Trade unionism, political activity and organisation, even revolution itself is different as between the two phases of capitalism. If in the private capitalist system, workers safeguarded a modicum of independence and strength in their relations with each capital by forming unions that spanned several capitals, in state capitalism the task is very much harder since the only equivalents are international organisations that must inevitably be political. Within each state capital, workers newly brought into large employing units do join trade union-type organisations, only to find that the organisations face their members on behalf of the capital rather than the other way round and belie the adversary role they played in private capitalism. Trade unions as we know them increasingly reflect the interests of a privileged sector of the working class—the native, male dominated, skilled, white, manual workers who formed the core of the working class in private capitalism, who created the independent unions then and who now use them, largely unchanged, to buttress their own relative position within the larger, more diverse working class of state capitalism. Even the fast growing white collar unionism is growing within the patterns of behaviour and attitudes set by the traditional movement.

If trade unions neither reflect the extent and composition of the working class nor fulfil their earlier role as independent representatives of working class interests, a political strategy structured around them is bound to fail. Yet that is what so much of our practice does: the issues we stress in our propaganda and agitation are the narrow defensive issues selected by the elite of the trade union world to which we add a gloss of revolutionary interpretation, not the problems created for the whole of the working class by its suicidal bondage to state capitalism. The attitudes we foster, of principled opposition to the objectives and object of labour, make sense in a society in which workers enjoy, however miserably, an existence, however temporary and interrupted, apart from capital. They do not make as much sense in state capitalism from which workers cannot escape at all. In many spheres, and not only in the vast number of "service" jobs relating to the production and maintenance of labour power, aggressive alienation—a posture of principled irresponsibility with regard to the ends and means of the work given to us—can no longer be effective as a psychological defence nor, therefore, as trade unionism.

State Capitalism

I have presented the state capitalist world system as if it were a finished, functioning, pure system and have avoided all the obvious problems of the transition from private capitalism, as well as all the complexities of its day to day working. I've made no mention of the relations between the private and public sectors within the western state capitals or between multinational corporations and state capitals. I've not touched on the prospect for fuller integration of the eastern bloc countries with the world market, or the fate of the weak, backward state capitals on the periphery of the world system. Are state capitals tied immutably to the national frontiers inherited from private capitalism, or can they merge, go bankrupt, and behave like the smaller capitals of that epoch? I've not asked this or any of the many related questions. And, most important, I've not touched on the modes of political action and organisation appropriate to revolutionary socialists in state capitalism. There is a lot missing even in the abstract model I've pictured. But there is enough in it to suggest that the analysis of modern capitalism as a state capitalist system can be a powerful guide to political activity. Very, very few readers of this journal are familiar with the analysis. Although the International Socialists and their forerunners in the *Socialist Review* group were known as the "state caps" for many years, and presented a "state capitalist" analysis as their central, distinguishing tenet, the view expressed by our collective has not kept pace with the formation and consolidation of state capitalism as a world system; and the analytical variant of "state capitalism" current in the organisation remains locked into the limited partial insight of its original formulation.

The argument was and remains simple. If it could be shown that the political, social, and economic arrangements in the eastern bloc countries were easily understandable in the terms Marxists apply to capitalism in general, and conversely, if it could be shown that their internal regimes could not, by any stretch of the imagination, be thought of in the vastly different terms we use to conceive socialist society or even a society in transition to socialism, those countries could legitimately be called state capitalist. Cliff, the prime author of the analysis,[2] was down to earth in his method. He brought a vast array of facts into play. He described in minute detail the lack of control by workers over their lives, in production and out, in the "state capitalist" countries. He summarised carefully Marx and Engels's views on socialism and the economy of the workers' state. He analysed the Marxist law of value and its application to the eastern bloc. He took Trotsky's contorted view of Russia as a "degenerated workers" state' to task and showed how heterodox it was from a Marxist point of view. Cliff did more than explain: he powerfully reasserted the prime inspiration of the socialist movement—that there can be no civilised future unless workers fight their way into becoming the subject of history.

Cliff's variant of state capitalism was a political tour de force in its day. If now it is less stunning, this is partly because its revelations and approach have become absorbed into the shared culture of the revolutionary left. Partly also it is because the analysis left out a great deal of what has since become necessary for a realistic view of the social world. Above all it ignored the mutual conditioning of what we then termed the "state capitalist" and "orthodox capitalist" countries as parts of a single ongoing system.

The thrust of Cliff's argument was to show that Russia was not an anomaly in a capitalist world; he did not try to explain that world. Nor could he, for the syllogism which underlay his method—such-and-such occurs in the eastern bloc; the same such-and-such occurs in the West; the West is capitalist; therefore the East is capitalist—cannot do so. It can compare one part of a whole with another, it cannot analyse the whole, nor can it infuse the formal definitions it rests on with a sense of history and change.

There was very little development of Cliff's original analysis. He himself extended its coverage to Eastern Europe[3] and later to China,[4] applying the same method for the same purpose, but with less blinding results since the major conclusions had already been reached. Beyond these there was only one other publication of note: Chris Harman's *Bureaucracy and Revolution in Eastern Europe*, whose blow-by-blow account of the Hungarian Revolution of 1956 can stand comparison with the best in historical writing, but which represents something of a regression in theory for, in Harman, even more than in Cliff, the "state capitalist" countries are treated as unique and ghettoised analytically.

In its day, to depict Russia and the eastern bloc countries as state capitalist was a profound insight, of critical importance to IS [the International Socialism group—ed.] and to the revolutionary left at large. But the analysis was never a general theory. It was incapable of incorporating "state capitalism" into a broader picture of capitalism as it was evolving, incapable too of itself evolving to take account of the changing structure of capitalism.

The Second String

Something very similar can be said of IS's second major tenet, for which I bear as much responsibility as anyone. To survive the high boom of the 1950s and early 1960s even as a small revolutionary group with modest aims and few pretensions, we needed to explain that boom, to know whether it would ever lose its momentum. The explanation was presented as the theory of the permanent arms economy.

The theory did not emerge fully fledged. Its origins were in a heavily Keynesian view of the post-World War II economic order set out in 1944 by "Walter J. Oakes" in the American socialist journal *The New International*[5] and later elaborated by "T.N. Vance" in the same journal in 1950–51.[6] It was brought over with its Keynesianism more or less intact in an article by Cliff in *Socialist Review*, May 1957,[7] and only later underwent a Marxist conversion. Even then it was never elaborated in any detail: a couple of articles in IS,[8] one of which is repeated as a chapter in a book,[9] a few further passing observations in other articles some of which were collected in another book,[10] and that's all. Not much for an analysis that was meant to encompass the world order and explain its innermost drives.

The Permanent Arms Economy

As a first stab, the analysis was not bad. It rests on the most fundamental characteristics of capital: its drive to grow, the way its structure changes as a result of growth, the way this changing structure piles up limitations on further growth, which, in the absence of some countervailing mechanisms, reveal themselves through a decline in the general rate of profit. It concludes that the most effective countervailing mechanism is the waste occasioned by military spending, partly because the ratio of non-labour to labour resources absorbed by such spending is higher than in most other forms of waste and higher than in the economy overall; and partly because military spending is imperative—it must spread throughout the system.

The analysis was questioned in a number of respects both inside IS and out. There was a confused debate in the *IS Bulletin* in the Spring and Summer 1972 issues, a series of intemperate attacks by some of the principals in that debate once they had constituted an independent political grouping, and some censorious chalking of blackboards from new entrants into academe via the Communist Party. The permanent arms economy thesis was accused of being empirically wrong, theoretically heterodox, and loose in logic.

This is not the place to take up the criticisms point by point or to pull out the sense from the spleen. As I understand it, the key point at issue is whether it is or is not legitimate to segregate a waste sector from a productive sector and to impute to the latter, and to it alone, the dynamics of the capitalist system. If it is legitimate, a shift of resources of a certain mix from the productive to the waste sector could, in principle, prevent the value structure of capital in the productive sector from changing, or could change it in a benign direction, and so maintain or even augment the rate of profit.

We implied it was legitimate separation. We understood Marx's *Capital*, which we took as our starting point, to be a model of a purely productive system. Besides, our usage appeared to reflect in theory what had been happening in fact since World War II. Our critics implied that it was not legitimate, that Marx's model incorporated waste as an essential element and that any explanation based on such a usage could not stick. Characteristically, *we* did not plunge into lengthy exegeses of the holy texts; equally characteristically, they did not, and still do not, come up with a better explanation for the long boom.

I still think we were right about the general thrust of Marx's argument. But also, I think now that the model of capitalism we were using was the wrong one—we were working with a model of private capitalism in a period of consolidating state capitalism. What we needed was a model of state capitalism in the sense proposed above. Let me repeat: A private capitalist system assumes the continued, although declining, existence of non-capitalist modes of production. In such a system the tendency is for productive spending or accumulation to be undertaken by capitals, and waste, albeit necessary, spending to be undertaken by the non-capitalist society, either directly or through the state. While the Lancashire millowners of the nineteenth century invested their all and paid no taxes, the Indian peasants they were ruining raised the tribute that maintained not only the British colonial administration in most of South Asia, not only the military operations that delimited the boundaries of Empire in Asia, but a substantial part of Whitehall as well.

In considering such a system, it makes sense to segregate the two sectors, a productive capitalist sector and a non-productive (from capital's point of view), non-capitalist sector. Equally, it makes sense analytically to treat a transfer of resources from the one to the other as a diminution in surplus value, which might, if the material composition of that transfer is right, reduce the organic composition of capital *in the only sector in which capital exists, the productive sector*, and so keep up the rate of profit.

But the separation makes little sense in state capitalism. In the pure model of state capitalism, non-capitalist modes of production do not exist; in it, non-productive expenditure essential to the system has to be borne by capitals directly. Although the distinction between productive and waste activity remains and becomes increasingly clear as capital itself agonises over the allocation of resources between them, there is no way in which the growth of the productive sector—a growth governed in private capitalism by the rate of profit—can any longer be isolated from the unproductive expenditure undertaken in the system. It is no longer reasonable to treat a transfer of resources from the one to the other as a diminution in surplus; such a transfer needs to be treated as an increase in constant capital, which amounts to saying that capital's value structure (the organic composition of capital in the era of private capitalism) becomes heavier (rises) and the rate of growth of the system (the rate of profit) falls.

On this reading of the economic effects of arms expenditure, and assuming the foundations of the state capitalist system to have been effectively laid during World War II, it is hard to sustain the view that it was the permanent arms economy that fuelled the long boom. On the contrary, such expenditure must have worked towards stagnation. And if in reality heavy spending on arms coincided with an unprecedented expansion of capital, it can only be because the effects of arms spending were overpowered by the effects of something much more fundamental—the changes that attended the consolidation of the state capitalist system; changes that redirected vast working populations from barely productive work in agriculture towards highly productive occupations in industry; changes that reduced the amount of social capital required for the new workers and so sharply lightened the capital structure throughout the world; changes that increased the technical division of labour sharply and reduced duplication of effort as capitals themselves grew to national proportions. On this reading it was despite the arms economy, not because of it, that the first years of state capitalism were years of release of the productive forces and of expansion.

State capitalism as a system is written into the horoscope of the very first proto-capitalists. It is the outcome of *parasitic* growth, the growth of some capitals at the expense of others (the centralisation of capital). It implies the arming of each capital, the dispersal of authority throughout the system, a permanent arms economy that ultimately saps the sources of *progressive* growth (through accumulation) at the same time as it makes parasitic growth more dangerous. State capitalism is a permanent arms economy; a capitalist arms economy can only be a state capitalist one.

In retrospect there were a disturbing number of loose ends left by IS's originally illuminating but unconnected insights into contemporary capitalism. They need not remain loose ends. They can be woven into a general theory, and they need to be. For without theory no organisation can do more than ride the tides of working class consciousness, which might be exhilarating as sport but is irrelevant as revolutionary politics.

Chapter 12

The Injured Self[1] [2001]

Two hundred years ago the personal columns of newspapers read by the literate middle class stressed the most general social and personal characteristics of the advertiser and of the prospective respondent. From *The Times* (London), Tuesday, 15 December 1801: "Gentleman (a Bachelor), about 26 ... man of good property, agreeable person, and in an old-established profitable Business ... Any Lady (Widow or Spinster) not exceeding 30 years of age"; or, from *The Times* Wednesday, 28 December 1803: "A Tradesman, in a pleasant part of London wishes to meet with a Partner for Life ... an agreeable, prudent Person; a Widow would not be objected to if her age did not much exceed his own which is under 30. Some fortune is expected."

Today the typical advertiser concentrates on his or her singular characteristics, idiosyncratic proclivities, desires, interests, passions, hates and so on, and those of the target reader. Thus, from a recent issue of *The New York Review*: "loving good music, cats, nature," "great listener/great lover," "seeking non-smoking, dynamic, sensitive, Jewish male 40–55," "gay," "deep feelings for nature and expressionistic art," "socially/environmentally responsible, enjoys long walks, the arts, travel, mountains, skiing," "loves to travel, go for walks, and have good conversations," "attracted to Moroccan pillows."

In two hundred years personal advertisers made the passage from representing themselves in terms of a wider social identity (a lineage or family, an occupation), through presenting themselves as individual personalities, increasingly free of a social dimension, to, finally, presenting themselves as a collection of attributes or characteristics without a unifying principle. The transition marked a momentous change in the socio-psychological landscape of market society as it lurched into its industrial-urban phase.

Causes

Curious things happened in the course of the eighteenth century in Europe, England in particular. The impersonal, single-shot, single-purpose transaction between strangers, which constitutes the essence of a market, broke free from age-old constraints and took over economic life. God began to be approached on His day, not on any other day; the person one married was no longer a person one lived near; the space between people became more real than the people themselves; an "enough" society gave way to a "more" or "never quite enough" one.

The transition was catastrophic for most of those who experienced it. Their family and social networks were torn apart. They were detached from fixed locations and clear identities. Their material life deteriorated. Their moral world, their understandings, their sense of self were damaged, often beyond repair. For a few the changes amounted to an anastrophe ("a coming together of disparate elements to form a coherent, connected whole"). For them a new, living creation emerged—the modern capitalist market system. Driven by the interactions between people, rather than by individual natures, this society became free to pursue its logic to the limits of human capacity, and beyond. It created ever-rising standards of performance, physical and mental—standards that few achieve, that some approach, that many aspire to but fail to attain.

True, the vast mass of Market Being that resulted—average Market Beings—
are better fed, better protected against disease, more knowledgeable, able to accomplish more than is conceivable in any other society, past or present. The exceptional individual in our midst would appear little short of superhuman anywhere else. But that is not the whole story. Even the most remarkable of individuals could not accomplish one iota of the achievements routinely expected of ordinary Market Being—in terms of strength, speed, agility, consistency, concentration—without help.

These miracles are possible because human capabilities are augmented by machines—by desktop computers that compute at three million times the speed of a numerically competent human, tirelessly and with (mostly) perfect reliability; cars that typically carry their occupants 20–30 times faster than they can walk—without tiring; airplanes that multiply that multiple by a factor of 8 or 10. At best a human can lift 50 kilos one metre, compared to an earthmoving machine's 2,700 kilos and seven metres in the same time; a fighter can kill a handful where a nuclear weapon can wipe out millions.

But these machines really confirm people in their deficiencies, encouraging them to settle for what they can do without effort, and result in the kind of dependence that reduced the American GI in Vietnam to impotence: can't move without the chopper, can't see without the glasses, can't smell without the sniffer, can't hear without the booster, can't sense without apparatus, adjuncts, aids. In short, can't live without a vast supply train—the pills, the pre-cooked food, the ice cream. For the mass of people machines widen the gap between the possible and the probable. What people can accomplish themselves loses importance. People lose coherence, find it easy to dissociate persona from person or even to replace a vestigial person with many personas.

Consider the entertainment business, where self-estrangement and self-thingification reach an apogee. Hear Arnold Schwarzenegger—who redesigned his body, punishingly, over many years—speaking about himself (if "self" can be said to come into it):

> I know one thing. I have been very fortunate that every year the public's interest in me and in my films has gone up, whatever is on the market. If it is magazine covers, they sell better this year than last year, and last year they sold better than the year before, so there is increase all the time. When you look at the last five years there has been a steady increase. We hope it will continue like that ... I really only had a plan to creating and publicizing myself ... I went to a lot of acting classes, voice classes, accent removal classes and on and on and on. I mean I covered myself really well.

The effort clearly paid off. By the mid-to-late nineties the fees demanded by his agents started approaching the GDP of a small country.

Or look at Michael Jackson, constantly recreated at vast expense, constantly remodeled, constantly mutating. Supported by a retinue of plastic surgeons, dermatologists, hair specialists, and other personscape artists, he produced a supremely marketable product, neither black nor white, neither man nor woman; ageless, with narrowed nose, straightened hair, sculpted eyebrows, bleached skin—an embodiment of fantasy, and a far cry from the rather appealing little boy launched into superstardom in the early seventies.

Schwarzenegger and Jackson are, however, only highly visible exponents of a culture in which we permit ourselves to be treated like commodities in the hope that we may, one day, be treated like valuable commodities, a culture which encourages extreme professionalization, a slide from participation to spectacle, and the use of drugs to enhance (and recover from) performance.

It is a culture that supports an army of counsellors and therapists devoted to creating "new expectations" and to persuading people to "rethink their self- images"; that has spread psychometric testing, adapted from educational, military, and clinical uses, to selecting applicants for almost any job; that rewards behavioural consultants with six-figure salaries for helping managers handle workplace relationships by projecting an acceptable image; that brings fashion consultants and sartorial psychologists to match dress to station (rather than to self); which divorces behaviour from feeling (as in Tokyo's smile classes); which supports a multi-billion dollar market for cosmetic surgery, cosmetic products, beauty salons, health farms, fitness centres, body shapers, exercise instructors, cosmetic prostheses and so on, each with its magazines, manuals, treatises, and experts; and which brings a third of all adults in Britain (41 percent of women) to try slimming at any one time. Altogether the personal packaging business, the business of presenting a self-other-than-self, of separating persona from person, of constructing a presence distinct from the essence, accounts for perhaps $200 billion in sales worldwide. And this is apart from the huge sums spent on clothing, housing, and generally providing this persona with its accoutrements.

It is a culture which demands of the body, particularly the female body, heroic feats of adaptation. The ideal figure, the one composed by fashion designers on their drawing boards, is one that is impossible in nature. Magazine art departments elongate necks, enhance breasts, narrow waists. And where depiction is not enough, the plastic surgeon is invoked: $3 billion a year was spent on some 2 million cosmetic procedures in the US alone in the early nineties, keeping as many as 15,000 cosmetic surgeons in relative luxury. In the early 1960s there were 108 plastic surgery clinics in Tokyo, serving 200,000 women a year. Today South Africa is bolstering its currency with "scalpel safaris," in which women from Europe fly in, have eyes and other parts lifted, get a tan while watching a wild beast or two in a national park, and return home—all for one third of the cost of the procedure (minus tan and tour) at home. A recent development in the field is the adjustable breast implant, into which silicone can be added or siphoned out, according to the dictates of fashion or the tastes of the current partner in a woman's life.

The sense of self rests, ultimately, on three bases, or pillars, which the death of subjectivity undermines.

First, it depends on a broad, balanced understanding of the social and physical world, and of one's place in it—an understanding that can withstand the test of performance, which can therefore be self-reinforcing and cumulative. This has been seriously weakened by the narrowing of cognitive modes in market society. Of the four major modes of understanding on which our sense of self is based—the scientific, the religious, the intuitive, and the sensuous—only the scientific has triumphed and been dignified. Exhausted it may be, too weak to carry the full weight of traffic between society and its environment, or between the individuals who make up society, it is nevertheless active, powerful, and the more imposing because of its rivals' even greater decline.

The second pillar of the self is the sense, based on accomplishment, of being an autonomous agent in the world. That sense is not encouraged by current arrangements. Natural events—puberty, ageing, change, death, and bereavement—have become the province of specialists, consultants, counsellors. Every organ, every biological event, every infection has its experts; health comes to depend on drugs and specialist care. Life is medicalised; health, illness, pregnancy, birth, sexuality, death, eating and drinking, are standardized. We lose our capacity to take charge of our own physical state and to face the events and trials of our own existence. We don't recover; we are cured. We don't die in the natural course of life, but are carried off by a disease in hospital, and then often only with the doctor's permission. Death ceases to be for amateurs: it's a professional business. You don't control even the passages of your life: surgery takes over the function of the fallopian tubes and womb-management increases in scope.

This passivity is reinforced by the disconnection of most work from a direct relationship with nature and by its migration from the household. For most people work takes place in a dedicated workplace, separate from social and cultural life (which also becomes the business of specialists), separate from the household and the wider community that it sustains, separate from everything but personal survival. Dependency supplants agency. Loss of control over work, its culture and hygiene, leads to a desire to avoid or escape from it and, by a natural progression, to the development, by specialists, of "objective," "scientific" criteria, for "justified" idleness and unjustified "malingering."

Medicine aligns itself with school, army, and prisons, in producing individuals adjusted, by chemical means if need be, to the social roles assigned them: company doctors steer workers back to jobs they cannot abide; prison and army psychiatrists try to make prisoners and troops adjust to inhuman conditions. The loss of agency leads to the treatment of symptoms rather than underlying causes, and converts medical care into, ultimately, a licensed purveyor of normative Market Being.

The third pillar of self—the third condition for self to exist—is that it be recognized by others. It cannot exist without relatedness, in two senses. To be aware of one's self is to see something distinct from its physical or cultural surroundings, capable of a changing relationship; something in motion, with an orientation which might be changing at a different pace or in a different direction from that of its surroundings. That orientation forms the substance of all our feelings of meaningfulness—the deepest substratum of ethics. A condition of self—as every physician, counsellor, or priest knows—is having "something to live for." Second, the self cannot exist in a void—it is formed by bonding to others from birth (gradually enlarging the "I" into a "we" which includes the "I" but is distinct from it). It requires a secure base, derived in large measure from the relative permanence of our bondsfolk and our surroundings.

One source of the strain on the pillars of self is the pervasive uncertainty about where one stands, a relativism which, at best, turns moral life into an optional extra, and at worst, into a void, empty of purpose, experienced as a lack of reference to what is good, significant, or meaningful. In our world, activities may have purpose, but life no longer has. Individual lives do not assimilate different conducts, or make sense as part of a larger entity; they are no longer a focus of meaning. Nor is there a single entity they might represent. You might be a paid up member of a family, a loyal colleague at work, a dedicated fan or hobbyist, a good neighbour—a multitude of things each of which is enmeshed in a larger entity. But there is no compelling reason for all these connexions to coalesce.

Another pressure undermining the sense of self comes from the transformation of intention into behaviour, of purpose into law, whereby the individual is relieved of responsibility for outcomes so long as he or she conforms.

The self has also suffered from increasingly rapid changes in social and physical circumstances, which turn attachment into contact—a superficial, evanescent thing; from the narrowing of family relationships to the conjugal or sub-conjugal family; from urbanization and the loss of direct links with nature, which have dulled our sense of the uniqueness and variety of individual constitutions, and replaced our easy acceptance of variety with seeing it as something discordant, unnerving (and which have also promoted a slide from strong associations through mutual stimulation, to the weak associations of agglomeration and contiguity).

The weakening of self feeds back to the social detachment and disconnectedness that are its chief cause. It occurs most easily when the individual is denied the repeated relationships and exchanges of community life, and is propelled into a series of mobile, changing, revocable associations designed for highly specific ends—a series of partial relationships.

In these circumstances, other people's motives cannot be inferred with conviction; what happens, while apparently being the intended action of a human agent, is often unintelligible and non-negotiable. We do not know what to make of it, how to respond to it, how to distinguish between human responsibility and the nature of things. It is a world of bafflement and disassociation. It is also a world of rage, of watchfulness, of dulled enthusiasms, suspicion, pessimism, defensiveness, and quickness to take offence. In pre-capitalist times people knew what other people thought or believed or saw or heard—they shared common values and assumptions, common experiences and purposes. Nowadays you don't know without asking. Consumer surveys, opinion polls, elections, referenda have taken the place of shared awareness. The basis for relatedness has moved from the unmediated and spontaneous to the external and formally structured.

One of the ways personal detachment expresses itself is in criminal behaviour. People with little or no stake in society do not feel bound by its rules, and may even have little idea of what they are. A more general expression is the way people typically behave in an urban setting. Even in a small suburb, like Nassau County in New York, one can meet 11,000 people on the street within a ten-minute radius; in mid-town Manhattan the figure climbs to 220,000. In these conditions personal contacts become narrow and superficial, reduced to formulae, measured in terms of their cost in psychic energy, protected by inhibitory screens. Norms of non-involvement evolve to cope with the threatened sensory overload (norms which also permit greater tolerance of the unusual than is likely to be found in a small community). At the extreme this moral atonality allows indifference to homicide, or homicidal indifference, to flourish, as when neighbours hear or even watch murder or rape without doing anything about it.

Ironically, the cultivation of non-involvement leads to under-stimulation and attempts to create artificially, and within a controlled sphere, the stimuli that it denied in the first place. So urban dwellers manufacture unnecessary problems that they then have to, and can, solve, in games such as Scruples; they over-react to normal stimuli by compulsive intimacy or confessionalism.

Another expression of personal detachment is the conversion of normal activities into specialist "recreational" pursuits—compulsive gratification unattenuated by contextual restraints.

Sex, stripped of an emotional and social setting, becomes a mechanical pastime, repeated to the limits of physical capacity, drained of content as a means of communication or propagation. Eating becomes detached from energy requirements and, at the extreme, from social intercourse, and turns into ingestion or "grazing." Travel ceases to be a purposeful activity, used "to regulate imagination by reality" (as enjoined by Dr. Johnson), and becomes an accumulation of experiences divorced from everyday life—time taken out of real time: most cruises no longer have much to do with going anywhere in particular. Each activity becomes a uniform, monotonic pursuit, unrelated to others, a single thread, attracting measurement rather than appreciation, not part of a web.

A common companion of personal detachment, or loneliness, is gregariousness—being amongst, but not with, others, relating to an outside agent in common, not to each other. It is encouraged by, and sustains, the gigantism of modern urban facilities—enormous astrodomes and arenas, huge rallies organised for pop concerts or politics or sport. Often it is only when these gigantic facilities break down that social intercourse takes place.

Gregariousness substitutes a spurious identity—nation, class, occupation, belief—for personal identity. For too many people "I am I" is replaced by "I am as you wish me to be."

The impairment of spontaneous, unforced relatedness has not gone without response. Large hotel chains have automated check-in kiosks and room service in order to eliminate contacts between guests and staff. Banks are beginning to charge account holders for communicating with a human being rather than an automated telephone system or an ATM. A Japanese theatrical agency runs a stable of amateur actors who play the parts of friends, colleagues, bosses, university professors, and teachers—even siblings and parents—at weddings: fake colleagues with no speeches to give other than deflecting inquisitive questions begin at around 30,000 yen (£190) plus travel expenses. "Old friends of the family," who might have to propose toasts or deliver long, sentimental reminiscences, might cost ten or twenty times more. In China, "apology companies" are sprouting in the spaces emerging between the ever-present bureaucratic cells. Charities and voluntary organizations everywhere attach themselves to the lonely and frightened with help-lines ("Contemplating suicide? Contact the Samaritans—1-800 784 2433—or a local crisis centre"), soup kitchens, Christmas treats, and so on. The clergy trundle through hospitals, which also deploy their own social workers. Mandatory altruism in the form of community service is proposed for high schools in Texas as a condition of graduation. The Japanese Ministry of Labour publishes advice on how to avoid becoming lonely.

The most extreme form of dissociation is estrangement from self, or self-alienation. People who suffer from it experience themselves as they experience things, with the senses, but without a sense of self. They do not feel they are the subject of their experiences, their thoughts, their feelings, their decisions, their judgments, their actions. They do not feel they are the centre of their world, creators of their own acts. They do not have a sense of wholeness and proven agency that is their own, not others'. They are as out of touch with themselves as they are with others. Alienation at work is a core element of this inside-out experience. As mechanical power took over from human power and standardized machine production replaced craft production, the deep-seated need to see oneself and one's abilities reflected in the things one produced was progressively denied, and with it the affirmation of identity. One became an anonymous part of an external production system, a disposable, interchangeable, appendage.

Alienation is not a natural condition. At the extreme, it is pathological, denying the social nature of the human species and its cultural development, threatening the very existence of those affected. It is at least suggestive, not only of changes in perception and fashion amongst psychotherapists, but of the underlying change in the predicament of their clients, that the dominant patterns of psychopathology changed markedly over the last century, from hysteria, phobias and fixations, to "ego loss"—a sense of emptiness, flatness, futility, lack of purpose or loss of self-esteem, a pathological disorientation in which people do not know what to think of, or where they stand on, issues of cardinal importance to them.

Its signs are all around. There is the enforced isolation, the institutionalized suspicion—living constantly with Big Brother, or rather a lot of little brothers chattering and exchanging information over computer networks, professionally suspicious of you and, by their very presence, stirring up your doubts about others. Public streets and private malls, stores and halls, churches and parks are open to the unblinking eyes of their TV cameras. Many campuses have police officers on patrol three shifts a day, seven days a week. They are beaded with intensified lighting and strewn with emergency telephones that can call up a policeman within ninety seconds. Every large commercial building has its security guards and checks; many have entry passes. Nothing is considered safe, and no one does not have the finger pointing at him or her. Avoid contact; avoid being listed; dig a moat around yourself.

But can you? On a typical day, you might be tracked to work by an intelligent traffic system, your employer might listen, legally, to your telephone conversations, or tap into your computer, email and voice-mail. You may be tracked by the ever-present closed circuit camera when shopping and have your image stored. There are peepholes in the fitting rooms of clothes stores and hidden microphones. The supermarket will log information about your purchases if you belong to its buyers' or loyalty club. Your credit card company keeps tabs on where and what you buy, and sells the information to eager marketers. Toll-free numbers identify a caller's number even if it is unlisted, and may sell it on. Should you change your job, your new employer may legally obtain your medical history from your insurance company, and your credit history from a credit bureau, ask you to submit to a drug test, a lie-detector test, or a personality test, ask you to disclose the prescription drugs you take and whether you have smoked in the preceding twelve months. If you're a nanny your new employers might track you with a concealed camera.

To see alienation's private face, walk down Main Street anywhere in the world. As likely as not you will encounter a run of Walkman-wearing, eye-shaded individuals, secluded, avoiding contact in the most crowded circumstances. Get on a commuter train, tube, or bus to find the passengers pressed against each other, reading, avoiding eye contact. Shuttered faces. Stop for a moment, observe gait, posture, personal furniture: many, particularly if young, saunter rather than walk; act cool and laid back rather than purposefully; carry cans of coke, lager, even bottles of Evian, and crisps ("I eat and I drink whenever I want to, wherever I want to; it's no business of yours"); telephoning on the trot, isolated in crowds, and crowded in their isolation. They look defiant rather than compliant; distant. See the clothes inspired by every style in the world and by none at all. All of which is saying, "make of it what you will, but don't try to rule it. I'll do as I please. I'm as good as you."

Dissociation goes farther than the weakening and dissolution of social links. It colours our view of our place in nature. If we are all there is, the final arbiters—encompassing, not coexisting with, all reality; if we inflict such damage on the world as to make it unpredictable; if we threaten to become the largest untamed living beings; if we consider there to be no limits to our powers to define and "create" nature through genetic and other engineering, and our individual fate is only loosely connected with that nature; then the world becomes a lonely place, a vortex of meaninglessness, a source of anguish and of personal dislocation, in which the mind, in weariness or leisure, recurs constantly to its obsessions.

Consequences

The void in subjectivity and self, and the widening gap between ever-more demanding standards of achievement and improving but increasingly inadequate accomplishments, between "achievers" and others, is teeming with illness and unhappiness. Stress is undoubtedly more pervasive and acute for today's Market Beings than it was for people in precapitalist times. The kinds of stress that we share with them—due to natural disasters, poverty, bereavement—are much less easily dissipated through ritual, religious or other forms of public expression, and the individual is also less protected by community, family, kinship, or neighbourhood group. In other words, the stressful life events might be similar—and even attenuated—but the individual is more exposed to them.

A standard objective measure of stress is the presence of coronary heart disease (CHD). A sudden heart seizure in an apparently healthy person was first reported in the US only in the 1920s. Heart attacks were not even mentioned in most medical textbooks until after World War II. Now cardiovascular diseases cause 30 percent of all deaths worldwide. Although some of the increase might reflect changes in reporting procedures and conventions (which bias diagnosis towards a talked-about disease), the real increase has nonetheless been dramatic, despite new drugs, closer monitoring, and attempts at prevention through changes in lifestyle. Accompanying the increase has been a drop in the social level of patients.

Another objective indicator of stress is obesity, which is spreading in epidemic proportions. In Britain in 1998, 21 percent of women and 17 percent of men were classed as sufficiently overweight to seriously endanger their health— (compared with 8 percent and 6 percent respectively in 1980), and the proportion of overweight people rose by more than one-sixth to 54 percent of men and 45 percent of women.[2] In the US, more than half of adults are overweight and over three-tenths clinically obese—only arthritis, high blood pressure, and diabetes affect more people, and only cigarette smoking causes more deaths.

The most obvious and dramatic of the objective indicators of stress are mental illness and madness. Difficult as it is to plot their epidemiological history (for reasons of definition, diagnosis, official policy, and coverage, and for reasons to do with the late emergence of psychiatry as a distinct profession with lobbying power), they are attaining a progressively greater prominence: mental disorders were not included in the World Health Organization's (WHO) International Classification of Disease until its sixth revision in 1948, when they accounted for 10 pages out of 187 (5 percent). The seventh revision (1957) also had 10 pages devoted to mental disorders (slightly less as a share of the total); the eighth (1967) had 14 pages (3 percent), the ninth (1977) 38 pages (7.4 percent), and the tenth (1992) 76 pages (6.2 percent). By then, the WHO thought it necessary to publish a separate 362-page volume on *Mental and Behavioral Disorders*, one third as long as the main book. The WHO predicts that clinical depression will be the leading cause of disability and the second leading contributor to the global burden of disease, accounting for 15 percent of the total, by 2020.[3] And British insurers have announced that stress, anxiety, and depression have overtaken back problems as the main causes of long-term absenteeism from work.

Beyond mental illness lies madness—a profound, prolonged inability (including refusal) to know and deal in a rational and autonomous way with oneself and one's social and physical environment. It is unreason, disorder, a condition that the ruling culture of the time finds difficult, for whatever reason, to engage with positively. Modern market society is particularly conducive to madness, or so it seems. In its first phase a large population of misfits found themselves hauled into the Gulag-cum-madhouse of the time. One-tenth of all arrests made in Paris from the mid-seventeenth century to the end of the eighteenth concerned "the insane." As time progressed, those who could not, or would not, adapt to the new system and its work ethic were separated out semi-permanently so that they became, by the nineteenth century, a confined population. Madness became distilled, concentrated, not part of everyday life. It was segregated physically behind bars, morally and emotionally beyond the realm of meaning and control, a demon to be avoided except as an object of fascinated horror.

In time the frontier of madness drew back, but never again to its pre-market society lines, most dramatically from the middle of the last century. Until then the number of involuntary inmates in mental hospitals in the US rose steadily from 183 per hundred thousand population in 1904 to peak at 409 in 1945, putting severe strains on medical budgets. The trend changed direction in the second half of the century when funding was centralized and psychotropic drugs, primarily chlorpromazine (Thorozine), which tamed the recipients (or made them tractable), became available. Far cheaper than bricks and mortar, and cheaper to administer, they paved the way for a privatization and individualization of control. Numbers in institutions fell steeply—to 380 per hundred thousand in 1956 and 194 in 1970. All but the criminally insane were let loose into "the community"—an effective deinstitutionalization rate of 91.3 percent from 1955 to 1994.[4] In England and Wales, prescriptions of anti-depressants rose from 27 per thousand men patients in 1994 to 33.3 in 1996 (19.2 to 71.3 for women patients).

Madness is defined with ever-greater fastidiousness: there is mental retardation (physiological impairment); personality disorders (the disposition to behave in abnormal ways present continuously from early adult life); mental disorders (abnormalities of behaviour with a recognizable onset); adjustment disorders (in response to stressful, changed circumstances); and "other" disorders (significantly, abnormalities of sexual preference, drug dependence). The perimeters of madness are under constant review and adjustment, fought over with bitterness and tenacity—it was only after a postal ballot held in 1975 that homosexuality was removed from the American Psychiatric Association's list of mental illnesses.

At the same time, madness is becoming more ambiguous. A realm of *conditional sanity* is opening up, pacified by the psychotropic bombs that subdue, cow, and curtail. There are two issues here. One is of definition: whether to consider the neurotic and, especially, the chemically constrained, mad or sane. In terms of the culture's ability to make them function in some sort of concert with the majority, they are sane, if only conditionally. In this sense, psychotropic drugs are a shining example of modern medical culture, enabling people with a culturally defined deficit to live and function adequately without becoming ill. They also illustrate the supreme vulnerability of a society where normalcy is dependent on the existence of an intricate logistical system to supply and administer the means of maintaining it to a large, and growing, clientele scattered amongst the general, not quite so mad, population.

The other issue is of scope: in the heartlands of the modern world, the number of the potentially mad, as defined by the culture, is growing, but being held down. In the world at large, it is exploding: mental disorders accounted for 10 percent of the world's disease burden in 1999 (as measured by years of healthy life lost), and are expected by the World Health Organization to account for 15 percent by 2020.[5] In rich countries the cost per unit of madness, the cost of "treatment" or prevention or control per "mental patient," has come down. But world spending on madness, the madness market as it were, has not dipped at all.

Monitoring is sketchy. The social infrastructure is poor. The distinctions between personal and institutional intractability, and between political and subcultural intractability, are blurred. When, on 14 February 1989, Ayatollah Khomeini, then spiritual leader of Iran, issued a *fatwa* calling on all Muslims to kill Salman Rushdie and his publishers for *The Satanic Verses*, who was criminally insane? Iran's ruling circles *knew* it was Rushdie. Many others thought differently. . .

Another view of stress is subjective: people who feel their ability to cope with normal life sufficiently impaired for them to disrupt its daily routine. They include those who seek medical advice and consume medication, a larger number who believe themselves to be ill without having recourse to a physician. The number of times people sought professional care for illness more than doubled in the US last century, from an average of under once a year in the 1920s to more than twice a year in the late 1980s. In Britain the number of consultations with a National Health Service general practitioner rose by half between 1975 and 1996, from 196 million to 294 million.[6] Even more significant is the growing recourse to complementary and alternative medicine (CAM), which is more purely voluntary since it is not tied to the requirements of employers, insurance companies, state agencies, police authorities, and so on. In 1997, 42.1 percent of Americans resorted to CAM, compared with 33.8 percent in 1990 (an increase of a quarter in just seven years).[7]

Beyond the host of people who seek help publicly and formally there are those, almost certainly greater in number, who do so hidden from view, as part of their normal round, and the even larger number who cope under strain. The ultimate effect of strain is, of course, death. And nowhere is *karoshi* (death as a result of overwork) more closely monitored than in Japan where, on some lawyers' estimates, it claims between 10,000 and 30,000 victims a year. In Russia a sharp rise in the number of deaths following the collapse of the Soviet regime is attributed not, as might be expected, to simple poverty or the increasingly parlous state of the post-Soviet health service, but to a "psycho-social crisis" due to greatly rising insecurity. Life expectancy for men at birth was 15 years *less* in 1995 than in 1983, before the transition, as 20–65 year olds succumbed to a complex cocktail of homicide, suicide, accidents, falls, burns, drownings, and other symptoms of psychological stress and alcoholic bingeing.[8]

There is a huge and growing market for psychotherapy, ranging from psychoanalysis (an intricate, demanding craft), to its simplified, routinized, modular, gadget-ridden but more-easily-marketed derivations—an industry dedicated to reassembling or constructing the self. A lot of it provides little more than comfort. Some of it addresses the underlying condition and sometimes succeeds in self-realization or (re)assembly. The growth of psychotherapy from the day in 1896, when Freud first hung out his shingle in Vienna, has been remarkable, and one which shows no signs of abating. One survey dating from 1959 listed thirty-six different kinds. Less than twenty years later, in 1977, no fewer than 200 conceptually distinct psychotherapies were noted. The growth in professional activity has been far greater than the growth in the activity as such. Psychological and emotional cures and comforting have always been available, part of normal social intercourse. That is still the case, within functioning families and friendship networks. But it has been extended and partially supplanted by external, professional, marketed versions.

Embracing both the subjective and objective indicators of stress are the epidemics of hysteria that sweep ever more frequently through the market system's heartlands—from belief in alien abduction to satanic ritual abuse—a "cultural symptom of anxiety and stress" in the words of Elaine Showalter, the phenomenon's theorist and historian.[9]

"I'm sick and can't work" often stands in for "I can't work and so I'm sick." Absenteeism from work is a mass phenomenon: in Western Europe alone it embraces around 14 percent (one in seven) of the total number of people not at work for whatever reason. In some countries declared illness accounts for astonishingly high proportions: 60 percent of time lost in the US, 43 percent in Belgium, 35 percent in Germany, 34 percent in Ireland and Portugal, 31 percent in Italy and Holland, 28 percent in France, 25 percent in Canada, 20 percent in the UK and Spain. In the early nineties days lost to sickness in Western Europe averaged 80–90 times the number lost in labour disputes. These figures do not constitute cast-iron evidence: different states define absenteeism and its causes differently, and different social security laws and regulations induce different behaviour on the part of workers. The figures also do not fully account for fake or phantom illnesses, logged in order to take up unused entitlements to paid sick leave, to join a public rally, to pursue romance or revenge, to care for children or others, or to slop about and enjoy simply being. There are many, many reasons to avoid work, even in a society that ultimately punishes non-work. On the other hand the figures do not allow either for those who turn up to work feeling ill, but bound by duty, fear, solidarity, circumspection, or pressing material need.

If early retirement is considered a form of absenteeism, as surely it must be, when not imposed by mass firing—a meta-absenteeism if you like—the evidence is striking. Labour-force participation of men aged 60–64 has declined from over 80 percent in most rich countries in 1960 to 50 percent in America and below 35 percent in Germany, Italy, and France. In Britain eight out of ten employees retire before reaching the normal pension age as defined by their pension-scheme rules, two-thirds before the age of sixty. By contrast, late retirement—after normal pension age—is negligible, even in countries with no compulsory retirement age.[10]

Then there is drug taking. It combines a number of functions, some of them mutually contradictory. On one view it is a promoter of connectedness—a social activity, a pipe of peace, a shared joint, which lowers barriers, removes or reduces inhibition, lubricates a common experience. On another view it is precisely the opposite—an escape from connectedness, a substitute for sociability, a "solitary vice," an avoidance of taking responsibility for one's own life. On both views it relieves stress. Drug-taking of all sorts is rising. Of course drugs do not enter mouths or veins unassisted. They are pushed in many ways—through advertising (legal drugs) and through personal inducement and example (illegals). There are large numbers of people with a stake in extending the market for each and every one. But that goes for all of them. The important point is that the drugs most indicative of social detachment—which, incidentally, are the most restricted in the marketing methods available to them—are the ones that are spreading fastest.

The supreme subjective indicator of stress is suicide. It lies at one extreme of a range of actions that start with unconscious self-harming behaviour like incautious cutting of vegetables, jay-walking, or swimming out of depth, and progress through "indirect self-poisoning" through over-eating or wrong-eating to deliberate self-harm such as impulsive overdosing without the preparation (of dosage, secrecy) that would ensure "success" to, finally, the successful denouement. It is mostly committed by men, sometimes suffering from a psychiatric disorder, often under great strain from incompatible roles or duties or expectations. Not all suicides are a cry of despair or for help—they can be a response to unbearable physical pain, a fulfilment of a sense of public duty, a quest for martyrdom, or whatever. Significantly, urban suicide is higher in areas with relatively high boarding-house populations, immigrants, and divorcees, and in the spring and early summer, when more people are flaunting their attractions and thereby underlining the suicide's isolation.

It is not easy to gauge the prevalence of *real* suicide—that is, "completed," successful suicide. It is usually planned carefully, with precautions taken against discovery, and often camouflaged so that the death appears to be accidental (traffic accidents, falls, drownings). Recording is haphazard; coroners' courts in England and their equivalents elsewhere operate under different regimes of stringency for evidence; doctors and officials often connive with families to shift the cause of death to morally safer (and insurance-covered) ground. Changes in reporting practice compound the difficulties. In many countries the true figure, as attested by psychiatrists, is way above the official figure. Suspect as the figures are, the number of recorded suicides is rising steadily, increasing by 122 percent between the early-to-mid 1950s and the mid-to-late 1990s in the twenty-nine countries, comprising a seventh of the world's population, for which comparisons could be made.[11]

Confused, with a damaged sense of self and ragged connectedness with others, it is not surprising that Market Being is ill, uncertain, stressed, inadequate, and in need of comfort. At any one time a quarter of the world's population exhibit signs of physical morbidity and mental distress. And the proportion is growing.

Costs

Although not all of it can be attributed directly to market society, the coincidence of its spread and deepening, and the increasing prevalence of illness and distress, is remarkable. Recorded spending on health care is on the up-and-up: from an (unweighted) average 3.8 percent of GDP in 1960 to 8.5 percent for the same eighteen rich countries in 1998; and from 115 international (PPP) dollars a head to 1974 dollars in the same years. It rose from

5.1 to 13.6 percent of GDP in the US, from 3.0 to 7.6 in Japan, 6.3 (1970) to 10.6 in Germany, 4.2 to 9.6 in France, 3.6 to 8.4 in Italy, and 3.9 to 6.7 in the UK. Spending per head rose eighty-seven times in Spain in the same years, seventy times in Japan, fifty-three times in Norway, thirty-six times in Italy, thirty-one times in Switzerland, twenty-nine times in the US and France, and twenty times in Britain.

Saturation medication is becoming general: more than half of all adults and nearly one-third of children in Britain take some form of medication every day. In Britain and the US there are as many renewal prescriptions for psychotropic drugs as there are inhabitants. In England the number of medical prescriptions rose from 6.7 per head in 1982 to 9.7 in 1995.

Yet people are not noticeably healthier. In the mid-1970s, the life expectancy of a person over 60 in France was just two years higher than in 1900. For men it remained constant. While life expectancy in the US and Britain has been rising, the proportion of healthy people (alive and not diseased or disabled) has declined—from 81.8 percent to 79.2 percent for men in the US between 1970 and 1980 (from 81 percent to 77.8 percent for women); and from 83.1 to 81.8 percent for men, 81.1 to 79.2 percent for women, 1976 to 1985, in the UK.

In France the mortality rate for fifteen-to-twenty-year-olds is rising at 2 percent per year. In all rich countries, for men aged forty to fifty it rose from the mid-1960s to the mid-1970s. For British workers over fifty it is higher than during the 1930s. In some countries (and not only the "usual suspects" of the former Soviet Union and AIDS-afflicted sub-Saharan Africa), life expectancy at birth has stopped increasing or even entered a decline.

There are several ways to understand the apparent diminishing returns to medical intervention which these statistics suggest. One is that the underlying morbidity of the population is rising faster than medicalization in all its forms (drugs, treatment, hospitalization), because of a deterioration in social circumstances or a decline in human quality, or both. It might be difficult for readers in rich countries to grasp the fact that most people are getting poorer as their environment deteriorates. Since the agents of health and disease are largely social (between 80 and 90 percent of the differences in life expectancy across the world can be explained by the presence of clean drinking water and of literacy), it is understandable that health suffers. In addition, countless studies show that city life is debilitating psychologically, and that migration contributes greatly to psychopathology.

A deterioration also seems to be occurring in the human stock. Modern genetics has highlighted the ubiquity of inborn disease. In Britain about one child in thirty is born with a genetic defect of some kind. Over a third of registered blind people are blind for genetic reasons, and more than half of all cases of severe mental handicap have an inherited cause. If diseases that have an inherited component, such as cancer or heart disease, are included, two thirds of the population will suffer from, and possibly die of, a genetic disease. Advances in medical and public health techniques have permitted debilitating mutations to accumulate through the generations, without being cleansed by natural selection through death in infancy and childhood.

Another way of interpreting the apparent diminishing returns to medical intervention, particularly in the rich countries, is to say that the refinement of medical treatment—its fragmentation into ever-narrower specialisms, its reductionism, its resistance to participation by the patient, the support it lends to the loss of self and to medical dependency—has made it less effective in securing well-being. And it is a fact that a fifth of the patients in a typical research hospital in the US acquire a doctor-induced illness in the course of their treatment. But at a certain point these distinctions divert attention from a more fundamental and obvious truth: it is in the nature of market society to blight a large proportion of its people with *mens insana in corpore insano.*

Chapter 13

Failing Growth and Rampant Costs: Two Ghosts in the Machine of Modern Capitalism[1] [2002]

The Measures: Profit and National Income

For most of human history the outlay on production—the amount of seed sowed, the amount of thread spun, even the time spent hunting—depended on the intended use of the product. Usually that was fairly well known—producer and consumer were one and the same, or in close contact, and even the greediest, most wasteful or most generous person was limited in the amount of things he or she could consume. With few exceptions, needs were finite and known, and a “just price” thought to be attainable.

The direct link between producer and consumer loosened in the 18th century, and goods came to be made for unknown buyers. The market exploded. It became capable, in normal circumstances, of absorbing any amount of goods that any one supplier could provide—and the need to insure against the higher risk of producing for unknown people pressed producers to make as much as they could of the opportunity. Yardsticks of economic activity tied to consumption and sufficiency, or to the achievement of the good life, or to sustainability, however understood, lost their allure. A less evaluative, more objective, and more producer-tied measure was required. Profit moved from being the specialist concern of professional merchants to society’s centre stage.

Profit is what remains when all outlays on production and distribution have been met. Some of these outlays are variable. They are linked to the volume of output—either directly, like the wages of those making the article or service sold (the machine operator or opera singer), or the costs of the materials used in producing it (steel or electricity)—or indirectly, as in maintaining the apparatus used repeatedly in production, and the labour which goes into servicing that apparatus (machine repairers, electricians, maintenance workers of all sorts, stage managers). More loosely connected to the volume of production than direct costs, these indirect costs nevertheless rise and fall in sympathy.

There are also outlays that respond feebly, if at all, to changes in output—fixed or overhead costs, to do with the organisation of production and with maintaining the conditions for it: buildings, the information network, the command and control apparatus (management), the security system.

Although the primary source of investment in the means for additional output, not all of profit is invested. Some is diverted to consumption by the owners, in law or in fact, of the productive apparatus. Some of it is siphoned off by the institutions that provide these owners with security—physical in the case of the state, or emotional in that of the church, clubs, therapists, and other comforters. But where the producer is less important than the product, and sales by one producer can be substituted for sales by another, there are limits to the unproductive use of profits. In these circumstances it is imperative for each to invest in order to retain or increase market share, to grow in effectiveness and usually in scale, and to increase profit in an endless round.

This compulsion makes profit the finest indicator of the market system’s vitality. A high rate of profit is likely to be strongly associated with growth, a low rate with slow or no growth.

Measuring profit is not an exact science. Despite the image diligently promoted by the profession, and despite the enormous pretensions of the worldwide accountancy firms, accountancy is less a science than an art, and sometimes a highly creative one. Anyone inspecting the published accounts of a typical big firm is hard pressed to tell whether its profits came from continuing business or from windfall gains, how much its assets are worth or what its debts are, and even whether the firm is really profitable. Numbers are attached to all of those by the Arthur Andersens of the world, but what they mean is often unclear.

At any given moment the frontiers between costs and profit, or expenditure and income, are in dispute. As recently as August 1999 the Accounting Standards Board in Britain was proposing changes that would force companies to show their liabilities (for tax, for example) more clearly, and so bring accounting practice in the UK more in line with the rest of the world. And, to this day, share options which account for three fifths of the pay of chief executives in big US companies are treated as cost when the firms calculate their profit for tax purposes, but not when they calculate it for shareholders.

On the larger canvas of national accounts the anomalies and ambiguities are as great, if not greater. It is still true, even after the introduction of an improved System of National Accounts by the World Bank and other international agencies in 1994, that national income falls when a woman marries her driver or a man his housekeeper. More significant (except to the happy couples), it is still true that spending on cleaning the environment raises income, while the increase in value of the environment that results or the original damage that made it necessary are not taken into account. A country that hacks down its trees or exhausts its soil grows richer while the going's good, but the depletion of natural productive capacity caused by the activity is ignored. Nor does the deterioration of the built environment form part of conventional accounting, although the spending on de-infestation or fumigation that follows (ridding buildings of rats, cockroaches, pharaoh ants, or whatever) does. And so too with drug resistant diseases—the treatment that creates the new strains is counted in, while the cost of the resulting non-treatable condition is not. There is still nothing in conventional national accounting to indicate that the real cost of a hamburger might approach $200 or that of a mature forest tree in India might be $50,000—nothing that might reflect the real cost of replacing or maintaining the assets used up or worn down in the act of production.

Nor could there be—what is called natural capital is largely unrecorded because there are no property rights in it, and so no market or prices. Even the most shadowy of shadow prices cannot anticipate which aspects of the environment will be considered of value at some future date—practical value, as in some as yet undiscovered medicinal ingredient of a wild plant, or emotional value not related directly to any actual or potential use, as in some geographical feature ("existence value" in the current jargon). Many parts of nature and nature itself (biodiversity, say, or the hydrological cycle) cannot be appropriated and therefore cannot be valued. Although a topic of heated controversy among economists and statisticians, the depletion effects of production are measurable in principle because the product is sold as timber or ore, for example, but its degeneration effects—the incidental pollution of air, water or land—are not, except in the most far-out academic circles.

And where it does recognise depletion, the system of national accounting treats the conversion of natural resources differently according to whether they are privately owned (in which case depletion is normally charged against the income earned from their sale) or in the public domain (where it is normally not charged). It still excludes from the reckoning some productive services, such as housework or parental care, and includes many unproductive ones, such as those covered by military spending, or much of law enforcement or marketing.

This said, and notwithstanding the imprecision that results, every measurement shows that the rate of profit and the associated rate of economic growth have been in decline since the mass market system's earliest days.

The Rate of Profit

Average enterprise profits in the salad days of the industrial revolution were high—between 20 and 35 percent a year in the late 1700s (compared with some 10 percent in the booming 1950s and 1960s, or some 5 percent in the 1970s and 1980s, and less in the 1990s). Robinson of Nottingham, a textile giant of the time, recovered the full value of its investment in mills and machinery in one year, 1784. The Dowlais Iron Company in Wales—then the world's biggest—was regularly earning over 25 percent per year on its capital in its earliest days (the 1760s), as was the Phoenix Foundry in England. Fine cotton spinners McConnel and Kennedy's annual profit fell below 26.5 percent on only one occasion between 1799 and 1804, fluctuating between that figure and 30.3 percent in the other five years. In France, Le Blanc, a textile giant in Lille, made over 75 percent per year on average during the Second Empire (1852–1870), and a foundry started in 1825 by the Fourchambault group was regularly returning more than two thirds on capital.

Compare these figures with those for similar landmark firms today. The stars of new technology—today's analogues of the textile and iron making giants of 200 years ago—are rattling along on less than these pioneers' pace: Microsoft, the giant software house, posted profits of 24 percent per year in the 1990s; Intel, the chip-maker, 24 percent; Compaq, the biggest PC manufacturer of the time, 13 percent.

Whole industries show the same trend. Profits in coal production in the UK fell from 13.7 percent in 1890 to 12.4 percent in 1913 (three-year moving averages).

The Rate of Growth

A more direct gauge of the system's dynamics is via "national income"—the value of monetary transactions taking place within it. There are many difficulties in taking the measure. Monetary values are often wrongly assigned to output or services consumed outside the market, such as household services or agricultural goods for home consumption. On the other hand, and equally misguidedly, they are not fully imputed to transactions that take place unrecorded, as in the black economy, or when they are not mediated by money, as in barter deals between individuals, firms, and even countries. The many currencies in use within the system need to be reduced to a common standard, which is difficult. The system itself is constantly reaching into places and economic sectors innocent of recording and statistical techniques. Until recently there were no agencies concerned with monitoring the system as a whole. Even today, international bodies such as the World Bank, which could be expected to take a system-wide view, avoid doing so, and confine themselves to aggregating separate national accounts.

The relative novelty of measuring national accounts—they were fashioned into an effective tool only in the 1950s—makes them untrustworthy when applied to earlier economic data collected without them in mind. The result is to suppress evidence of the market system's initially explosive growth by embedding it in the lethargic performance of the prevailing non-market economy of the time.

In Britain, *industry and commerce*, themselves containing pre-capitalist ways of doing things, were bumbling along at a growth rate of something like 0.8 percent per year in the first four decades of the 18th century. Output took off in the middle decades, more than doubling to 1.7 percent per year (1740–1745), and almost quadrupling to 3.1 percent per year in the following decade (1750–1760). After some deceleration in the 1760s and 1770s, the real rate of growth of output in industry and commerce achieved levels fully equal to those of the East Asian Tigers of today—8.8 percent per year cumulative in the 1780s and over 10 percent per year in the 1790s. Reconstructions of the *national* accounts show little of this remarkable growth. They reveal a sympathetic but greatly suppressed movement—a growth of 0.4 percent a year on average in the period 1695–1715 to 1725–1745 rising to 1.1 percent from 1725–1745 to 1745–1765 and after falling back to 0.8 percent a year in 1745–1765 to 1765–1785, rising strongly again to 2.1 percent a year in the period 1765–1785 to 1785–1801.

If modern Britain, with current economic growth—some 2.2 percent per year at the turn of the millennium—not far from what it is presumed to have been 200 years ago, seems to be doing not badly by comparison, it is because two very different beasts are being compared—one still half-buried in a consumption-oriented world, the other a mature, more or less pure market economy committed to growth. The relevant comparison is the one between Britain's current economic growth and the expansion of industry and commerce in Britain two centuries ago. That shows a consistent, long-term decline in the system's, not the country's, rate of growth.

Recent years confirm the trend. After a period of lusty economic expansion in the third quarter of the last century, fuelled by a vast monetisation of mass consumption as millions of peasants poured into the world's big cities, and by the single-shot reduction in social overheads as these new town dwellers were made to make do without matching expenditure on housing, roads, public administration and so on—fuelled also by a rapid increase in the international division of labour (globalisation), by a conscious attempt on the part of governments to keep their countries' production as close to capacity as possible, and by a host of attendant technological advances both precipitated by these developments and which made them possible—the rate of economic growth resumed its downward course, by a fifth on average between the 1960s and the 1970s.

The deceleration has been unevenly spread. Since the Second World War, and particularly in the 1980s and the first half of the 1990s, growth was spectacular in some areas, particularly in the Tiger economies of East Asia: Hong Kong and South Korea clocked up an average growth of over 9 percent per year for 20 years until 1997; the Chinese super-dragon raced ahead at 10.1 percent per year (if we are to believe the inflated official figures); Thailand, Indonesia, and the Philippines performed as well and sometimes better in short spurts, but the picture for the system as a whole has not changed in its essentials.

For the rich countries—Western Europe, the US, Canada, Australia, New Zealand, and Japan—responsible for some 55 percent of world output as conventionally measured—average growth rates fell from 6.04 percent per year in the 1950s and 1960s to 2.69 percent per year in the 1970s, 1980s, and 1990s. In the world as a whole the annual average rate of growth—4.91 percent between 1950 and 1973—fell to 3.01 percent between 1973 and 1998.

Even during its "Goldilocks" business cycle of the 1990s, the US posted annual average growth rates in real gross domestic product (GDP) of 2.2 percent compared with the 1950s and 1960s, when growth averaged 3.5 percent and 4.5 percent per year respectively, and compared with an average of 3.5 percent per year since the civil war—and with 1.2 percent in 2001.

The declines in growth as measured by conventional national income accounting become precipitous when their social and environmental effects are considered.

Much of the "growth" in conventional national income accounting comes from shifting existing economic activity from the non-monetary social economy of households and communities to the money economy (leading to the loss of social capital); from depleting stocks of natural assets (forests, topsoil, fisheries, oil and mineral resources, stratospheric ozone) beyond their rates of renewal, and counting their decreases as income; and from treating as income the costs of repairing the damage caused by growth—waste disposal, clean-up of toxic dumps and oil spills, healthcare as a consequence of environmental diseases, rebuilding after floods caused by deforestation, and financing and installing pollution-control devices.

A reconstruction of national income accounts for the US from 1960 to 1986, counting only those increases in output that fed into improved well-being, and adjusting for the depletion of social and environmental resources—an index of economic welfare rather than output—suggested that individual welfare peaked in 1969, held steady in the 1970s, and then fell. Studies in Holland put the damage caused by pollution (air, water, and noise) in 1986 at 0.5–0.9 percent of gross national product (GNP). Similar studies estimated that pollution damage in Germany was costing 6 percent of GNP. An earlier, more limited study for the US put the costs of pollution damage at 1.28 percent of GNP in 1978. A study of Costa Rica between 1970 and 1989 concluded that the average annual growth rate would have been more than a quarter less than recorded if the depreciation of forests, soils, and fisheries had been taken into account—in 1989 alone deforestation cost the country 7.7 percent of GNP. The first, limited, green accounts in Britain, published in 1996, estimated the costs of oil and gas depletion at a quarter of the income of these industries (0.5 percent of GDP), and estimated that spending on pollution abatement by industry as a whole amounted to £2.3 billion in 1994 (1.5 percent of value added in industry). A study by the World Resources Institute in Washington, DC, concluded that Indonesia's economic performance between 1971 and 1984 was not the 7 percent per year generally accepted, but 4 percent once the depletion of oil, forests, and topsoil were included in the calculations.

Even disregarding environmental reckoning, the recent slowdown in the market system's rate of expansion is without precedent. To be sure, there have been long declines in the past. The Great Depression in the last quarter of the 19th century took wholesale prices in Britain steadily downwards from 1873 to 1887, and then again between 1891 and 1896. But it scarcely interrupted real economic growth—the average annual growth of 2.2 percent registered between 1856 and 1873 dropped mildly to 2.1 percent between 1882 and 1899, and then regained its former rate. Net domestic capital formation, measured as a proportion of GDP, was not very different from what it had been before and after the depression years 1873–1896. In the system as a whole, with the US and Germany outpacing Britain, growth was even more robust. The workings of the international gold standard ensured that prices throughout the world fell in step with those in Britain, but production expanded strongly too —by 2.5 percent per year on average (1.4 percent per head) in the period. If there was a single cause of the Great Depression, it was the shortage of money. The supply of monetary gold on which the quantity of banknotes and deposits ultimately depended was tight until the end of the 1880s, while the demand for it rose mightily as new countries rushed to adopt the international gold standard after 1870.

The slump of the 1930s also had a lot to do with the inadequacy of finance. True, real output fell dramatically. World trade fell even more precipitously—by 83 percent between January 1929 and March 1933 (from $3 billion to $0.5 billion at constant prices). But the collapse of the banking system was even greater.

The current slowdown, however, is independent of crises in banking and finance. True, these exist in plenty—the "Third World" debt crisis in the 1980s, the Savings and Loan turmoil in the US, the worldwide property market collapse, the "derivatives debacle" in the mid-1990s, and the Asian "contagion" of the late 1990s. Except for the last these had little effect on the real economy.

The roots of the current slowdown seem to go deeper.

Shift in Costs

In the early days many inputs into production were "free," or nearly free, in the sense that they were not, or hardly, paid for. Water was there for the taking as energy or raw material, wood likewise. Locations were easily and cheaply available. Finance was most likely to take the form of equity, not loans. Start-up costs in the new manufacturing were almost everywhere a small fraction of what they were in agriculture at the time—one eighth in Britain and Japan (around 1810 and 1905 respectively), one seventh in France and one sixth in Belgium (around 1850), between a half and a third in the US (in the 1890s). Business was organised in relatively small units with little by way of professional management. By and large monetary outlays went to pay for the direct input of labour and materials in production.

Indirect costs were few—machines were made mostly of wood, installed mostly within existing buildings, and their maintenance was normally within the competence of existing artisans. One does not come across the words "wear and tear" or "depreciation" in 18th century industrial accounts, or any evidence of a systematic application of the underlying concept.

There were few overheads. The total (fixed and circulating) capital needed per worker in big industry in England at the turn of the 19th century was about four to five months average male wages. In France a couple of decades later, reflecting higher prices for the more advanced techniques that had become available, it was six to eight months (whereas 150 years later a new entrant would be investing 300–350 months average wages per worker employed).

Social overheads in particular were not much of a burden. They were sustained for the most part by society outside the market system. Labour was reared and trained in the non-capitalist agrarian sector. Internal order, national security and most of transport and communications were embedded in it. They were available at little or no cost to capital. Some of it came from simple marauding and sale of booty, as in the European slave trade, and some from unrequited exports from the colonies—1.7 percent of Dutch domestic product from Indonesia (1778–1780), 1.3 percent of British net domestic product from India (1868–1872). Most of it came from the home societies on which the spores of the market system fastened and in which they grew.

By the time the market system moved from its early, enterprise phase to its middle, national economy or state capitalist phase, it was outgrowing the supply of free goods and services. A growing portion of inputs needed to be sourced from within. There were still, naturally, the direct costs of production—labour and materials. But now, typically, plant and machinery were essential. Water which earlier had flowed freely had now to be bought in, as did refuse services. Transport and communications networks had to be built from scratch and maintained. Labour which earlier streamed in and out of the system as needed now had to be conserved within it, turned for the most part from a flow to a stock item, paid for to some extent whether used or not. Indirect costs formed a larger share of the total.

Overhead expenditure increased prodigiously. Fixed capital grew from 11.5 percent of GDP in the US in 1871–1880 to 13.2 percent in 1974–1979, from 4.6 percent in the UK in 1801–1810 to 15.3 percent in 1974–1979, and from 6.3 percent in Japan in 1881–1890 to 21.1 percent in 1974–1979. Fixed capital per worker increased 5.2 times in the US between 1890 and 1987, 7.6 times in Britain, 9 times in Germany, and 54 times in Japan. Capital per worker in British coal mining rose 250 percent in constant prices between 1816 and 1913. Business organisation had grown so large and so complex as to require a permanent, professional management cadre to command, control, and co-ordinate, and a permanent, professional purchasing and sales organisation. These people were largely unaffected by the cyclical pattern of business activity. In addition business was increasingly required to support the social overheads necessary for its existence—internal order, national security, a stable labour force, education and training, public health, and private welfare.

By the time the market system had reached the limits of its second phase, in the third (and fourth) quarters of the last century, non-direct costs (taxes, enterprise overheads, indirect costs) were absorbing the lion's share of all production in a typical large enterprise.

The rise in costs has not run its course. As the market system presses against environmental constraints, new items are being identified—the costs of abatement, renewal, and recycling. The very concept of cost is undergoing further development. Time honoured accounting assumptions—that entities are defined in space and time and events which do not fall within the defined organisation (externalities) can be ignored; that the only events which need to be recognised are those which can be described in financial terms; that the only real cost of production is, ultimately, the cost of human labour; and that resources in terms of materials and energy, and waste absorption, are inexhaustible and interchangeable—are wearing thin. Increasingly the costs of production are seen to include the costs of environmental depletion and degradation, and production itself seen as a transformation—of capital into income—and not as an infinitely repeatable process.

Little remains of the free ride enjoyed in the market system's early phase. Raw labour has for the most part ceased to be a flow, and has turned into a stock item. Skills can no longer be assumed to exist, but have to be formed. Materials have to be managed rather than gathered or mined. The environment can no longer be relied on to absorb all wastes. What previously could be grabbed for the price of providing the means of compulsion now has to be produced, and requires investment. More real costs enter the reckoning of incurred expenses, and of profit.

The second major reason for rising costs and for its obverse—declining profits and growth—stems from the ever more intricate division of labour which made the growth possible. As traditional society's multi-stranded relationships separated out into autonomous threads, connected in principle only by episodic transactions, the costs of social coherence and continuity that were hidden, and relatively modest, in non-market society grew. These are the "overhead costs" of maintaining the physical and organisational integrity of business—and the rapidly increasing cost of maintaining the physical and organisational infrastructures of society as a whole.

Business overheads are increasing far faster than the variable costs of direct labour and materials. Whereas before, in the middle years of the 18th century, the costs of sales were negligible (even Josiah Wedgwood, 1730–1795, notoriously lavish in this respect, spent no more than one seventh of manufacturing expenses on sales), they now frequently top costs of production; in pharmaceuticals, in feature film production, in dot.coms. The costs of general and financial administration, which together currently constitute a large share of total outlays, were too small to merit separate mention in the typical accounts of a business 200 years ago.

Luxuriant as has been the growth in business overheads, it has been overshadowed by the growth of the social variety. Two hundred years ago, few if any taxes were levied on business. Now, notwithstanding the most exquisitely crafted loopholes, a significant share of recorded business revenue is paid out in taxes and other government levies. Some of that is recycled into production, either directly by the state itself or indirectly through subsidies, or interest on or refinancing of government debt. Most, however, is spent on maintaining the physical and organisational structures of the market system itself—the arrangements which make ever increasing specialisation possible.

Spending on social overheads has risen relentlessly. The cost of coercion and the threat of coercion has ballooned. Military expenditure—which accounted for 2.8 percent of GDP in Britain in 1840—now consumes some 3.2 percent of GDP (250 times larger in real terms) in the US, and 3.8 percent of gross world product. Military service, which directly employed 87,000 men in the army in Britain in the 1700s, 2.5 percent of the male population aged 20–44, occupies 2,863,000 people in the US today, 5.7 percent of 20–44 year olds.

Spending on professional law enforcement—the police, judiciary, prisons, etc—has grown even more. It absorbed perhaps 1.9 percent of GDP in mid-19th-century Britain, compared with 0.8 percent in the US today. Most of this is state funded, although by no means all—there is a growing private sector comprising security guards, espionage agencies, private armies, and mercenary groups. Law enforcement employs 932,780 people full time (and 84,171 people part time) in the US, some 0.7 percent of the employed civilian labour force. In some cases the costs of coercion are phenomenal. In its dying years the white South African regime was spending 37 percent of GDP on it, a large proportion on enforcing apartheid. The (East) German Democratic Republic shelled out equivalent sums on the same operations, and the still abiding Myanmar (Burmese) government is doing the same.

The same is true of general state administration. The number of civil servants in Britain rose by 3,500 percent between 1797 and 1991 (from 16,267 to 594,400), or from 0.2 percent of the economically active labour force to 2.2 percent. Government employees at all levels—federal, state, and local—number 20.3 million in the US today, or 29 percent of the civilian labour force. Together with law enforcement, state administration accounted for some 0.9 percent of GDP in 1890 in Britain, and equivalent proportions in other early members of the market system. Now they absorb $1,375 billion in the US—some 13.8 percent of GDP—a huge relative intensification (even allowing for the 250-fold difference in real national income).

These recorded increases for spending and employment in social coercion almost certainly exaggerate the real increases that took place. Market society did not invent the function. All it did was unpick it, in stages, from the multi-stranded relationships—economic, religious, and social—which underpinned the social order of the time. It professionalised what had been bundled with other activities, turning it into a special function that had to be paid for.

Much the same can be said of the three other broad categories of social overhead expenditure—spending on securing compliance with prevailing social arrangements, spending on physical infrastructure, and spending on the formation and maintenance of a workforce.

Spending on compliance—call it moral coercion, or attitude engineering, comprising spending on welfare, on official and unofficial propaganda, on production and other subsidies—has increased far more than the number of categories it covers, from perhaps 2.2 percent of gross product in the early 1800s to 36.8 percent in the UK (and 7.7 percent in the US) today.

Sometimes the spending is bizarre. Saudi wheat farmers whose costs of production exceed $600 a tonne have been known to sell their crop (to New Zealand) for under $100 a tonne. The US price of $65 a tonne charged to Algeria was coupled with a subsidy of equal amount. European beef has been sold to Brazil at less than one quarter of the official European Union price.

Spending on physical infrastructure—transport and communications—once an incidental expense of existence for all but a microscopic proportion of humanity, has soared in the same fashion, from some 0.1 percent of gross product in 1890 to well over 11 percent in the US today. And the pressure to spend yet more is unrelenting, as traffic jams on land and in the air turn into gelatinous brawn.

Spending on the formation and maintenance of the workforce—the lion's share of educational outlays and of outlays on health, particularly its public health component—has grown even more remarkably, from possibly 0.6 percent of GDP in Britain in 1890 to 9.4 percent in the US today.

Let it be repeated—expenditure is the baldest indicator of developments. Activities that were enfolded in the normal fabric of social life separated out into specialisms, became public —and paid for. Their visibility outpaced their actual growth, but the growth was substantial all the same.

The increasing weight of overheads within total costs indicates an ominous trend within the market system—the amount of productive activity as a proportion of all organised activity gets ever smaller. This is particularly apparent in the current period when estimating the shift from production to maintenance is less of a Neanderthal exercise.

Take as productive any activity resulting in a product or a service that can be used for further production. It might be a bowl of cereal, a steel ingot, the delivery of a product or of a message about it, education or instruction. In market society not all of this necessary activity takes place inside the market. A part of it, a small and declining part it may be said, is still not fully captured in the web of monetary transactions—childcare for example, or food production for one's own use. This part, although productive in a social sense, is not productive in terms of the market system.

On the other hand, not everything paid for is productive. The money spent on a battle tank is real, yet it buys nothing that can be used for further production—not even the most flamboyant militiaman will use it to get to the office or to plough a field. The same goes for work that goes into designing, making, and servicing it—and for the food and other goods and services consumed by these people, and for the goods and services consumed by their suppliers in infinite regression.

If the military sector is the clearest example of unproductive activity, it is not the only one. Most central government outlay and some local government outlay is devoted to ends other than expanding production, such as the spending on coercion (police, prisons, law) or compliance (state pensions, subsidies, disability allowances), or both (general administration). Much production is generated in, and by, waste industries—economic sectors that act as proxies for personal expenditure by owners and their agents (business entertainment, gifts, and travel); that are an expense of profit distribution amongst enterprises (finance, most insurance); or that redistribute existing assets (landed property or rental services other than maintenance and repair construction, sales of art and collectables). Another block of activity is generated in, and by, partially waste industries, whose output is usable in principle as inputs into further production, although, in practice, a proportion is drained off into unproductive use—financial (as distinct from material) record keeping, planned obsolescence, the building and maintenance of prestige offices in central business districts. Then there is the production activity generated by the personal consumption expenditure of people engaged directly in waste production, of employees in unproductive occupations, and lavish personal consumption expenditure out of profit.

None of these is easy to define, let alone quantify. Living in the maw of a particular social system, particularly a global, all-consuming system, makes it difficult to distinguish the generic from the contingent conditions of social existence, or necessary costs from haphazard ones. Even if the distinction were easy in concept, it would be difficult to make in practice—there are no readily available statistics even in the hub of the system, and few numbers at all at the rim. This said, a crude, pioneering study concluded that only 39 percent of gross output in the US in 1970 was productive. This is a measure of actual output. It excludes output that might have existed were it not for unemployment (4.9 percent of the workforce in that year—say 12.5 percent of the productive workforce). It excludes productive output lost through duplication, excessive seemingly productive consumption, irrational ideologically induced methods of work, and so on. It is a measure, cautiously estimated, of the waste that goes on inside the market system. It does not measure the waste of the system. It is a measure capital would take of itself if only it could. Thirty years later real gross output as conventionally measured has increased by 160 percent, but a slightly larger part was unproductive. The productive economy in the US remained static.

It is rash, but not ridiculous, to use the US as a template for the market system as a whole. There are signs of convergence in economic activities worldwide—while US spending on the military has dropped from 8.7 to 3.0 percent of GDP, military spending in the rest of the world has risen. Manufacturing employment in the US dropped from 29.1 to 14.8 percent of the total (1980–2000) and rose in the rest of the world. Not too much should be made of this. Structural convergence is slow and of itself proves nothing about the course of productive activity. But it does suggest a diminution in the sources of growth in the market system, particularly when taken together with the general decline in the rate of profit.

As a whole, the market system is still growing. Different parts are growing at different rates. But growth overall is decelerating—at something like 1.1 percent per year between 1980–1990 and 1990–1999. It is declining in productivity—more and more of its resources are devoted to maintaining its structures, and fewer and fewer to production and expansion. Slowly it is slowing down. For a system whose very essence is unbounded material growth, this is alarming.

And there is more to come. As the system presses against its natural limits, which are likely to remain relatively fixed, the real costs of material growth are set to rise and the very notion of growth comes under pressure.

Can the trend be reversed? A review of the structure of costs is instructive in this regard.

Direct costs of production—the costs of the raw materials and the energy, human or otherwise, which goes directly and wholly into the product or service delivered—have fallen precipitously. Ninety-seven years ago it cost 13.2 pence to produce one kilo of beef carcass (£3.02 in today's money). Today the equivalent cost is £1.74—58 percent as much in real terms. The cost of services is showing early signs of an equally precipitous decline—the operating costs of British banks dropped 34 percent between 1987 and 1997. No doubt further savings can be made in this area. But how large can they be?

If the art of such cost-cutting lies in increasing labour and environmental efficiency by the application of scientific methods and, in the case of labour, by the application of greater compulsion, direct or not, there are rising barriers to doing so.

In the case of environmental efficiency—improving the productivity of renewable resources (faster growing and higher yielding, possibly GM, crops for example), changes in agricultural techniques (modern irrigation, more careful tree felling), and improving the exploration and exploitation of non-renewables and their recycling—technical boundaries are already being approached in some areas. Decreasing returns are being encountered in modern intensive farming. More generally, there is a natural limit to the photosynthesis that governs plant—and all other—growth. Reserves of non-renewables are being depleted at an accelerated rate.

In the case of labour costs, there are social and human limits to cost reduction—redundancy on the one hand and physical and mental exhaustion on the other.

Even if direct costs could be edged into free fall, their reduction would do little to reverse the decline in productivity and growth—they are already so small a proportion of all costs that no conceivable cut could have much effect. Halving the wage bill of assembly line workers in TV tube production would reduce the running costs of a plant by no more than 2.5 to 5 percent.

Indirect costs, a popular refuge for fugitive direct costs, are more resistant to attack. The inexorable rise in capital intensity implies rising expenditure on maintenance and replacement, an associated rise in technological intensity with the implication of speedier obsolescence, and a rise in the costs of repairing the damage caused to the environment by material production. Not that there are no counter-examples. New materials can reduce the indirect costs of maintenance. But despite the constant efforts made to trim indirect costs (some of which are successful), they avail little against the rise in the relative importance of such costs, occasioned by the increasing complexity of production.

The area of costs most resistant to attack are overheads—not that the attempt to cut them is ever abandoned. The 1990s saw a sustained attack on business overheads, especially in the heartlands of the market system. Mighty behemoths cut swathes through their payrolls, including, to an unprecedented degree, their management cadres. In Europe in the 1990s enthusiastic "de-layering," "downsizing," "retrenchment," and "rationalisation" led to the elimination of thousands of jobs in general administration, white collar and headquarters jobs.

In the US tens of thousands of jobs went in the same period, at a time when the workforce was expanding. Even in Japan, citadel of "lifetime employment," where many of the unemployed are still sheltering in companies that pay wages for no actual work done, managerial unemployment is growing.

Although business retrenchment peaked in the slowdown of the early 1990s, it hardly solved the problem. The ratio of overhead to direct expenditure in business continued its steady rise. The ratio of overhead to production jobs grew. Professional and managerial staff in Europe rose more than a twelfth from 16.9 percent to 18.4 percent of the labour force between 1992 and 1997.

This is not surprising. As businesses become more complex, more specialised, more global, and more dependent on each other, the efforts needed, and the costs incurred, to ensure smooth internal coordination between their parts and functions, and to order their increasingly complex relations, become greater. Nothing short of a U-turn in these trends, which are both the expression and the cause of the market's spread, could reverse the tendency.

The course of expenditure on social overheads mirrors, in magnified form, that of business overheads. They have been subjected to a sustained onslaught since the 1980s.

Yet, essentially, nothing has happened. The rise in social overheads has continued. State expenditure has marched relentlessly onward. In the relatively rich OECD (Organisation for Economic Co-operation and Development) countries it rose from 32.3 percent of combined GDP in 1970 to 41.6 percent in 1989—by more than a quarter. Add to this increase the contribution of newly privatised firms and newly formed companies dedicated to social overhead activities in the newly deregulated environment—security and prison services in the US, Britain and South Africa, and telecoms, road building and other infrastructural activities in most of the hub countries—and the attack on overheads begins to resemble a mauling by a sheep.

This too should not come as a surprise. Without a constant, accelerating expansion of its infrastructural sinews, the market system could not have grown in depth and scope to the extent it has. Insofar as that growth presses against social and environmental constraints, which elicits curative, preventive, and avoidance spending, social overheads are bound to increase.

Attempts to reverse the trend face not only these fundamentals of the market system itself, but also the institutional arrangements within which growth has taken place—namely, the sovereign states which, in aggregate, incur the lion's share of the spending on social overheads. In the current, fragmented state system, agreement between states on spending priorities is not certain, and in any event is not easily reached. Even if reached, such agreements are not sacrosanct—and certainly not more treasured than the "national interests" which they are deemed to enshrine at the time they are made. And even if they are honoured in principle, the practical application of agreements in the form originally intended cannot be relied on where monitoring and enforcement are dispersed among the parties to the agreement. There is nothing to suggest that social overheads can be trimmed.

As the market system matures and the larger society loses its integrated character in a welter of discrete, specialist, loosely co-ordinated, separately funded functions, its tolerance for overhead expenditure, particularly social overhead expenditure, naturally decreases. At the same time, and for the same reasons, the relative weight of overhead expenditure in the total grows.

It is an acute dilemma for the system. Whichever policy is adopted—the conservative, hands-off, *laissez-faire* prescriptions which leave the provision of overheads to market forces or to ad hoc coalitions of interested parties (Reaganomics or Thatcherism), or the social democratic, mildly interventionist policies which accept the need for systemic provision and provide for it (Clintonomics or Blairism)—society is impaled on one or the other horn of a dilemma. The one assumes that society can still provide the services that were once to be found within whole, self-sufficient and fully functioning family and community structures, even though these no longer command the resources and attitudes that would make such a policy feasible. The other, just as unrealistic, believes that adequate provision can be made through increases of efficiency and a rational allocation of resources, and assumes that the attitudes conducive to their mobilisation exists.

The dilemma grows sharper as the system grows ever more slowly, employs fewer and fewer productively, and the commitment of those included in it weakens. Global competition and the increasingly rapid changes that result make ever heavier demands on the individual as producer, bruise emotional and moral ties, and weaken the implicit contract—to exchange loyalty for security—between business and its privileged cadres of managerial workers and between the state and its citizens. The cost of maintaining the market system will continue to mount, the effort required to provide the conditions in which it is able to function will grow, the balance between production and control will continue to tilt against the former, the productivity of the market system as such will continue to decline, and the material growth that marks it out from every other society and is its indicator of health will continue to slow down.

It is the rich, hub countries that are most vulnerable to this decline. They are the most centralised, the most dependent on complex and delicate networks of connections, physical and relational, and on public commitment. They exist thanks to efficient delivery of countless goods and services, and the effective functioning of myriads of producers throughout the world. They are impelled to spend most on maintenance, causing slow growth relative to that of the aspiring rim regions, and so compounding their own difficulties and vulnerabilities.

It is possible that market society will go the way of the Doubledays. He, remember, is a senior inspector of taxes, she a tax avoidance accountant. Since between them they have more mutually cancelling work to do than time to enjoy their resulting opulence and, in addition, professional ethics require them to work well apart, they rarely meet. But they did get together long enough 16 years ago to have a son, Buster, who, alienated by his parents' remoteness, expresses his disaffection by vandalising public property and injecting himself with private poisons.

One family among many might survive in this way, but an entire productive system, particularly one that has destroyed all others or reduced them to shadows of their former selves, will find it difficult.

Appendixes

Appendix A: Selections from *Socialist Review*

Appendix A1: Our Programme [1954]

Introduction by John Rudge

Socialist Review published a 12-point programme on the back page of the newspaper on a regular basis. In 1954 a series of articles by K. Michaels appeared, explaining the programme point by point. In practice, points 1 and 2 were dealt with together in the first article, and point 7 on the National Health Service seems to have been so obvious no article was needed to explain it. So the series only ran to 10 articles.

So far so clear. What is less well known is where this Socialist Review Group programme came from and what it set out to do.

The first issue of *Socialist Review* appeared in November 1950—immediately after the foundation of the Socialist Review Group (SRG). From the November–December 1951 issue (Volume 1, Number 6) a programme appeared under the heading "The *Socialist Review* Stands For." This was replete with grandiose phrases such as "for an international workers' fighting front against imperialism and war" and "for a Socialist Britain in a Socialist Federation of Europe and the world," and again, "against secret diplomacy and the imperialist division of the world."

Nobody was going to argue with the sentiments, but some among the 30-strong membership of the SRG were clear that what the organisation needed was a perspective for political action, not cadre-building, and a programme for agitation, not abstract propaganda.

It was the Bury and Manchester branches of the SRG that led the charge, with Duncan Hallas in the forefront.

Hallas submitted a document to the SRG National Committee meeting in August 1952 called a "Programme for Action."[1] In the document he spelled out "a suitable transitional programme, i.e., as a programme of demands which can be made to appear both necessary and realizable to broad sections of the workers given their present (reformist) level of understanding but which in reality pass beyond the framework of bourgeois democracy." Later in the document, Hallas made it clear that his programme was "for immediate agitation in the British Labour movement and must therefore be designed to fit the consciousness of that movement, not of some hypothetical one." Standing alongside his programme in the document, Hallas also presented a "perspective"—"a concrete plan of work to build the group." In short, Hallas and his supporters were looking to move the present cadre of the SRG from being "a purely propaganda group" into "serious political work."

At the August 1952 National Committee meeting, Hallas was defeated on his perspective of a turn to political action but his programme was accepted as a basis for discussion. After the meeting the SRG Secretariat "pruned Comrade D.H.'s Programme ruthlessly and mercilessly" into a series of 12 shorter, pithier dot points. It is these that appeared in *Socialist Review* as "Our Programme" with effect from Volume 3, Number 1 (February–March 1953). Despite the rewrite, the programme is still unmistakably the Hallas one.

Kidron, of course, only arrived in England during 1953, so it is unknown to what extent he himself would have been aware of the programme's background when he was asked to write about it during 1954. He certainly wrote about it expertly, as can be seen in the section that follows. He also understood the purpose of the programme in much the same way as Hallas had done. Writing somewhat later in a debate with Ken Alexander, Kidron had this to say about the *Socialist Review* programme:

By building its propaganda and agitation around workers' control, not 3 percent; full nationalisation and national planning, not stable prices; independence from labour bureaucrats, not submission to them, *Socialist Review* helps to develop dynamic elements which contradict the bases of the system …

Socialist Review's programme is one of transition from politically unconscious battles to conscious class struggle within our system; it is equally a programme of transition from capitalism to socialism. It is a programme of both reform and revolution. It is one of transition from the one to the other through class consciousness and action.[2]

Our Programme

The *Socialist Review* stands for the earliest possible return of a Labour Government and for the carrying out of this programme:

1. The complete nationalisation of heavy industry, the banks, insurance and the land.
2. The renationalisation without compensation of all de-nationalised industries.
3. Suspend interest on the national debt. Compensation to ex-owners only as a result of an Income Test administered by elected workers' committees.
4. A majority of workers' representatives on all nationalised and area boards subject to frequent election, immediate recall, and receiving THE AVERAGE WAGE OBTAINING IN THE INDUSTRY.
5. Two or more workers' representatives to sit on boards of all private concerns employing 20 or more people with access to all documents.
6. Workers' committees to control hiring and firing and working conditions.
7. Abolition of payments for National Health Service and of private beds.
8. Establishment of principle of FULL WORK OR MAINTENANCE.
9. Sliding scale of adequate pensions based on new and realistic cost-of-living indices.
10. Interest-free housing loans to local authorities and drastic powers to requisition and rent free state-owned land.
11. A foreign policy based on independence of both Washington and Moscow.
12. Withdrawal of British troops overseas; freedom for colonial peoples and offer of economic and technical aid.

On Our Programme[3]

1. The complete nationalisation of heavy industry, the banks, insurance and the land.

In Britain only 20 percent of industry is nationalized; 80 percent is still in the hands of private capitalists who are caught up in the anarchy of a world market. If conditions should change, if e.g., there should be a world recession this year, its effect would be immediately felt in the private sector of the economy, the sector competing in the world markets, and the nationalized sector would be exposed by the ebb of recession even here, in Britain. If, for example, the world slump, which even Eisenhower is predicting, were to cut our motor-car exports, it would cut steel production and cut the demand for nationalized coal and railway services. Unemployment started in the one sector would inevitably spread to the others.

Partial nationalisation is a bad insurance risk; the only way of protecting British workers even to a limited degree from the jerky starts and stops of world supply and demand, and of the attendant fluctuations in employment, is by full nationalisation.

Full nationalisation with central planning will enable us to offset the chance effects of fluctuating markets by adapting our production to fit them, by stimulating home demand when world demand falls off, and so on. Only full nationalisation will give us the necessary scope for manoeuvring in this manner.

Full nationalisation is also a defence against the sabotage practised against the nationalized sector by the British capitalists themselves. In 1951 the Labour Government fell, ostensibly because of a balance of payments crisis: Britain was buying too much overseas and selling too little. Not exporting sufficient to pay for imports, the country had to pay with its precious gold reserves to the tune of £344 million. At the time the rise in the price of imports was blamed; nobody thought of paging through the capitalists' books to see if there was any other reason.

Statistics just published by the government show things up in their true light. Import prices did indeed begin to rise. The capitalists got jittery and lost "confidence" in the government. Their immediate, spontaneous reaction was to smuggle their capital abroad in the guise of an overseas investment of £315 million and lay up tremendous stocks worth £610 million—all of this was done despite the Labour Government's control of capital exports and of home investments and against the express wishes of the Chancellor of the Exchequer. One third of the combined total for stockpiling and capital flight would have sufficed to save the gold and keep the Labour Government in office; one third that could not have been hidden had the Capitalists not been in control of 80 per cent of the economy.

We need full nationalisation more to protect us against the sabotage of British capitalism and its self-induced "scares" even more than we need it to partially neutralize the effects of an anarchic world market.

Then the industries that were chosen for nationalisation couldn't have been worse picked. All of them were deficit industries, heavily in debt, before nationalisation. By nationalizing these only, while at the same time paying huge sums to their former owners in the form of compensation, the Labour Party leadership saddled the workers with a load of taxation which could have been better spent on Health, Education and other Social Services and incidentally provided the Tories with a good propaganda gag: "look, private industry is consistently making a profit, the nationalized sector is running at a loss. There should be no more nationalisation if we want to prevent British industry from going to the dogs." The Tories, nevertheless, don't seem to want to denationalize completely. They realize full well that even private ownership couldn't produce profits out of thin air. Only under full nationalisation will the public sector show a profit and will this profit accrue to the public.

2. The renationalisation without compensation of all denationalized industries.

In 1953 road haulage made a profit of £7 million. Steel made a profit. When Tories see profits they assume that they are theirs—they denationalize. Denationalisation turned Transport's profit into a loss and in the event provided British Transport with the battery of excuses which were used to counter the NUR's demands for a living wage, until the NUR took matters into its own hands and threatened unlimited strike. When that dreaded phrase was heard—the battle slogan of an angry proletariat—the Transport Commission knuckled under.

Renationalisation without compensation will teach the Tories and their capitalist bosses a lesson that they'll never forget. Until today they can well be excused for thinking that the nationalisation presents no threat to the capitalist system; on the contrary it seems as if it makes the system work even better than it ever did. For the Tories, the lead given by the Labour Party leadership was, if not a step in the right direction, at least not a step in the wrong one, although to Tory thinking the Labour Party leadership was regrettably extreme on occasion. One thing gives the Tory his sense of security—the Labour Party leadership, because of its reformist character, accepts capitalist society and does not seek beyond it. Socialism for it is capitalism with a slightly working-class twist. When it comes to the things that matter, such as the recognition of the private ownership of the social tools, the Tories can rely on the Labour Party leadership not to deviate from the Tory line.

Only by renationalisation without compensation can we show what divides us in principle, irrevocably, from the Tories: social tools belong to society. We recognize no individual's rights to the exclusive ownership of the social means of production and to the enjoyment of their products.

From what has been said above it is clear that a socialist opposing private ownership of social wealth, of necessity opposes the payment of compensation for nationalised or renationalized industry. Except for small savings, which a socialist government would not infringe, the property of the rich must be taken without any compensation. To nationalize deficit industries and pay huge compensation means actually to secure profit for the property owners who had hitherto lacked security. Why should the mass of the people give secure profits to those parasites who exploited the working class for generations? During the slump the capitalist government imposed a means test on the unemployed. This was a cruel and oppressive measure. But there would be nothing cruel in imposing a property test on property owners, assuring the small owners, let us say people with £1,000 savings, of complete security for the savings they amassed, perhaps with difficulty, while preventing the rich from living without working.

3. Suspend interest on the national debt—compensation to ex-owners only as a result of income test administered by elected workers' committees.

The history of the National Debt is the history of wars and slumps, the history of Capitalism. The history of British capitalism being the longest of them all, the British National Debt is the largest per capita of population in the world. It is very nearly twice the annual national income.

Investing in the national debt is a very profitable business for capitalists. There is no risk involved; all that one need do is buy National Savings Certificates or similar bonds and wait for the 31/2 percent per annum to turn up. This is the safest type of investment possible; as long as capitalism exists, so does the national debt.

Usually, however, the main investors in the national debt are not private capitalists or firms but those financial institutions whose purpose is to ensure the smooth running of the capitalist machine—the insurance companies and especially the banks. They prefer large holdings of state bonds even though the rate of return on them is comparatively low compared with the rates current in industry because they are easily negotiable and can serve as liquid funds in case there is a "run on the banks," a fear of a slump.

The Government pays interest to the holders of the national debt—an average of 31/2 percent p.a. The interest payments—"service of the national debt"—is paid for out of taxation to the tune of more than £600m a year, or over £130m more than National Insurance Benefits (1952 figures). In other words, this enormous sum of money is transferred from the general public into the hands of a few financial capitalist institutions and private capitalists. This transfer payment is so large in fact that it does much to offset the progressive tax-structure in Britain, whereby the higher the income of the taxpayer the greater the proportion of income spent in taxation. Thus it belies, to a large extent, the famed democratization of the economic life in Britain. Only by suspending interest on the national debt, by suspending the current sacrifices we make daily to the destructive orgies Capitalism indulged in in the past—wars and slumps—can we channel society's resources into beneficial channels such as education, social services and the like.

It is true that a number of "small men" have sometimes invested a lifetime's savings in the national debt, forced into doing so by the very inadequacy of the social services to ensure them security after a lifetime of hard work, an inadequacy which itself arises from the presence of the national debt. To these few we promise a restitution of their savings. The basis for restitution and its administration must be in the hands of elected workers' committees—only workers can be entrusted with the control of the machinery of capitalist society, even if only to put an end to it.

The history of the National Debt is the history of Capitalism; by demanding the abolition of the one we demand the abolition of the other.

4. A majority of workers' representatives on all nationalised and area boards subject to frequent election, immediate recall, and receiving THE AVERAGE WAGE OBTAINING IN THE INDUSTRY.

There is nationalisation and nationalisation. The one type of nationalisation, the one we've been treated to until now, was a change in the organisation of production and was better called rationalisation than nationalisation, its sole function being to make the capitalist economy run more smoothly by placing some of its strong points under centralised control. This type of nationalisation does nothing to change the relations of production in industry—the worker continues as a "factor of production"; the private boards of directors amalgamate and appear unchanged except for a few trade union bureaucrats thrown in for good "socialist" measure, as the nationalised board; the only way the worker can make his demands felt is still—and the AEU [Amalgamated Engineering Union] and NUR[National Union of Railwaymen] have proved it—strike action. Nationalisation-rationalisation of this type has everything to do with a monopolistic merger like that which took place not long ago in the motor-car industry (Morris-Austin) or with the Russian type of State Capitalism; it has nothing to do with Socialism and Socialist nationalisation.

Socialism means a change in the *relations* of production, not only in its organisation. Under Socialism, control of production, the plan of production, determination of working conditions, are in the hands of the workers themselves. The living standards of the huge majority of the population aren't arbitrarily determined by some private or government appointed board out of contact and uncontrolled by this majority, but are the result of the direct, conscious intervention of the workers, by means of their democratically-elected representatives. These representatives must be answerable at every moment to their electors—subject to immediate recall; must be under constant criticism—frequent elections; and must be true representatives—without receiving a wage packet out of proportion to their degree of skill. Insofar as workers are elected to nationalised boards in a technical capacity, they will receive the wage corresponding to their degree of skill. Insofar as they are policy-making members of the boards using less technical skill than that required on the bench, they will receive the average wage obtaining in the industry. Those directors who sit on so many boards are surely proof enough that technical knowledge is no prerequisite for policy-forming.

The Labour Movement must struggle for Socialist nationalisation, not capitalist rationalisation; Socialism, not state capitalism.

5. Two or more workers' representatives to sit on boards of all private concerns employing 20 or more people with access to all documents.

The British Labour movement has just passed through a period of wage claims in both nationalised and private industries. Without exception the original claims were submitted to arbitration boards and whittled down to ghosts of their former selves, while months were consumed in arguing with the bosses about the size of their profits, whether they could or could not give a rise. While the arbitration boards were being won over by the bosses' sighs, dividends boomed—the average rise in 1953 being 15 percent. What are we to believe, word or deed? The only way of finding out the bosses' real financial position without fear of contradiction is by opening the books. Workers' representatives must have access to all the documents.

We hear rumours about the monopolies that straddle the British economy. We hear that they suppress new inventions by buying up the patents and not using them, of prices that bear no relation to costs, of mergers with foreign concerns—all at the expense of the British consumer. These rumours are vigorously denied. What are we to believe? The only way of finding out the real situation and resolving the contradictions is by opening the books. Workers' representatives must have access to all documents.

Big business has no local patriotism. Since the Morris-Austin merger last year, for example, the internal rearrangements between the monopoly's various plants threaten the Oxford Morris works with redundancy. Products are produced or not produced in accordance with uncontrolled and secret international agreements—remember the pre-war pact between the U.S. Standard Oil Company and the German I.G. Farben industry whereby Standard Oil prevented the production of synthetic oil in Germany in exchange for the non-production of synthetic rubber in America—while redundancy, unemployment, and high prices are not taken into account, and are said to be impossible to prevent. Are we to believe it? The only way of finding out is by opening the books. Workers' representatives must have access to all documents.

Government is an appendage of big business. Whether it is a matter of arbitration tribunals, the use of troops as blacklegs, the guarding of investments in the colonies or the declaration of war when the War Department buys their planes, their guns, their clothes, when markets are steady, prices high, and *wages low in the interests of "national" defence*, whatever the situation the government serves the bosses. The only way of showing clearly how parliament is responsible to big business is by opening the books. Only when this knowledge is common knowledge will there be a government responsible to the people, a real Socialist government.

To safeguard our living standards and our very lives we workers must demand: Open the books: "Two or more workers" representatives to sit on boards of all private concerns employing twenty or more people with access to all documents."

[The demand is not limited to private concerns. When dealing with Point 4 of the programme in the April issue, K. Michaels stressed the need for workers' control of the nationalised industries which includes, of course, "access to all documents."—ed.]

6. Control of hiring and firing.

A Comet jet plane blows up over the Isle of Elba, so over six hundred workers on the production line are given notice of redundancy; a monopolistic merger in the car industry—a threat of redundancy in the Oxford Morris works. Nothing happens in the market, in the world almost, but it affects production; nothing happens in production without affecting the producers, the workers. There can be no security in a job, no guarantee that the workers won't have to carry the can of "adjustments" in the form of redundancy, lockouts, reduced wages, unless we can control the number of jobs and unless we ourselves control the disciplinary machinery inside the factory. We cannot allow our lives to be determined by the arbitrary fluctuations of the market, nor allow our jobs to be at the mercy of the arbitrary discipline of the bosses. Hiring and firing affect the worker, they are our business, they must be run by us.

One of the great arguments used by the bosses, and sometimes to our sorrow by the unions themselves, is that workers lack the skill, the administrative knowhow to be able to control industry or even to control working conditions in a single plant. This is the excuse used to justify the continued functioning of the old, private administration within the top ranks of the nationalized industries; this is what brings the AEU leadership, for example, to appoint non-union "experts" to represent the union on Joint Productivity Boards and on the other panels for class collaboration. Instead of training a body of workers in the job, now, in the factory, so that the experience so gained in controlling working conditions in the separate plant can be used as the thin edge of the wedge in gaining full workers' control of industry when we force the socialization of British industry, nationalized and otherwise, the bosses throw up their arms and say, "impossible, no training!" and some of the union big-wigs throw up their arms and sigh, "impossible, unfortunately no training."

Can we ever expect to remove the constant threat of unemployment, even if it's only what the economists like to label as "frictional," unless we take the allocation of jobs, the hiring and firing, into our own hands? Can we expect to do away with the more general threat of "deeper," "chronic" unemployment if we don't control industry in its entirety, if we don't socialize all industry? And how are we expected to control industry if we aren't even allowed to have a say in the running of the separate workshop?

We, in trade-union branch and factory, must press for workers' committees to control hiring and firing and working conditions. We must compel our lethargic union leadership to force the hands of the bosses instead of confining itself to good intentions and bad action. We must follow the railwaymen and give them a much-needed hand in showing the bosses that we won't have working conditions thrown at us for any reason whatsoever, least of all in order to pay ex-owners £32 million a year. Jobs and all that's connected with them is our business. We, the workers, can handle it.

"Workers' committees to control hiring and firing and working conditions!"

7. Abolition of payments for National Health Service and of private beds.

1. [So obvious that no explanation seems to have been thought necessary—ed.]

8. The establishment of the principle of full work or maintenance.

Even in these days of full employment there are more than 200,000 registered unemployed in Great Britain. The Ministry of National Insurance annual report states that 215,000 persons were receiving unemployment benefit in December of last year.

Under capitalism, having or not having a job is not decided by the worker, although he is the first to feel its effects, but by profit considerations based on data from the most distant of international markets, based on prices, "consumers' preferences," etc., etc.—everything but our need for ensuring our families with a steady income.

If the capitalist finds a plant "unprofitable", if the National Coal Board considers an area mined out, it is their business, at least as long as the workers do not share control and responsibility in the employment of capital. As long as "No Hands Wanted" or "Apply Within" face our families as the final arbiter of the way of life, we can owe the production machine no allegiance.

Diet, schooling, housing depend on a steady income; we can ensure them only by insisting on our independence from the hazards of the market, by insisting on full work or maintenance.

The same annual report shows that sickness benefit is steadily increasing. At no time during last year did it drop below 800,000, and for one month, February, it stood at 1,200,000. No one can be blamed for illness, unless it is the landlord who fails to provide inside conveniences, so why should the worker suffer by having his wages cut?

There were over one-and-a-half million work injuries during that same year. Undoubtedly a lot has been done in the way of benefits. But the principle must be maintained that no family is going to reduce its living standards, not by one iota, as a result of accidents at work. We must press for full work or maintenance.

The bosses will obviously counter this demand with their usual argument that the "incentive" provided by wages would lose its effectiveness and workers would prefer to remain idle. The argument is, in fact, being used today by the N.C.B. [National Coal Board] to counter the N.U.M. [National Union of Mineworkers] demand for the inclusion of the five-day week bonus payments in the normal wage packet. The N.C.B. claims that as soon as the special prize for a five-day week is taken away, the work week of the miners will drop.

There is some truth in these contentions. As long as all the conditions of production are not determined by the workers who spend most of the day under those conditions, as long as there is no control of what is to be produced and how, work can only be a burden to us. Treated as part of the factory installations, a "factor" to be expanded or contracted at will, we can only react like the other installations, with indifference.

As an interim measure, until the self discipline which accompanies workers' control of production becomes a reality, we couple our demand for full work or maintenance with the proviso that full maintenance be provided if the worker has declared himself willing to accept reasonable employment. What precisely is meant by "reasonable" must be decided by workers' committees, in case of dispute.

The struggle for socialism is a struggle for the conscious control of production by the workers, a struggle based on the consciousness and power that can only come from a high standard of living. In order to ensure this standard of living against the hazards of a capitalist market and in order to precipitate the struggle for socialism by trying our hands at workers' control of production now, even if it is only sectional control, we must demand "The establishment of the principle of full work or maintenance."

9. Sliding scale of adequate pensions based on new and realistic cost-of-living indices.

Guns or Butter?

The treatment meted out to the Old Age Pensioners [OAPs] is shocking. The 42 resolutions on pensions before Conference shows the rank and file of the Labour Party unanimous in its appeal for the raising of the miserable pittance on which the producers of our wealth are forced to exist.

The Tories have done nothing about it in spite of fine words. They swear that the increase in the pensionable population over the next 25 years will place intolerable burdens on the Treasury. Is this true?

Whatever the case, whether the Government increases pensions or not, elderly people are not going to disappear as soon as they have stopped being a source of profits. Somebody will have to support them. If it is not the state, it will be the worker and his wife who, anyway, have enough difficulty in trying to raise a family while a hostile Tory Government keeps cutting into social services and does nothing to prevent prices from rising.

Not raising the Old Age Pensioners to a level consistent with decent living standards is just another way of taxing the working class.

Besides, as the population grows older, the number of children grows smaller. The total non-working population to be supported by the population of active workers will hardly change. Thirty years ago, for every 100 workers there were 124 dependants; to-day there are 120 dependants for every 100 workers; in 25 years' time there will be only 126 (from a study prepared by the Institute of Actuaries: *The Growth of Pension Rights and Their Impact on the National Economy*). The difference is negligible.

Another document, the Memorandum drawn up by the National Federation of Professional Workers, "arrived at the conclusion that the increase in productivity required over the next 25 years to maintain existing standards of living, in face of the ageing population ... is not more than 5 percent." Now, productivity last year went up by 3 percent, and can easily be maintained at that rate. If increased output is not dissipated in war production nor squandered in amassing profits, we can take the OAPs in our stride.

The Chancellor contributes £70 million to the National Insurance Fund. He also agreed to a war budget of £1,640 million, 231/2 times more. Obviously when the Government and the productive machine that supports it becomes more and more geared to a war economy, Old Age Pensioners become both "expendable" and expensive.

Profits amounting to over 41/4 milliard pounds are made in this country every year! Tax concessions amounting to £200 million have been made to industry by the Tory government, and income tax reductions which benefited the higher income groups in the main totalled another £335 million. Nothing has been given the Old Age Pensioners. Even the £51 million demanded for them by the Parliamentary Labour Party seems ridiculously small in such company.

The issue of the Old Age Pensioners has roused the whole country. It could have spearheaded a major fight by the Labour Party against the Tories, a fight that would have had immense popular appeal. But no, Labour MPs were too busy squabbling with the Tories about their own salaries. Instead of abolishing "pairing" in an issue affecting masses of elderly people who have no means of putting pressure on the public, they do so on an issue affecting 600 families placed in the most strategic position.

Conference must put an end to this shameful position. It must support the resolution which demands that old age pensions "be tied to the cost of living index subject to periodic review" (Cheetham, CLP) as part of the wider demand for a "sliding scale of adequate pensions based on new and realistic cost-of-living indices".

10. Interest-free housing loans to local authorities and drastic powers to requisition and rent free state-owned land.

Rents and Housing

The most significant fact about the housing situation in Britain—and, indeed, in many countries abroad—is that Private Enterprise has just lost interest in building cheap residences for workers. The falling rate of profits and the burden of repair have made the ownership and development of dwellings less of a safe income than it was before the First World War. This is shown in the ever increasing number of homes erected by the state (through the medium of the Local Authorities in the main) for the working class. Today this sector represents about one–sixth of the total stock of houses in this country.

When your local council plans a new housing estate, they do not pay the builder, site contractors etc. out of current revenue. What they do is to borrow the capital sum from the Government and pay it back over a period of 60 years. But they do not borrow these moneys free of interest. Oh, dear me, no: if such a terrible state of affairs existed we might be halfway to solving the accommodation problem in this country. We must pay at the rate of 2 percent (in palmiest Daltonian days); 3 percent (Middle Period of the late Labour Government); 4 percent (as it is now under the "unrestricted freedom" of those twin delightful home-lovers, Butler and Macmillan). Due to the lengthy paying back period of the loan, the result is that for *every £1 we pay the builder, we pay £2 extra to the moneylender*. It is true that the State, Local Authority, and tenant all bear part of this charge. But the essential fact is that the community is being mulcted to keep private individuals in cigars and nylons.

This is why the *Socialist Review* lays such stress on the demand for interest-*free* loans from the State. The difference of 1 percent in the interest payable can make a tremendous difference for the tenant and the rate payers. For example, when Butler raised the interest rate on a £1,320 house from 3 percent to 41/4 percent, the tenant's weekly rent had to go up 1 shilling and 4 pence a week—and that is *after* the State and Local Authority had both met their share! The only serious argument one has ever heard quoted against interest-free loans is the good old Tory myth that "the Local Authorities would go mad and start building left, right and centre." Well, that might not be such a bad thing, anyway! But it is—perhaps unfortunately—a fantastic conception. For instance, the State possesses—by Act of Parliament already on the statute book—overall and complete planning control. Not a single house can be erected from public funds anywhere in the British Isles without approval from Whitehall. The State creates credit quickly enough in war-time, why not in peace?

Interest-free loans will deal with the problem of the erection of new houses. But what about the rest of existing housing? Here, of course, Transport House has surprised us all by accepting the principle that *rented* accommodation is *social* accommodation and as such should be administered by some socially responsible body. This is all very fine but it rests on ordinary Labour Party members to see that this promise is implemented and that the party makes it one of its main election planks at the next election. To this must be added the power to *requisition* such properties – rather than saddling the Local Authority with the burden of paying crippling compensation *ad infinitum* to landlords who have, in the past, quite frankly, made a very good thing out of the people's housing torture.

11. A foreign policy based on independence of both Washington and Moscow.

Socialist Foreign Policy

Tory foreign policy has become the public relations officer of the American State Department. When Dulles can't bully the French people into accepting EDC [European Defence Community], Eden wheedles them into the London Treaty. When Dulles finds the American working class firm in their opposition to committing their boys to slaughter on the Continent, Eden promises four divisions and an air-force from Britain. When Dulles finds the people of Europe and America solidly opposed to becoming involved in the *dirty war* of French Colonialism in Indo-China, Eden saves the situation at the Geneva Conference. Eden and Dulles—one tune in two voices.

This is not surprising, for the problems of Capitalist Britain are a replica—on a smaller scale—of the problems of Capitalist America. When a slump hit America in 1949, it hit Britain too. The solution that the American Capitalists found for the slump—mammoth government expenditure on arms and the opening up of the "hot war" in Korea—saved British Capitalism from a crisis too. British Capitalism might have been satisfied with an arms race only and might have left the Korean War alone, but where its mighty brother pays the piper, he also calls the tune.

With a slump and attendant unemployment closing in on one side and aggressive State Capitalism of the Russian Bloc threatening from the other, there is only one solution for the British rulers—arm, and arm again. And the one factor that gives this solution any possibility of success is an alliance with the tremendous industrial power of American Capitalism. No wonder the *Economist* considers that "the touchstone of all that is proposed or agreed in London (or elsewhere – *K.M.*) must be the question: will it strengthen or weaken the bonds between the United States and its allies?" (25/9/54).

But what about the *co-existence* that the ruling classes on both sides of the Iron Curtain are talking about? Yes, they talk about it, but when it comes to practical steps, they force Germany into keeping an army of over half a million men against the will of the German workers and, on the other side, publicise Marshal Bulganin, Russian Defence Minister's statement: "We have no right ... to console ourselves that our army is the strongest in the world ... It would be an unpardonable mistake if we did not strengthen our armed forces" (speech of March 10).

Co-existence can mean nothing but a *detente* as long as foreign policy is just a reflection of the internal stresses and strains of the class societies of both East and West. As long as such class societies exist, British foreign policy will be subservient to Washington.

Only a Socialist Britain, united with a Socialist Europe, can present an alternative foreign policy. Only a Socialist Britain can call on the American and Russian working classes to overthrow their present exploiters and realise in practice the slogan of *Neither Moscow nor Washington, but International Socialism!*

12. Withdrawal of British troops overseas; freedom for colonial peoples and offer of economic and technical aid.

Black and Tan

30,000 white settlers in Kenya are conducting a reign of terror over more than five million Africans. They can only do so because they have the active support of the British armed forces. British troops have been fighting in Malaya since the end of the World War. Malanite oppression in South Africa has the tacit support of the British Government as can be seen from the exile of Seretse Khama who sinned in the eyes of white South Africa by marrying an English girl. The people of British Guiana have been condemned by the last White Paper to decades of economic and political stagnation. White supremacy is an article of faith in the newly-formed Central African Federation. The people of Buganda are in the throes of a constitutional crisis invoked by the arbitrary exile of the head of state by the British Governor.

The British Empire is simmering with revolt against the "Mother country"; the "Mother country" can hold on to it only by force of arms, by judicial murder, by condemning it to everlasting backwardness.

"Mother Country" Milks Its "Wards"

We are bombarded with propaganda about colonial development schemes; many Acts have been passed to implement them. Let us look at the balance sheet.

On the credit side. Between 1940 and 1952 a total of £140 million was allocated to colonial development of which only £66 million were ever used. This is equivalent to 1s. 6d. per head per year for the 81 million people in the colonial territories. Even under the Labour

Government no more than 2 shillings and a half penny (2s. 01/2d) per head per annum—less than ½d. per week—was spent on "developing" the colonies. Even then most of this ½d. per week was spent on building roads, railways, electricity plants, etc., for private British (and U.S.) capital.

The other side of the balance sheet is this, total sterling balances of the colonies "frozen" in London amounted to £1,042 million by the end of June, 1952—more than 15 times the sum spent on colonial development. For every 9d. the British government "gave" so generously, it "borrowed" and refused to repay—one pound sterling.

That is only one half the story. The huge monopoly concerns which operate mainly in the colonies are among the giants of British Capital. Shell's profits last year totalled £130 million, Unilever (British section only) made £46.3 million, and hosts of smaller giants like Booker Bros., Tate and Lyle, etc., managed to make their millions. All this adds up to very much more *per year* than the £66 million that have been "poured" into the colonies during the last *twelve years*.

Empire Impedes Struggle for Socialism

The colonies are a source of tremendous strength to the monopolies of Great Britain.

Colonial Freedom

For every penny invested, pounds are extracted in profit. The very wealth they squeezed from the destitute African and Asian peasant is presented to the British worker as the margin between prosperity and penury in Britain; it is used to bribe the British worker into a false feeling of solidarity with his boss. The struggle for colonial freedom is said to threaten the privileged position of the British worker.

Not a bit of it. The very importance of the colonies to the British capitalists is the measure of the blow British capitalism will suffer through their breakaway to freedom. Every blow dealt to British capitalism is one more step in the direction of socialism. Our natural allies in this struggle are the colonial peoples; their fight to escape death by imperialist suffocation is the counterpart of ours to escape death by hydrogen-bomb warfare. The anti-imperialist struggle in the colonies will help us. We can help them by demanding the "Withdrawal of British troops overseas; freedom for colonial peoples and offer of economic and technical aid."

Appendix A.2

The Fight for Socialism

Introduction by John Rudge

In 1957 there was no separate youth organisation in the Labour Party—the Labour League of Youth had been disbanded in 1955 and the Young Socialists were not to be formed until 1960. What little youth organisation there was took the form of youth sections of adult Labour parties. Nonetheless *Socialist Review* was, at the time, commenting on a more favourable political mood among youth.

In response to this the November 1957 issue of *Socialist Review* had the first of what was to be a regular youth component of the paper called *The Young Socialist*. This "section" (for want of a better description) of the paper had its own numbering and it ran from Number 1 in November 1957 to Number 17 in September 1958.

The December 1957 issue (Number 2) of *Young Socialist* cited Keir Hardie's slogan and explained its own purpose in these words:

> EDUCATE, AGITATE, ORGANISE. And education must still come first.
>
> The aim of *Young Socialist* is to help in these tasks; to examine the issues affecting us, and present them in socialist terms; to work out a programme, and see how to bring it into effect; to weld together individual Youth Sections and college Labour Clubs into an effective movement for international democratic socialism. And socialist education is the tool.

Also in the same issue, within its *Young Socialist* section, the first article in a new series appeared, with the following brief introduction:

> The need in Youth Sections for a primer of Socialism is generally recognised. Here *The Young Socialist* prints the opening of our new pamphlet, *What is Socialism?* by MICHAEL KIDRON, which will be out in the new year.

The title of the proposed pamphlet, which ran to seven instalments, published between December 1957 and September 1958, was changed early on. By the second instalment it had become *The Fight for Socialism*. In the event the pamphlet does not seem to have appeared. But by way of an introduction to the third instalment the following brief summary appeared:

> The two instalments from Michael Kidron's forthcoming pamphlet—*The Fight for Socialism*—which we have already published, argued that capitalism has always to fear over-production, gluts and crises; that its old insurance policies against these ailments have greatly depreciated in value; and that its main alternative to slump today is arms production and preparation for war.

All seven instalments of the series appeared in the pages of the *Young Socialist* section of the *Socialist Review*. What follows should be read in that context. It was conceived and published as part of the education of young socialists, to which Kidron was always committed.

The Fight for Socialism [1957–58]

Part 1

Socialism is a type of society in which all the members of the community collectively determine their conditions of life and their way of living. In order to do so, they must control, collectively, the use to which machines, factories, raw materials—all the means of production—are put. Unless the means of production are effectively in the hands of the whole society, not as in Britain today where 1 percent of the population owns more than half the national capital, there can be no question of the collective control of the conditions of life. This can best be illustrated by seeing how Capitalism works.

Every capitalist competes with every other one for a market. When they sell similar goods, their competition is obvious. Even when they sell altogether different goods, like TV sets and houses, they still compete for the limited wage-packet of the worker. If one capitalist does not compete, he is lost. Others will nab his buyers.

Competition means underselling and price-cuts on the one hand, and on the other, advertising wars (fully 25 percent of the price of a packet of detergent is the cost of advertising). Whoever can undersell or spend more money on advertising is sure to win and knock the others out of the running. In other words, the bigger the amount of capital under your control, the bigger it is going to become. Only the very big capitalists can afford the techniques of mass—and cheap—production (conveyor belts, breaking up highly-skilled jobs into many semi-skilled ones, automation, and so on). Only the big ones can buy raw materials in bulk at lower prices, or employ special staffs of lawyers, market researchers, advertising men and so on.

To become big the Capitalist must first squeeze out his weaker competitors and add their capital to his—*centralization of capital*—or make as much profit as possible from his current sales and reinvest it—*accumulation of capital*. The first method is of no direct interest to the worker as it matters very little who the boss is. If the capitalists want to fight things out amongst themselves, it is their business. It is of little interest for another reason: it adds nothing to the productive powers of society; the national wealth does not grow as a result of it. In fact all it leads to is the concentration of the same amount of wealth in fewer and fewer hands.

We are interested mainly in the second form of capitalist growth: the *accumulation of capital. It is accumulation which has made capitalist society the dominant form of society in the world.* This is what affects the worker most directly.

How do capitalist firms accumulate? Where does the money which they reinvest come from?

The Source of Accumulation—Surplus Value

In order to produce commodities for the market, every capitalist must buy other commodities which he uses in production. The things he buys are mainly: machines, raw materials or semi-finished goods, and labour-power. Machines, raw materials or semi-finished goods, although an item of expenditure on the part of one capitalist, are commodities sold by other capitalists and appear as part of their incomes. Those capitalists also spend money on machines, raw materials or semi-finished goods and labour-power, the money spent on machines, raw materials and semi-finished goods being the income of yet another group of capitalists who spend money on ... and so on indefinitely. Whenever one capitalist spends money on machines, etc., that money is part of the income of other capitalists who then hand it over to yet other capitalists for machines, etc. If all the capitalists belonged to one great trust these transactions would not take place and the only buying and selling that there would be is the buying of labour-power by the capitalists and the selling of it by the workers and technicians in exchange for wages and salaries. Taken all in all, the capitalist *class* (not the individual capitalist) has only one expense—buying labour-power. Whatever remains to that class after its purchase of labour-power is profit (*surplus value*).

Before going on to see why the existence of these profits makes the world the Hell it is, let's discover where they come from.

That part of the capitalist's expenditure which is spent on machines, raw materials and unfinished goods goes the rounds from one capitalist to another in a perpetual circle—this is the social wealth that has already been created. If the productive forces of capitalism were to remain static and not increase, this expenditure would appear like a constant, fixed fund thrown from hand to hand in an endless relay race of production, each capitalist handing on to the next the exact amount required to renew his stock of machines and raw materials. No profit would be made on such sales as each capitalist would swap exactly that amount of machines, etc., for an equivalent amount, and, when all the exchanges were done with, everyone would be where he started.

There is, however, one item of expenditure which makes all the difference, namely, wages and salaries—the expenditure on labour-power. This expenditure is the only one which is not a transfer of goods already produced from one capitalist to another. It is the only item of expenditure which is productive in the dual sense of producing the wealth of society and in the sense of producing profits for the capitalist. *Labour alone produces wealth.*

The capitalist controls the physical means of production; the workers control nothing but themselves, the capacity to work. They are driven to work, to sell their labour-power to the capitalist, in order to keep themselves and their families. When they sell, they demand a "living wage" for their labour-power, and, if unions are strong and there is not much unemployment, they usually get it. Of course there are exceptions, but by and large, for the working class as a whole, this is true.

If the worker produced exactly that amount of products which he could buy for his weekly wage plus what would replace the raw materials and machinery used up in its production, the capitalist would clearly not make a profit. Profit can only be made when the workers produce more than their wage bill *and* the depreciation of machinery *and* the depletion of stocks of raw materials put together, i.e. when they produce *surplus value*, value over and above the wages necessary to maintain themselves and their families.

To take an example, in ICI in 1955, for every 11/- paid in wages and salaries (including some fat salaries for directors and others on the "managerial" side) the bosses made a clear profit of 9/- after all expenses for raw materials and depreciation had been met. To put it differently, in a 40-hour week the worker put in 22 hours for himself and his family and fully 18 hours for the boss. On a national scale, the picture is very similar. In 1956, for example, out of a total *net* national income (i.e. after the stocks and machines used had been replaced) of £16,465 million, £7,375 million were paid out in wages (before taxation), £3,715 million in salaries, including the fat ones (before taxation)—altogether, only 69 percent of the new wealth produced in Britain that year. The other 31 percent (£4,997 million) was *surplus value*, i.e. rents, interest, profits paid out to the capitalists.[1] So that again, for every 13/9d. paid out in wages and salaries (including the fat ones) the capitalists made a clear (net) 6/3d. over and above replacements. Part of that surplus went on taxes, part on living (on the Riviera and elsewhere), but the biggest single portion of it (£1,487 million) went on the accumulation of capital—investment.

Part 2

That was in 1956. Last year the same process went on, and this year, and next will see it continue. Every year more and more profits are ploughed back into industry; every year the industrial machine becomes bigger and more productive. The more productive it becomes, the greater the quantity of goods that has to be sold in order that the process of accumulation can go on. During the first phase of consumption, say after a war, when a lot of old machinery has to be replaced and consumer goods are scarce, there is no trouble in disposing of the goods. Investments that immediately lead to greater output can find markets; those that take a longer time to start production, like steel mills that need five years or so to build, have no immediate effect on the quantity of goods to be sold. Eventually, however, a market must be found for the increased production, and this is where capitalism breaks down.

A shoe manufacturer, for example, must sell *all* his shoes before he can cover the outlay (wages, raw materials, etc.) spent on their production and also buy the new machines and raw materials needed for expanding production. By the time he has increased his output he must expand his sales further and so on indefinitely. The same is true of all capitalist firms. The machinery firm will expand production of machinery for the shoe manufacturer, the mining company will extract more iron-ore for the machinery firm and the other capitalists will follow suit (some more, some less) *as long as the shoe manufacturer can find a market*. When the shoe-manufacturer has grown so big that he can't find a market everything crashes into a slump.

Why can't a capitalist always find a market? In Britain, manual and professional workers receive enough in wages and salaries to buy about two thirds of the total national product. The capitalists use up about half of the rest on their inflated standard of living (taxes take a share of both these items) and the rest goes in investment. But eventually these investments produce still more goods and still the manual and professional workers and the capitalists use up only 85 percent of the product in current living expenses.

Another 15 percent has to find some other market. If it can't be sold, it means that the capitalist can't buy more machines—can't accumulate. And if a capitalist can't accumulate, he won't produce. Production stops in one industry, workers are locked out, they buy less and other capitalists, finding their markets dwindling, stop production, throw out their workers and shrink the market for yet other capitalists. This is a rough picture of a slump such as we had during the thirties. It shows a world of *unemployment and misery just because capitalism produces too much. The crisis of capitalism is a crisis of overproduction.*

Capitalist "Solutions" to Overproduction

Compelled by competition to keep wages down as much as possible, the capitalists will not raise wages (unless forced to do so by the unions) because that would reduce the funds left for accumulation, and, eventually, would mean that he loses to his competitors.

But the fact remains that wages have been rising and that we don't live in a state of perpetual slump. Why not? Can capitalism solve its problems?

Imperialism: Once, surplus production was unloaded on to the colonies. Some 15 percent of Britain's national income was shipped to India, Africa and elsewhere. The same is happening today with two crucial differences: now the productive forces of Britain and the other capitalist countries are so much bigger than they were a hundred years ago that they could swamp the colonial and semi-colonial markets and still not get rid of their problem (in 1950 Britain produced roughly 9 times as much as in 1850). Secondly, the backward countries themselves have started to industrialise. Their own capitalists need their markets themselves. In order to progress at all, they find it imperative to cut themselves loose from the better-equipped imperialist powers. For them the struggle for national liberation is a condition of existence; for the capitalists in the imperialist countries it means that outlets for surplus capital are getting smaller and smaller.

Riding the Slump: Another method of getting rid of the surplus stocks so that the process of accumulation can once more get started is to let the slump take its full course. Stop producing here, destroy stocks there, and then, once again, the ball of accumulation will start rolling. This too has become dangerous, too dangerous to be tried again. Last century it could be done without much trouble. Workers could be thrown on to the streets to starve without risk for the capitalist class. After all, labour organizations were still in their infancy. Today, however, things are different. Workers' solidarity is a force to be reckoned with; we have learned the power of collective action. During the depression immediately preceding the First World War, British capitalism (like its European counterpart) had a revolution staring it in the face. The Great War saved the situation by stepping up production. The post-war slump led to the gigantic upheavals of 1919–20 and to that glorious working class rearguard action—the 1926 General Strike. The slump of the thirties also rocked the capitalist boat dangerously. Again the capitalists saved their property and their skins by entering the war and creating full employment. Slumps are dangerous for the ruling class—they can mean a Socialist Revolution. Anything, anything but a slump!

Stagnation and Surplus Capacity: What is the capitalist answer to a slump? The most important thing is to maintain full employment and so "keep the workers happy." For some time this can be done by preventing the introduction of labour-saving devices or their use. In Britain today we have full employment, but we also have a mass of idle resources. Hundreds of millions of pounds have been invested in the motor industry over the last few years, automation has been introduced, and yet the output of cars has barely risen at all. Of course, the Tories' credit squeeze is to blame in part, but the lack of markets is the major reason for this accumulation of surplus capacity.

War: But stifling economic progress is not a complete answer to a slump. The size of the surplus to be disposed of can be kept down, but it cannot be eliminated altogether, otherwise profits would not be made and accumulation would not go on. There is only one way the capitalists can get rid of their surpluses, accumulate and escape the dangers of unemployment at one and the same time—by running a war economy.

In the financial year 1957–58 about £1,440 million is to be spent directly on the "defence" budget in Britain; what the indirect expenditure on planes, ships, roads, etc., will be, one cannot tell. Of course we are made to believe that the armaments budget is an unfortunate necessity thrust upon the capitalist producers who would gladly produce less lethal commodities. In a sense they are right. It is a necessity to make profits from organised death when the bottom falls out of the market of the living.

The civilian market can quickly be saturated, the war market is a bottomless pit; a chair can be used time without number, a shell—only once. Bombs must be replaced every fraction of a second in time of war. Even in "peace-time" the Koreas, Cypruses, Suezes, Kenyas, Malayas, Algerias and army training grounds get rid of quite a lot of them.

Part 3

How does arms production get round the problem of overproduction? After all, even the Merchants of Death spend less on wages, salaries and their own personal budgets than the value of their products. Where can they find a buyer who will spend more than his income?

There is only one such client—the State. The State can print money—in 1956 the British Government printed £125 million. The State can borrow money—in 1954 it borrowed some £160 million. We are interested in the latter.

Debt and Destruction

When the State borrows money, it gives in exchange IOUs of various kinds. The most important are called Consuls, which bear interest of about 7 percent per year (currently) *for ever*. There are also National Savings Certificates, Savings Stamps, and other types. They all amount to the same thing: the State takes over the savings of the people who can afford to save, spends it and promises to repay in the form of interest. The accumulated borrowing is called the National Debt. Before the Second World War the National Debt was about £5,000 million. After it, it stood at £24,500 million—more than four times as much. Clearly war and the National Debt are inseparable. (Even the pre-war figure was largely the result of the First World War and the wars preceding it right from the days of the Napoleonic Wars.)

What does the State pay with? Taxes. And taxes are levied on the whole of the public. In the case of the worker and the lower white-collar worker, they are deducted from wages and salaries *before* pay day.

Now we can see how capitalism gets rid of its surpluses. The State taxes *everybody* and buys the arms for current wars (the British arms budget is now £1,441 million). When that isn't sufficient it borrows the accumulated surpluses of the capitalists and spends that on arms too and then taxes *everybody* to pay back its capitalist creditors (at the rate, now, of £878 million a year). If we allow the capitalist system to continue much longer our children will be paying back money to the capitalists that sent us to be killed in order to get rid of their surpluses!

The Government budget for 1957–58 shows the position clearly. Out of a total of £5,289 million, £1,441 million is going on the arms budget for current and future wars and £878 million on paying back the money squandered in past wars. This is equivalent to saying that of every £1 that passed through the Government's hand, 8/- is going on financing wars—past, present and future—while only 7/7 is for social services (including health, education, food subsidies, family allowances, and so on).

This, then, is all that capitalism can offer. Either a slump in which the workers starve while they wait for the goods to rot or a war in which they pay with their blood and their money as the goods go up in smoke.

This is what we must learn: it is only because the capitalists are responsible to no one but themselves that they can turn production on and off, and produce guns when they find that they sell better than hot cakes. Only because they compete amongst themselves have they got to stretch beyond the live market of consumers into the horrors of production for war destruction—whether they like it or not.

Our job is, thus, two-fold. First, workers' control of production so that the whole of society—not a small, independent section—is responsible for it. Second, full nationalisation and central planning to abolish competition.

Part 4

For full nationalisation and national planning

As long as each factory, each shipyard, each shop is responsible to a single owner, or to a small group of owners, and as long as the only relationship existing between these groups of owners is competition, there can be no planning, no rational organization of production. This is what causes one of the strangest paradoxes of capitalist production: on the one hand there is the most meticulous organization within each factory where every process is worked out to the last farthing, on the other hand you find complete chaos and anarchy in the relations between the various capitalist organizations.

An American Socialist, Max Shachtman, has described very exactly the disorganised way in which Capitalism does advance and the logical answer to such chaos:

The trouble is that this expansion of production in boom times is in its very nature *unplanned*. For example, a 100 percent increase in wheat production does not require a 100 percent increase in the production of threshing machines. A 100 percent increase in the production of threshing machines may mean a 100 percent increase in the iron that goes into the machines, but only a 10 percent increase in the production of the tools by which the threshers are made. A 100 percent increase in the production of cotton textiles may require only a 25 percent increase in the production of textile machines. What is more, this small increase in textile machinery for one year may suffice to keep textile production at a higher rate for five years—the market for textiles themselves is more continuous than the markets for textile machinery, the one is used up far more rapidly than the other.

If all the capitals could be joined under one roof, and production centrally planned with meticulous care, it would be possible to work out a schedule of expansion for each industry so that each would develop in harmonious proportion to the other. Planning on a national scale (eventually on an international scale) could regulate the proportions in which each industry should be expanded so that the whole of economic life advances harmoniously.[2]

Even Partial Nationalization—A Success Story

In Britain only 20 percent of industry is nationalised—the deficit industries at that—and yet their success from a capitalist point of view has been remarkable.

Before nationalization, the railway companies were running at a loss, or rather, they weren't making as much profit as other capitalist investments. So the Government stepped in with a subsidy, with loans and with other forms of aid, and guaranteed the railway owners a net profit of £40 million a year (1940) which was later raised to £54 million a year (1944). When vesting day came and the railways were nationalised, the owners received compensation to the tune of £1,065 million which was saddled on to the nationalised industry. The British Transport Commission now has to pay £59 million a year (1956) in the form of interest and redemption. And yet in spite of this, and in spite of the fact that British Transport doesn't get one penny in Government aid, it still makes a clear profit (£41/2 million in 1956).

The same is true of the coal industry. Production has gone up by 25 million tons since nationalization. Output has risen by 2 cwt. per man-shift. The National Coal Board pays out over £21 million a year in interest and redemption to the ex-owners. It provides the steel and chemical capitalists with 20 million tons of coal a year at a price subsidised by consumers for coal-for-the-grate. And yet it makes a profit and the mineworkers have still been able to fight for and win a position as third in the wage list of the whole country (after being 62nd in the list for so long).

The British Electricity Authority shows the same trend. A surplus has been accumulated since nationalization (profits in 1955/6—£19 million) while its output has increased by 95 percent since nationalization (to be compared with a rise in manufacturing output of 54 percent). Its prices have gone up less than those of any other major product. No wonder the Tory parliamentary secretary to the minister of fuel and power, Joynson-Hicks, handed it the laurels: "expansion has gone hand in hand with increased efficiency" (*Hansard*, October 26th, 1953).

The gas industry can tell the same story, so can the British Overseas Airways Corporation and the Bank of England—all nationalised, all profitable from a strictly capitalist viewpoint.

Limitations of Partial Nationalization

Partial nationalization may please the capitalists; it cannot satisfy a socialist. Not only has the state relieved the private capitalist of his least-profitable investments, not only does this state-capitalist sector still work in the interests of the private capitalist sector by paying huge compensation and by providing cheap services, but the state-capitalist sector is still caught up in the problems of capitalism.

If the private automobile factories can't find markets, steel production will drop and so will coal production and transport, whether nationalised or not. Miners and railwaymen will be out on the streets. Partial nationalization is no security for them.

If the private capitalists panic and start exporting their funds as they did in 1951, the state-capitalist sector cannot prevent it, not having control of 80 percent of the national capital.

In sum, Labour's policy of partial nationalization was a clear gain to British capitalism, but no solution to its basic contradictions. It allowed the capitalists to pull out of deficit industries and invest more profitably elsewhere; it made the profitable industries more profitable by servicing them at subsidised rates with the products of the nationalised industries. It even gave the ex-owners all the say on the nationalised boards. And, if that was not enough, the Labour Government gave free rein to the representatives of Capital in the Government and especially in the administration of non nationalised industry.

Of this policy, John Cates writes the following illuminating facts:

> [G]overnment of business by business was a conspicuous feature of Labour's policy. At various times, the Leather Controller was an official of the United Tanners' Federation. The Match Controller was attached to Bryant and May, and, indeed, for a period had his offices on the firm's premises. The Footwear Controller was an executive of Dolcis. Employees of Distillers Ltd. filled the top positions in the Molasses and Industrial Alcohol Control of the Board of Trade. The Cotton Control was largely recruited from Liverpool cotton firms, and the Timber Control from trade organizations. Perhaps the largest share of control positions were staffed by people from Unilever. In 1947 there were 90 former Unilever employees in the Ministry of Food, 11 of whom possessed full executive and administrative powers. Nor were they the sole representatives of Business enterprise. Each of the commodity divisions of the Ministry was headed by an employee of a leading firm in the industry.
>
> [U]nder Labour a number of businessmen in government were paid, not by the government, but by the firms for whom they had been working, and in other cases firms made up the difference between government pay and the previous salary. And Sir Stafford Cripps admitted that some members of the Raw Materials Control "have always been permitted to keep in general contact with their firms."[3]

Although the Labour Party in power offered no alternative to capitalism in Britain, but on the contrary helped it to become more efficient, more able to cope with competition in international markets, and gave it free rein at home, it solved nothing. Overproduction is still with us.

Partial nationalization cannot eliminate this problem; it is not one step further on the road to Socialism, notwithstanding the Party document, Industry and Society. *Full nationalization is, and even full nationalization with the total elimination of the capitalist class is only one step, only part of the answer.*

Part 5

Even if the British economy were completely nationalised we would still be dependent on the world market. The Control Plan would still have to take account of the fact that more than half of our food and vast amounts of raw materials must be imported and paid for with exports. We would still have to compete with foreign capitalists in selling our goods. Accumulation would still appear as an imperative necessity and wages would still have to be kept down in order to allow this accumulation. Otherwise we would lose our export market, be unable to import and be starved out of existence. *Socialism in one country is impossible.*

That this is not simply a nightmare but a fact is borne out by the experience of Russia. In November 1917 the Russian workers took power. The capitalist class was eliminated. The revolutionary movement swept over Europe and almost engulfed the whole European capitalist class. Almost, but not quite. In the event, Russia was left isolated. The pressure put on her by world capitalism in the form of military invasion and economic embargo forced the pace of accumulation in Russia. Whatever could be invested in industrial power was invested, only the remainder was left as workers' wages, only what was strictly necessary to keep them alive and able to produce the capital goods. The workers had to be subordinated to the process of accumulation; whatever else happened, accumulation had to go on if Russia was to remain on the map. And where the job of accumulation must go on and the workers have to pay for it in much the same way as they do in Britain, somebody has to see that it will be done. Somebody who can carry it out in spite of working class opposition, somebody who is not responsible to the workers. The old capitalists had been wiped out; a new bureaucracy (a "collective" capitalist class) stepped in. The job that the old capitalists did so badly was now done with ruthless efficiency by the bureaucracy. They *could* do it better because Russia was now one big "firm" with one plan and one directing centre; they *had to* do it because Russia was only one "firm" amongst many competing ones.

Full nationalization in one country is possible. Russia proves that. Socialism in one country is impossible. Russia proves that too. As long as competition exists, whether in the market or on the battle-field, production for accumulation will go on and production for consumption will be only incidental to it. There can be no Socialism until the working class kills capitalist competition internationally. To do this, *the workers must control production in all countries. Nationalization has Nothing to do with Workers' Control:*

Every railwayman will agree that little has changed for him since Vesting day. Before then he worked for a private boss; since he has worked for a public one. Bosses come and go but the relations between boss and worker remain (or have done until now). The change in the form of ownership does not mean an automatic change in the *relations of production*.

This can be seen in many ways. A couple of pages back we saw how the representatives of Big Business packed the economic posts of the Government. Even in the nationalised industries where Business was supposed to have been bought out, the same applies—the previous owners and their friends still formulate policy. *Of 272 Members of National and Regional Public Boards of a Commercial Character, in March 1956, 106 were Company Directors, 9 were Landowners, 5 were Regular Officers, 15 were civil servants, and 71 were managers.*

So much for workers' control!

Part 6

Even Ownership Has Little to Do with Control:

The nationalised industries in Britain are supposed to belong to the people of Britain, yet they are obviously controlled by the capitalists of the country. Article 6 of the Russian Constitution reads:

> The land, its deposits, waters, mills, factories, mines, railways, water and air transport, banks, means of communication, large state-organised farm enterprises (state farms, machine-tractor stations, etc.) and also the basic housing facilities in cities and industrial localities are *state property, that is, the wealth of the people* (my emphasis—MK).

Yet the land, etc., in Russia is controlled by a small, independent bureaucracy. *Formal ownership does not necessarily mean control.*

Some examples:

There are other, more common, examples of this difference between control and ownership. In a big Capitalist firm, there are voting shares and non-voting shares. The non-voters own the firm in exactly the same way as the voters, but only the voters have the right to elect the board of directors, i.e., only the voters control policy. Even then, not all the voters carry any weight in determining policy. A man with a few shares is usually not sufficiently interested in the firm to scrutinise its activities carefully or bother to come to the shareholders' meetings, while one with a big bloc of shares is. The many small "owners" may work at cross purposes, the big owner has only his interests to look after. Usually, the ownership of about 25 percent of voting shares is sufficient to give control of the whole company and of all the other Capitalists' money invested in it. (Sometimes only 5 percent will do the trick.) Control doesn't always stop there, however. The company may hold 25 percent of the voting shares in another couple of companies which, in turn, may hold 25 percent of those in another few companies, and so on. Some companies called "holding companies" are, in fact, specially formed to control shares in this way, so that one group of shareholders, although it really "owns" an insignificant proportion of the total capital involved, might control a vast economic empire.

It is as well to bear these facts in mind when capitalists come out with their beautiful schemes for "co-partnership" in industry. *The sense of solidarity with the boss which sometimes accompanies the couple of shares doled out, blinds the worker to the fact that he has no say in running the plant.*

If ownership does not necessarily imply control, what is control?

How Do Capitalists Control Industry?

In order to control a firm, the group of Capitalists at its head need know nothing about it. The *Manchester Guardian* reported an analysis of 725 public companies, comprising about four-fifths of Britain's engineering output. It showed that over two-thirds of the Directors have no professional qualification and that 40 percent of the companies' Boards have no technically qualified Director. Yet in the last 50 years the proportion of chartered engineers to the working population has increased fourfold. One only need add that a large proportion of Company Directors are themselves paid hacks of the really big investors, chosen for their know-how, to see how little Capitalists need know about industry.

The actual running of the firms is in the hands of paid managers and salaried technical staffs who have no say in "policy." And yet, although all the "know-how" is hired, the control still lies in the hands of the non-professional directors. What is this control?

The Directors Have the Power of Hiring and Firing.

Although they know nothing about the actual process of production, they can tell a man who does by his record. If a manager produces a 10 percent profit when every other company is raking in 20 percent, that manager gets the sack. If he produces 20 percent while others produce 10 percent, every firm competes to employ him. The same goes for the rest of the technical and professional staff—they are hired and fired on the basis of their formal qualifications and on the basis of results which every man in the street can see. Very little training in arithmetic is needed to see the difference between 20 percent and 10 percent.

What gives the Capitalists the power to hire and fire their managers? The law courts, police, prisons and the army—the whole apparatus of repression which is the Capitalist State. If the manager should do the impossible and refuse to leave his office, he'd find himself behind bars in no time. If workers should again do what they've done so many times before and conduct a sit-down strike, they would find troops banging at the gates within an hour.

Capitalists control industry, not by their superior knowledge, but by their monopoly of armed *power (ably abetted by their control of the press, the radio, television, films and the other "idea-fixing" industries).*

What capitalists can do, workers can do better.

When the workers take power in Britain, we can expect very little damage in the basic economic facts of the country. True, most industries will be nationalised sooner or later by the Workers' State. True, the struggle for the Workers' State will take the form of trades councils, factory and shop committees mobilizing the workers to eject the capitalist owners. But capitalist owners, as the experience of nationalization in Britain and Russia shows, are not absolutely necessary to capitalism. Given State power the technicians, managers and bureaucrats can very easily perform the functions of the capitalist, even better than he can.

Yes, the Workers' State will inherit very many features of capitalism. Managers and technical experts will remain, and our ignorance, for which we have to thank the capitalist world in which we were brought up and which places the technocrats at such an advantage, will remain with us too. Possibly a whole generation will have to pass before this class difference between mental and manual labour disappears forever.

How to Control the Technicians

In the meantime our main job inside the country (ignoring defence from external attack for the moment) will be to guard against the middle-class "technocrats" becoming an independent body with armed powers of their own. This must be done in two ways*: the job of hiring and firing technical and managerial experts must be in the hands of elected shop and factory committees* with the power of striking against any sabotage or breach of faith on the part of these technocrats. Second, *these committees and regional trades councils must have the full support of the Workers' State.* No separate bodies of armed men but the entire people armed.

Given these two conditions, the technocrats will obey the workers as they have always obeyed the capitalists.

The Fight for Socialism—Conclusion

We have seen that capitalism means either the excruciating suffering of a slump or the threat of total annihilation. Because only a small section of the population controls production and is not answerable to the rest of the community; because this section is competing within its own ranks and with similar classes abroad. This small capitalist class can hang on to power only because they control the armed forces, the police and the means of mass "persuasion."

The workers' answer to this threat of total annihilation is Socialism. *Workers' control of production; abolishing competition by full nationalization at home and international co-operation between workers' states; defence of the workers' states against middle-class sabotage by arming the entire working class.*

Only thus can the workers' state be kept alive and Socialism attained.

How do we stand as regards the realisation of these general objectives?

At the moment the Labour Movement in Britain shows no interest in revolutionary Socialism. Despite the resurgence of industrial militancy, Socialism is generally regarded as "voting Labour." This is only to be expected in a period of full employment, when real wages, if not rising, are at least not falling. It is true that the increase in real wages since the war has been at the expense of greater effort at work: between 1948 and 1953 real wages increased by 7 percent and productivity by more than double—15 percent, and the average work week is higher than it has been for a long time: 49.3 hours in October 1953, as compared with 47.7 in Octoberj 1938. But this the average worker does not know. He feels, correctly, that his conditions have improved, and so, all's right with the world. This attitude is natural, but can it last?

The capitalist world can only escape a slump by using up its surpluses in arms production. By 1949 the post-war boom was coming to an end. If the re-armament programme (one feature of which was the Korean war)—not just the British one, but that of all the Powers—had not got under way, we would now be facing a large-scale slump. But large-scale production of armaments creates problems of its own. Whilst it stimulates boom or semi-boom conditions (full employment, large profits, etc.) as soon as it gets into its stride, it doesn't permit the production of the mass of the *consumer* goods that would normally be produced during a boom; in fact it may considerably reduce the amounts available. This happened, for example, when the Labour Government had to impose charges on the National Health Scheme services to pay for its 1950–1 arms budget. And once under way re-armament cannot stop. Competitors in the international market follow suit and we get into the fantastic state of affairs where more and more production leads, in the end, to less and less consumer goods and a forced reduction in the standard of living of the masses.

As yet we haven't come to that in Britain, but there is no doubt that we shall, and as soon as the arms burden begins to cut into living standards we can expect a greater degree of consciousness amongst workers. For the first time in history, world capitalism is preparing for war in conditions of full employment; for the first time war doesn't bring with it the temporary alleviation from the nightmare of unemployment. It now means one thing only—a cut in living standards and the probability of total annihilation. If the fear of the latter won't drive politics into people's heads, the fear of the former will. We shall then witness a tremendous radicalization of the masses, a blind, impetuous radicalization. Our job is to prepare for it, to guide it, to prevent it ending itself in hysterical destruction.

This is no less true in other countries than in Britain. There has not been one major threat to capitalism in this country that has not had its counterpart on the Continent, whether it was the pre-1914 slump or the post-1918 one, the troubles during the great slump of the thirties or the tremendous attacks mounted by the working class at the end of World War II. The only difference between here and there has been one of degree—the Continental working class has always gone one step ahead of its British comrade. While we were only threatening a General Strike in May 1920, Germany was convulsed in revolution and counter-revolution; while we were peacefully installing Labour MPs in Parliament in 1946, the workers of Paris were being disarmed after patrolling the streets with guns on their shoulders. These are only two examples out of many. We needn't be afraid that our Continental comrades will desert us. Our problems are their problems; our future theirs.

A conscious Socialist must do two things today. We must strengthen the left-wing elements wherever we are: in union branch, Labour Party ward, Co-operative Society; and weld them into a body with a united programme, working to transform the Labour Movement into a truly Socialist movement. Secondly, this left-wing within the movement must spread its Socialist programme—rather, its programme for the transition to Socialism—as widely as possible, relating it to the questions of the day, so that as political consciousness strikes deeper roots, the programme can pull as many as possible from destructive rebelliousness to constructive revolution. The programme of the Socialist Review *is such a one.*

Appendix B: Internal International Socialism Documents

Michael Kidron and 1968 [1968]

Introduction by John Rudge[1]

The International Socialism group began 1968 with 447 members, but much was going to change in what Ian Birchall has described as the "Year of Wonders."[2]

The year started with the Tet Offensive by the Vietnamese National Liberation Front. The burgeoning Vietnam Solidarity Campaign in Britain mobilised demonstrations in London of 20,000 in March and 100,000 in October.

April brought forth the spectre of racism in the form of the infamous "rivers of blood" anti-immigrant speech by the Tory politician Enoch Powell. Worse still, some London dockers and meat-porters struck in support of Powell.

In May, France erupted in a wave of student protests, followed by a series of factory occupations and a general strike of 10 million workers. Student unrest in Britain, already foreshadowed in the 1967 occupation at the London School of Economics (LSE), was given a jolt by the French events. So, too, in other countries, and unrest began to take on global dimensions.

With August came the Russian invasion of Czechoslovakia and crisis in a number of European Communist parties. Moving alongside all of this was the growing civil rights movement in Northern Ireland. And all the while opposition to the war in Vietnam continued to grow.

New possibilities seemed to be opening up rapidly, and in May the International Socialism group strove to fill what it perceived as "the vacuum on the left" by calling for the establishment of a united organisation of the radical left. The call was on the basis of a four-point programme: opposition to imperialism; opposition to racism; opposition to state control of trade unions; and for workers' control of society and industry. A host of left groups were written to by IS. The initiative failed in its overarching objective (although the tiny orthodox Trotskyist group Workers' Fight did join IS, where it became known as the "Trotskyist Tendency").

But if a realignment of left groups was not the order of the day, a more interventionist left politics seemed to be very much on the agenda. In part response, the IS newspaper changed its name from *Labour Worker* to *Socialist Worker* in June, and in September the paper moved from monthly to weekly production. In this ferment, IS was recruiting very substantial numbers of new members, the majority of them students, and by the end of 1968 membership was in excess of a thousand, with a large periphery of activists who supported the kind of anti-capitalist politics that IS and others were declaiming.

It was in this heady atmosphere that the IS leadership, and Tony Cliff in particular, started to argue that IS needed to become a different type of organisation—"a revolutionary combat organisation" with a "democratic centralist structure" to match. In June, Cliff published a brief document, "Notes on Democratic Centralism," that sparked five months of intense and often fiery debate in the organisation.

This internal document produced by Cliff was the opening salvo in the move to change the nature of IS. It began with the following words:

our group has for a long time been a purely propaganda organisation—publishing books, theoretical journals, holding schools, etc. The structure fitting this situation was a loose federative one; all branches were like beads on a string. Over the last year or two we have moved towards agitation. This demands a different kind of organisational structure. A revolutionary combat organisation—especially if it becomes a party—needs a democratic centralist structure.

The key thing to understand is the extent to which the events in France influenced Tony Cliff's thinking and how he used the pamphlet "France: The Struggle Goes On" (co-written with Ian Birchall) as a central weapon in his argument for change in IS. Birchall actually describes the pamphlet as "Cliff's main contribution to the understanding of 1968 and the reorientation of the organisation."[3]

Prior to the proposed changes, IS was organised on the basis of a federal structure whereby all branches of 10 members or more had a member on the IS Executive Committee (ISEC), with slightly different arrangements pertaining in London. The ISEC met quarterly, and each year it elected a smaller Political Committee (PC) to provide general political guidance and supervise the editorial policy of the group's publications. An Administrative Committee (AC) ran the day-to-day affairs of the group between ISEC meetings. Biannual meetings (Conferences) were held to decide the overall policy of the group, with delegates elected on the basis of one delegate per five, or majority of five branch members. What was required for someone to be a member of IS was loosely defined, and the constitution made no reference to factions.

The proposed changes to a more centralised structure brought forth a host of differing viewpoints ranging across a spectrum of opinion from a libertarian wing to an unyielding commitment to an ultra–democratic centralism. A number of factions were formed. In my unpublished manuscript "The Turn to Democratic Centralism: Documents of the 1968 IS Conferences,"[4] I deal in detail with 22 separate documents issued as part of the debate.

Matters were first brought to a head at the IS Conference of 28–29 September, but this "stormy" affair was not able to resolve matters. A recall conference was held on 30 November where Cliff and the IS Political Committee won the day. Richard Kuper had the honour (dubious or otherwise) of chairing both conferences.

Michael Kidron was to play an important role in the debates, and he and his comrades in Hull IS produced four influential documents.

Document 1: "Where Are We Rushing To? Some Comments and Some Proposals" is Kidron's early riposte to Cliff. It is an important document that has not appeared in print before. It is reproduced in full in this appendix.

In his document Kidron acknowledges the need for change, but the very title of the piece shows him to be championing reasoned and planned change over the rush to action. It also shows him supporting bottom-up as well as top-down developments.

The document is memorable not only for its astute political analysis but also for a statement that says so much about Kidron and his approach to his own work. Writing can never be an end in itself, only a means to an end—except Mike puts it so much more elegantly: "Nor should comrades retire, each man to his Wold, to write. After a certain size and degree of involvement, writing and the sense of direction that comes with it is a necessary ingredient in activity, not a replacement for it."

In Document 2: "Once Again Where To? A Comment on Perspectives for IS" Kidron takes issue with the IS Political Committee for its lack of proper political perspectives on which to base activity as well as organisational changes.

It is quite clear that Kidron saw the need, particularly in the circumstances of the day, for political thinking and political planning to a level of sophistication well in excess of anything the Political Committee had so far entertained.

Document 3: "We Are Not Peasants: A Note and Proposals on IS Organisation" in the name of Hull IS is known to have been written by Kidron. It was issued after the September IS Conference and is a plea for "operational political analysis"—"a view of the world in the here and now which links our activities to our basic assumptions." It contains specific organisational proposals for the November Conference—a "Political Committee" elected at Conference combined with a delegate "Executive Committee" elected by the branches.

Document 4: "Neither Lenin nor Luxemburg, but in Reference to the Environment in which We Work" is a response to the IS Political Committee's document of 21 October, "Some Introductory Remarks," and starts with a quote from Tony Cliff's book *Rosa Luxemburg*. It reads as follows: "It is only by juxtaposing Luxemburg's and Lenin's conceptions [of organisation] that one can attempt to assess the historical limitations of each which were, inevitably, fashioned by the special environment in which each worked." Of course, it will not have been lost on any experienced IS members what Mike meant and who he was aiming at in the title of this contribution.

This is the only one of the four documents not reproduced in full. A significant portion of the original is taken up with detailed amendments to the Political Committee's constitutional proposals.

Jim Higgins was a key part of the IS leadership in 1968, and while his 1997 book is heavy on knockabout comedy, what he has to say about Mike Kidron's contribution to the 1968 debates is quite apposite. Jim was writing specifically about Documents 3 and 4 here, but the comments are equally relevant to all four Kidron contributions. Higgins wrote:

> Arguing forcefully for the retention of the branch delegate EC, he [Kidron] claimed that because there had been a large growth in membership, those new members had not had the time or the opportunity to assimilate IS theory or experience. This then resulted in the leadership attempting to find answers to the problems from the revolutionary tradition and neglecting their most important task of monitoring the world about us, so that they could direct the membership in meaningful activity. Not only should they be exercising political leadership but also "keeping their eyes and ears open to what the new members are saying and doing." The necessary interchange between the PC and the members could best be ensured by retaining the branch delegate structure for the EC. Paradoxically, and despite its opposition to the "Leninist" forms, this was the most Leninist of the contributions to the debate, it started from an appreciation of the importance of looking outward, it assessed the forces available to us, their strengths and weaknesses, and then formulated a plan to get the best from everyone. It was serious politics and it was totally unsuccessful, because nobody was really paying attention.[5]

The only bone I would pick with Higgins is in his contention that "nobody was really paying attention." I would reword that to say that "nobody in the IS leadership was really paying attention"—and at that time it would have had to include Higgins himself, as well as Cliff!

Document 1: "Where Are We Rushing To? Some Comments and Some Proposals," Michael Kidron, 4 July 1968, 2 pages

It's difficult to make the transition from a propaganda-and-protest organisation to a political one, but that's obviously what we're doing and should do, except that we should do it better.

Most of our work is and will continue to be on a local or sectional level, where particular problems and particular strengths and weaknesses loom very large, and where "trade-union consciousness" is often as far as workers will go in the first instance. We recognise this "fragmentation" and the unevenness in militancy that goes with it in general terms, yet we don't have too clear a view of what we intend to do in the fragments—we don't have *policies* which explain the balance of forces in an industry, or plant, or union, or locality; which focus on the demands and methods that might increase workers' involvement; and which pinpoint the issues that might act as conductors to politics.

We need such formal, written policies. Wherever we have a couple of people in an identifiable sector, they should be required to produce one—to guide their own activities, to attract others to these activities and to IS. Such policy documents would serve as an interpretive screen for *Socialist Worker*'s editorial board and so save the weekly from both volatility and strike-chronicling. Properly elaborated, they could provide the sort of empirical-operational articles *IS*, the journal, could well do with.

Lack of policy at this level runs through most of our activities. It has been most noticeable recently in the student movement. A number of comrades have thrown themselves into intense organisational activity, very nearly committing us all, without having thought about the causes of the student protest, and so without being able to judge whether the current guerrilla phase is likely to continue or give way to a national movement, without having worked out a program to offer the 25–50,000 students (5–10 percent) likely—on present showing—to pass through this phase of intense self-mobilisation, and without suggestions as to how to politicise the 10 percent or so of such militants that might respond to our appeal.

Our failure here is particularly galling because we are in a position to offer national leadership in this sector, which is valuable in itself and as a source of recruitment. Our student comrades should tell us where they are going, why and how.

It's not asking a great deal to want a stated policy as a framework for activity and a measure of achievement. It has been done to some extent in tenant work (see IS 31), in work amongst electricians (Berwick's articles in SW), and Post Office engineers. It was very well done at one time in ENV [an engineering factory in north London where IS had an important presence—ed.]. It is still done in an unorganised way whenever a group of comrades gather in one spot. All we need to do is organise, formalise and generalise it. Nor should comrades retire, each man to his Wold, to write. After a certain size and degree of involvement, writing and the sense of direction that comes with it is a necessary ingredient in activity, not a replacement for it.

This policy failure is magnified nationally. Discussion of our immediate prospects at the Centre [i.e. on the Political Committee—ed.] has been alarmist and unhelpful. General strikes on the French pattern and the "seizure of state power" compete with calls to stop the rightward drift to fascism. Perhaps one or other is right. Perhaps both. But nobody can act on any of it unless reasons are given *and the consequences for activity spelled out.*

We might well conclude that the system is entering a period of gradually growing instability; that there will, as a result, be more unemployment and insecurity; and, in reaction to them, more—and more active—racialism, more and sharpening industrial disputes; that the Government will lay about even more with club and Castle, and so widen the road for political organisation in industry. But what should be the key political demands in our industrial work, or if that is premature, what are the broadest and most potentially political "economist" demands? Do we ditch the Labour Party finally and utterly at an election (as we nearly did, without actually deciding to, at Sheffield, Brightside), or leave that decision to local circumstances? How and on what program do we approach black organisations?

Or are we facing a French development? In which case other questions arise and need to be answered.

We have a theory and a tradition of sorts. We have an organisation of sorts. In order to tie them together we need policy—national policy and fragmentary policies. Since we have an Admin. Committee, its first priority should be to shake out of our members policy statements for job, union, locality, whatever. The Political Committee should have as its first priority the elaboration of a general short-term prospectus, and as its second—guiding the fragmentary policies into some sort of agreement with their own. The EC should be a truly representative body concerned above all with accepting, rejecting, and altering such policies as a basis for IS activity.

A final point. It's not heresy, disloyalty, or amateurism to ask for clarity and a sense of direction. It's not outrageous to ask of people who are doing so much to inform their activities with coherence (and ultimately do less as more come to recognise the logic rather than simply receive instructions). We *can* make the transition from propaganda to politics, from interpretation to implementation. But to do so we need policies rather than impressions, guidance rather than regimentation.

Document 2: "Once Again Where To? A Comment on Perspectives for IS," Michael Kidron, September 1968, 2 pages

True enough: world capitalism is beginning to show signs of instability; British capitalism is under exceptional strain; head-on industrial collision has been avoided here because both classes still see alternatives; students are becoming politically active; IS is not yet very efficient as a political organisation but is increasingly responsible for politics on the left.

It is also true, if exaggerated, that "we have to overcome our own past" and very, very true that "we can no longer afford any bifurcation between our … maximum program and … everyday struggles!"

But whoever wrote "Perspectives for IS" should take their exhortations to heart. They have —in fine IS tradition—provided a static, cross-sectional analysis of current capitalism with special reference to those bits of it that we find most relevant. They have not tried to identify the likely course of events beyond saying that world trade will probably slow down and so have neither identified the key *political* questions that might face us in the near future nor fixed their organisational proposals in any real framework.

They have—and this, unfortunately, is on its way to becoming another fine old IS tradition —rejigged the evidence to accord with these organisational proposals (since when have we been "based upon a single, narrow … interpretation of the situation"? *Programmatic* agreement has *always* been the key to membership). They have blown up their quite unexceptional proposals into a matter of principle—another tradition? And they have shown their "realism" by asking for "debate and education … related to current activities and perspectives," without providing perspectives of their own, or for that matter listing any books (bar one and a half dealing with Eastern Europe) written this decade.

We are still waiting for those vanishing perspectives, for some attempt at formulating the likely changes in our socio-political environment over the next year or so and at showing how we should react to, and influence them. Without it we can't pretend to be anything of a political organisation.

For example. There are going to be three-quarters of a million or so unemployed this winter (not allowing for the effect of GEC-AEI [General Electric Company–Associated Electrical Industries] type closures, or mining rundowns and so on). Unemployment is a clear issue in its own right, and because of its relevance to racism, wages policy, and the rule of capital in general. Are we going to mount a campaign around it? If we are, how and for what demands?

Take another example, a little further in the distance. It looks as if the current British export boom will have affected investments sufficiently for employment to pick up fairly strongly next spring, that exports and employment will receive an additional fillip next year from the French economic revival and the DM's [Deutschmark] likely revaluation (after the German election next autumn), and that the economic slowdown expected from the US might be postponed as arms expenditure goes up a notch or two following Russia's invasion of Czechoslovakia. Wilson will be able to initiate a classic pre-election boom; and we—apart from being tempted to claim, wrongly, a victory for our winter campaign, if we have one, will be faced with important questions of evaluation and strategy:

1. Will the Labour Party's rot have bitten so deep that the economic Spring will not affect workers' readiness for politics? Probably not, but there are arguments the other way.
2. By constituting ourselves, formally as a political party—hinted at but glossed over in the "Perspectives"—will we be able to slow down, or even stop, the temporary depoliticisation implied in (a)? And if we think we might, is it worth the damage such a move would cause to left unity, and to our attractiveness as a non-traditional-political-party and relatively non-self-centered organisation?

And so on. In other words, could we have something more than a rationalisation for organisational rationalisation; something that could be used for, not only waved at, the discussion at the six-monthly (not biennial) aggregate; that could rightly be called a document on perspectives?

Document 3: "We Are Not Peasants: A Note and Proposals On IS Organisation," 10 October 1968, 2 pages

If our half yearly delegate meeting showed anything at all, it is that we are not yet a *political* organisation. The "Centre" appealed to our sense of good, truth and beauty, but did not reveal which aspects of the capitalist system they thought most vulnerable to attack at the moment, how we are to mobilise for it and how approach our potential allies. They failed to do for IS as a whole what Roger Cox and Steve Jefferys [in their conference document "Some Proposals on the Industrial Perspective and Organisation of IS"] were doing so well for our engineering workers.

There are real problems in doing so. The world is not an open book. False consciousness abounds. In addition, and this is probably the most important factor for us, we have been growing so fast that many of our members have not had time or opportunity to assimilate IS experience and IS theory, or to get to know what different groups and individuals amongst us are doing.

As a consequence, the more experienced members feel it necessary to *colonise within the group* for tradition and to repeat and then repeat again the fundamentals of socialist theory. They find themselves neglecting the necessary processes of monitoring the world with a view to affecting it, and of keeping their eyes and ears open to what new members are doing and thinking.

On the other hand, many new members plunge into activity without understanding its broader meaning, or being shown the relevance of the socialist political tradition to whatever they are doing.

The result is often a confused dialogue of the deaf, with the older comrades on the Political Committee trying to ram unargued proposals down our throats and some of the throats reacting at full blast but without proposals.

It would be tragic to allow the issues to be confused in this sort of dialogue: we need operational political analysis; that is, a view of the world in the here and now which links our activities to our basic assumptions. And we need constant internal justification of that analysis and its assumptions. Only the Political Committee can do the job, and only a Political Committee which concentrates as much of our political experience in one place—that is, one elected nationally. Such a political committee must be allowed every facility to do its work: full control over the political content of our press, the right to appoint editors and spokesmen, the right to disengage from administrative detail.

At the same time, we need to have a very clear idea of our own strengths and weaknesses in a rapidly changing situation, or else our political prescriptions will never find practical expression. A body like the Political Committee, which reflects neither our unevenness in experience nor our dispersal in function and space, has not got, and cannot have, this clear view. (So much, at least, we have learned from the way they presented—and then withdrew—their organisational proposals.) To have such a view, to be able to decide on the practicability of the Political Committee's proposals, on what is possible for IS as a whole to undertake, the body must be more representative of the branches as they exist—a delegate EC [Executive Committee].

Since such a body should always be trying to adopt a national view and so overcome the unevenness and parochialism which make it necessary at this moment, its members should be elected by the branches for the period spanning the half yearly delegate conferences (subject always to recall). To help it in its day to day operations, it should select a secretariat or Administrative Committee (not necessarily from its own number).

The result would be a clear division of functions between the political and educational centre of IS (the Political Committee) and the decision taking and organisational centre (the EC). It is a division of functions that would prevent "the Centre," to use the Political Committee's current phrase, from throwing out organisational instructions when we want political advice, or fundamentalist iconography when we want organisational guidance. They would know what they were supposed to be doing, so would we. And they would soon find themselves appealing to reason, not loyalty or faith.

We therefore propose:

1. Political Committee elected by the half yearly delegate conference of about 12 members to formulate and publish IS perspectives, goals, policies and activities; to exercise control over the political content of our press; to promote our internal educational programme; to appoint editors and spokesmen; and to promote and harmonise in conjunction with the EC sectional and regional policy making in terms of our general goals and policies.
2. A delegate EC elected by the branches between half-yearly conferences to decide IS's activities in the light of the Political Committee's recommendations, such an EC to appoint an Administrative Committee to help in its day to day administration. Branch delegates to reflect the "structure" of opinions in the branch.

Document 4: "Neither Lenin nor Luxemburg, but in Reference to the Environment in Which We Work," Hull IS, 31 October 1968, 3 pages

(extracts)

"It is only by juxtaposing Luxemburg's and Lenin's conceptions [of organisation] that one can attempt to assess the historical limitations of each which were, inevitably, fashioned by the special environment in which each worked." (Cliff, *Rosa Luxemburg*, p. 49)

If Lenin stressed party organisation in the early years of the century it was to compensate for the absence of independent working-class organisations and for the weakness of a Russian socialist tradition. If Luxemburg stressed spontaneity ten or so years later it was to compensate for the fossilised, centralised bureaucratic tradition of German social-democracy.

We don't have their reasons to overcompensate in either direction; there *are* independent working-class formations in the country and vestiges of a socialist tradition which we want to influence; at the same time there is no single institution spanning the entire labour movement, so we have to provide the organisational apparatus ourselves.

What sort should this apparatus be? As we suggested in our document "We Are not Peasants; a Note and Proposals on IS Organisation" (dated 10 October), it must be such as to enable us to concentrate "as much of our political experience as possible in one place in order to exert our influence most effectively." At the same time it must enable us to translate our politics into activity realistically, that is with regard to our own strengths and weaknesses, and our position in the wider movement. In practice, our organisation should allow for a nationally elected Political Committee and a delegate Executive Committee.

[The document goes on to identify and explain the eight reasons why the present Political Committee does not like the idea of a delegate EC and to answer each reason. That section of the document concludes by saying:][6]

We propose, once again, that there be a functional distinction between central policy-making by a nationally elected PC with control over our publications, editors and spokesmen, and central policy-decision by a delegate EC and its Administrative Committee.

[The document ends with a long list of amendments to the PC's Constitutional Proposals.]

Appendix C: The Revolutionary[1] [1981]

David Widgery

Michael Kidron arrived here via South Africa and Palestine. He is a writer, economist, orator, pioneer political publisher, and Marxist for 35 years. David Widgery charts his career.

Michael Kidron is not at all the revolutionary stereotype; the loony with automatic and ultimatum at the ready or the remorseless political full timer with NHS pince-nez. And certainly he isn't one of the left wing intellectuals who have very nearly done Marxism to an unreadable death from the comfort of their armchairs.

There is not a stereotype—or an armchair in sight, as the sun floats down across his flat snug above Parliament Hill's ponds. This is a somewhat svelte Marxist teetering, in his track suit on the twee. But his life is the very stuff of revolutionary politics; clandestine study-circles, the refusal of conscription, fisticuffs with the fascists, faction fights, writing, editing, printing and helping to distribute a workers' newspaper which preached revolution, when the youthful Harold Wilson was still knocking spots off the 14th Earl of Home and the long postwar boom was still roaring.

Nor, despite the allegations and the impression he sometimes deliberately gives, is Kidron a dilettante. In the 1950s and early 1960s, he was one of the crucial publicists and recruiters who built the International Socialists (IS) (precursors of today's Socialist Workers Party) from a circle of 60 to, by 1967, an organization of 600, a task requiring imagination, graft, cunning, and flair.

Pluto

In the 1970s he was a major force in establishing Pluto Press, which set the pattern for many radical publishing houses since. Kidron has edited several dozen books for Pluto's authors, inspired a few, and botched up more than one. As well as being eloquent, his analysis is as hard and cutting as the diamond of his native South Africa; politically warm-spirited but intellectually merciless.

His latest project, *The State of the World Atlas,* written jointly with Ronald Segal, is pure Kidron in its impudence and originality. It's what makes Mike an annoying figure to the more conservative folks on the Left, who gossip about his cosmopolitanism and dread his style.

I remember one evening ten years ago the inward groan as Kidron arrived to address some building workers wearing a chamois jacket instead of the issue Trotskyist rig-out. But they loved the speech … and the bloody jacket. What Kidron's life asks is what kind of a Marxism should we adopt to go beyond the Left's patriarchal, puritanical, pre-electronic, almost deliberately unpopular presentation of itself? A Marxism that doesn't lose rigour, tradition and an understanding of what Kidron calls "the system's major, seismic, fault. The conflict between labour and capital in production."

His examination of this political fault line began, aged 14, in a hospital bed in Johannesburg. He had fallen ill on a Zionist youth camp 1,000 miles away from his home in Capetown. His sole visitor was a Young Communist League youth organiser, a "lovely fellow who died very young in Czechoslovakia." The organiser read him "A Short Course of the History of the CPSU(B)," Stalin's grim and mendacious account of Soviet Socialism. "It was a grey volume," Kidron recalls. "The result was that after weeks of his attention, I was forcibly driven towards Trotskyism. If the 'Short Course' was what the future was about … then there was no hope."

Palestine

He joined his family in Palestine, and through his elder sister Chanie met Ygael Gluckstein before they both departed in the direction of Europe and The Coming World Revolution. The prospects for this revolution were swiftly shattered by Yalta, Marshall Aid, and Bing Crosby. But at the time Trotskyists believed, not unreasonably, that a workers' uprising might follow Hitler's defeat, just as the fall of the Tsar at the end of the First War had triggered the Russian Revolution. Gluckstein, who adopted the pseudonym "Tony Cliff" at Dover, was promptly deported to Dublin from whence, it is said, he scattered revolutionary leaflets over the VE day crowds from the hotel room in which he was interned.

Kidron remained in Palestine. "In his two week recruitment campaign Cliff has intellectually reinforced my anti-Stalinism and my anti-Zionism and then I was left. The Haganah, the underground Zionist army, ran the military aspect of my school, twice a week we would have to arrive early to drill. I used to turn up early too, to prove I wasn't just lazy, and then refuse to drill and argue against Zionism, for the bilateral state and Arab–Jewish unity. This didn't make me very popular but at the end there were two of us."

After the Trotskyist exodus no revolutionary organisation remained in Palestine. So Kidron and his solitary ally read voraciously, translated (including Rosa Luxemburg from the German and a British army handbook on shooting down planes, which Kidron reckons must have had an enormous effect on Hebrew military terminology "since we invented the words for everything"), and played poker for days on end.

Though anti-Zionist enough to get beaten up by Begin's thugs, Kidron relished the atmosphere of student Jerusalem in the early days of the Israeli State. "Few thought in terms of career, the students from the army were adult already and had been through an emotionally forcing experience. We sat around in cafes and just tried to work out what the hell the world was about. And I got myself beaten up by everybody, except the Arabs."

Kidron arrived in London in 1953 and joined his sister and Cliff in the *Socialist Review* group. He describes the *SR* group as "six people huddled in a room. Anyway a seventh meant a colossal increase in size, particularly a seventh who was a research student and who therefore had all the time in the world. Within two months of coming, I was the editor of *Socialist Review,* which became a regular monthly and increased in size and circulation and impact steadily until 1956 when it quadrupled in circulation and became fortnightly. The next high was CND [Campaign for Nuclear Disarmament], I suppose, and then the beginning of the 1960s and the Labour Party youth work."

Before 1956 the revolutionary movement was on hard times. The East European monolith hadn't begun to fissure and Western capitalism seemed set on eternal expansion. Marxists who insisted that the economic crisis had been *postponed* rather than solved, that the workers in the East would rise against their "Communist" bosses too, looked, and in some ways were, ridiculous. They were a tiny group, and their line of "neither for Moscow nor Washington but International Socialism" condemned them as traitors in the eyes of the Communist Party.

Even within Trotskyism it was only too tempting to effectively abandon the notion of the working class as a revolutionary force and either redefine the socialist project or discover it among the Third World's strongmen Nasser, Castro, Nkrumah, or Ben Bella. It is the dilemma which infuses David Mercer's first plays and much of Sartre's early political writing and activity.

Kidron was best known on the Left at this time for his deciphering of the unprecedented postwar boom, set out in the classic *Western Capitalism Since the War* and known, especially to members of the IS who bore it like regimental regalia into ideological battle, as the theory of the Permanent Arms Economy. In reality, as he pointed out in 1977, there was much that was sketchy, provisional, or omitted. But as Kidron wrote in praise of another Marxist theorist, it possessed the "right approach to theory; it picked out the enemy, determined the crucial alliance and explained what the battle was about."

Long before the French general strike of 1968 put revolution back on the agenda in three dimensions, Kidron and his co-thinkers possessed a working explanation of the instabilities generated within the boom, the dynamics of revolt in the Soviet bloc, Third Worldism and the changed pattern of postwar trade unionism in Britain. And they took practical action accordingly.

Pubs

Socialist Review was succeeded by *International Socialism* in 1960 and it has since clocked up some 120 issues in virtually continuous production and political line. It is customary to damn socialist theoretical journalism by reference to the often incomprehensible *New Left Review* whose various editorial board members' self-regard is something of a standing joke; Kidron's early editorial work in London lacks the political ballyhoo but will, I think, be seen as a more lasting achievement, and was part of an effort to build an independent socialist organization. Kidron was also one of the organisation's main orators, traipsing round pub meetings in Scotland and the North. I asked Jim Nicol, one of the recent SWP National Secretaries, then a young Geordie bus conductor, if he was good. "He was marvelous. I hitched from Newcastle to York just to hear him talk. He was bloody irresistible."

Kidron observes that: "It was a very personally warm period. And the group was so small and so obviously ineffectual and, within our very hard class analysis, we could say what we liked. We were searching round for a little bit of soil to drop a seed into."

"Cliff himself was shifting around. One morning he woke up as Rosa Luxemburg, another he was Lenin, the third Trotsky. And very occasionally he was Marx. He was playing and he was quite right to because you had to throw everything at the world to see what would stick. And anyway a lot of time on the editorial board was spent discussing who would drop off the 12 copies for Sheffield or how our comrades were getting on in the Workers Educational Association or the latest horror stories from the other grouplets."

He is also self-deprecating about the last five years he has worked at Pluto Press. "I'm a lousy publisher because my own views are too clear to me. My own views of what the world is about and where the world should be at and my training as an analyst and a socialist publicist prevent me from being a good socialist publisher. And I'm a lousy writer because if I was really purposive about it, I would never have taken up the time-consuming thing of publishing."

Pluto was founded by Richard Kuper initially as the IS propaganda arm, but after two years broke formal ties. Talking to Kuper one senses that Kidron can be editorially infuriating but deserves no small part of the credit for Pluto's successes, as well as for some of its occasional ghastly affectations.

Politics

The company's survival reflects the energy and enterprise of countless other Pluto workers at Chalcot Road who in private can be heard to complain of "plutopression" (flogging yourself to death for socialist publishing and a pittance). It also reflects the emerging networks of bookshops and distributors, the boom in academic Marxism, and a new, more conscious readership. But Kidron has specifically contributed to a passion for getting ideas across which reflect his hatred of The Grey.

The *Pluto Joke Book*, the *Big Red Diary* (another pioneer, first published in 1974), the "Workers' Handbooks" which have now clocked up an enormous sale in the trade union movement, the infamous Julie Burchill/Tony Parsons diatribe "The Boy Looked at Johnny", now the Atlas—underwritten by Pan and Heinemann; these are the projects he especially relishes. They are the work of a committed socialist publicist bent on beating the commercial publishers at their own game.

There is now considerable distance between Kidron and the SWP. It is no great secret that some of the SWP's grander calculations of the mid-1970s came, ehem … unstuck. Pete Binns, current editor of *International Socialism* says, diplomatically, "a huge gap was left by his departure". Kidron mutters darkly about "Revolutionism that has lost its social base." But there is not bitterness or loss of commitment. Rather a longing to get back to political theory. "I can approach it like a new born baby and say, 'What is this we have got in front of us?' Because since the Second World War, there has been a fundamental change in the world organisation of capitalism and this has only penetrated analytically and intellectually very recently. I *was* interested in seeing the economic structures and how these have changed, and not particularly interested in the political structures and state formations and even the personal and emotional and psychological structures. *Now* I'm interested in the *whole* complex. So I need to sit down and stop thinking like an economist and read some novels and poetry and stuff I've never read as interpretations of the world we live in."

Whatever he produces will be, in the Marxist tradition, heretic, a guide to action, not self-sufficient dogma. He mimes and mocks the prayer of the Orthodox Jew and says "I could never stand devotion. Instead of the belief, the purpose is the thing."

Bibliography

Writings by Michael Kidron

This is not a complete bibliography but a list of texts referred to in this volume. Those marked with an asterisk (*) are included in this collection. Many others can be found on the Marxist Internet Archive at https://www.marxists.org
/archive/kidron/index.htm.

"Have K and B Really Buried Stalin?" *Socialist Review* 5, no. 8 (May 1956): 5–6 (published under the pseudonym David Breen).

*"Our Programme" (10 parts). *Socialist Review* 3, no. 6 to 4, no. 4 (February–December 1954) (published under the pseudonym K. Michaels).

"The Choice before the People of Cyprus: Colony, Enosis or Independence." *Socialist Review* 5, no. 7 (March–April 1956): 2–3.

"The Mixed Economy." *Socialist Review* 6, no. 7 (April 1957): 3–4.

*"The Fight for Socialism" (7 parts). *Socialist Review* 7, no. 2 to 8th Year, no. 16 (December 1957–September 1958).

"The Limits of Reform: A Reply to Ken Alexander." *New Reasoner*, no. 10 (Autumn 1959): 80–88.

*"Reform and Revolution: Rejoinder to Left Reformism II." *International Socialism*, no. 7 (Winter 1961): 15–21.

"Washington or Moscow" (book review). *International Socialism*, no. 4 (Spring 1961).

*"Imperialism: Highest Stage but One." *International Socialism*, no. 9 (Summer 1962).

Foreign Investment in India. Oxford: Oxford University Press, 1965.

*"International Capitalism." *International Socialism*, no. 20 (Spring 1965).

*"A Permanent Arms Economy." *International Socialism*, no. 28 (Spring 1967): 8–12.

*"Marx's Theory of Value." *International Socialism,* no. 32 (Spring 1968).

*"Neither Lenin nor Luxemburg, but in reference to the environment in which we work." October 31, 1968. (internal document)

*"Once Again Where to? A Comment on Perspectives for IS." September 1968. (internal document)

Western Capitalism since the War. London: Weidenfeld & Nicolson, 1968.

*"Where Are We Rushing To? Some Comments and Some Proposals." 4 July 1968. (internal document)

*"We Are Not Peasants: A Note—and Proposals—on IS Organisation." October 1968. (internal document)

*"Maginot Marxism: Mandel's Economics." *International Socialism*, no. 36 (April/May 1969): 33–36.

*"Capitalism—The Latest Stage." In *World Crisis: Essays in Revolutionary Socialism*, Nigel Harris and John Palmer, eds. London: Hutchinson, 1971.

*"Memories of Development." *New Society* (4 March 1971).

Pakistan's Trade with Eastern Bloc Countries. Praeger Special Studies in International Economics and Development. Westport, CT: Praeger, 1972.

Capitalism and Theory. London: Pluto Press, 1974.

*"Black Reformism: The Theory of Unequal Exchange." In Michael Kidron, *Capitalism and Theory*. London: Pluto Press, 1974.

*Kidron, Michael (with Elana Gluckstein). "Waste: US 1970." In Michael Kidron, *Capitalism and Theory*. London: Pluto Press, 1974.

*"Two Insights Don't Make a Theory." *International Socialism*, nos. 100: (July 1977).

Kidron, Michael, and Ronald Segal. *The State of the World Atlas*. London: Pan Books, 1981.

Kidron, Michael, and Dan Smith. *The War Atlas*. London: Pan Books, 1983.

Kidron, Michael, and Ronald Segal. *The Book of Business, Money and Power.* London: Pan Books, 1987.

*"The Injured Self," *Socialist Register 2002: A World of Contradictions* (2001), 229–44.

*"Failing Growth and Rampant Costs: Two Ghosts in the Machine of Modern Capitalism." *International Socialism*, 2nd ser., no. 96 (Winter 2002).

Presence of the Future: The Costs of Capitalism and the Transition to Ecological Society. Unpublished manuscript.

Robinson, E. A. G., and Michael Kidron, eds. *Economic Development in South Asia*. London: Macmillan, 1970.

Other Works Referenced in the Text

Amin, Samir. *L'accumulation a l'echelle mondiale.* Paris: Editions Anthropos, 1971.

Anderson, Paul. "Michael Kidron 1931–2003." Gauche: A libertarian democratic socialist blog, 1 April 2003, http://libsoc.blogspot.co.uk/2003_03_02_libsoc_archive.html.

Arghiri, Emmanuel. *Unequal Exchange: A Study of the Imperialism of Trade.* London: New Left Books, 1972.

Atkinson, A. B. "Who Are the Poorest?" *New Society* (1 March 1973).

Baran, Paul. *The Political Economy of Growth*. New York: Monthly Review Press, *1957*.

Baran, Paul A., and Paul M. Sweezy. *Monopoly Capital.* New York and London: Monthly Review Press, 1966.

Barclays Bank Review (London quarterly), various issues.

Barker, Colin. "The British Labour Movement." *International Socialism*, 1st ser., no. 28 (Spring 1967): 13–21.

Bell, Phillip W. *The Sterling Area in the Postwar World.* Oxford: Clarendon Press, 1956.

Bernstein, Eduard. "On the Meaning of the Marxist Theory of Value." In *Evolutionary Socialism.* London: ILP, 1909.

Birchall, Ian. "Michael Kidron (1930–2003)." *Revolutionary History* 8, no. 3 (2003); 281–85.

———. *Tony Cliff: A Marxist for His Time*. London: Bookmarks, 2011.

Bortkiewicz, Ladislaus von. "On the Correction of Marx's Fundamental Theoretical Construction in the Third Volume of *Capital*." In *The Theory of Capitalist Development,* Paul M. Sweezy, ed. London: Dennis Dobson, 1949.

Campaign for Nuclear Disarmament. "The History of CND," http://www.cnduk.org/about/item/437.

Clark, Jocelyn O. [Untitled paper]. Paper presented at the International Conference, Ghent, Summer 1959.

Cliff, Tony. *The Nature of Stalinist Russia.* Internal document of the Revolutionary

Communist Party (mimeographed, 1948).

Cliff, Tony. *Stalinist Russia, A Marxist Analysis*. London: Michael Kidron, 1955.

———. "Perspectives of the Permanent War Economy." *Socialist Review* 6, no. 8 (May 1957).

———. "The Economic Roots of Reformism." *Socialist Review* 6, no. 9 (June 1957). (Reprinted in *Neither Washington Nor Moscow*. London: Bookmarks, 1982.)

———. "On the Class Nature of the 'People's Democracies'" (mimeographed, 1950). (Reprinted in *The Origins of the International Socialists*. London: Pluto Press, 1971.)

———. *Russia:* A Marxist Analysis. London: International Socialism, 1964.

———. *State Capitalism in Russia*. London: Pluto Press, 1974.

Cliff, Tony, and Colin Barker. *Incomes Policy, Legislation and Shop Stewards*. London: London Shop Stewards' Defence Committee, 1966.

Cochran, S., and D. P. Eldridge. "Employment and Personal Consumption Expenditures." *Monthly Labor Review* (March 1972).

Collins, Henry. "The Case for Left Reformism." *International Socialism*, no. 6 (Autumn 1961).

———. "Left Reformism Restated." *International Socialism* 9 (Summer 1962).

Conan, A. R. *Capital Imports into Sterling Countries.* London: Macmillan, 1960.

Crosland, C. A. R. [Anthony]. *The Future of Socialism*. London: Jonathan Cape, 1956.

Desai, A. R. *Social Background of Indian Nationalism,* 3rd ed. Bombay: Popular Book Depot, 1959.

———. *Recent Trends in Indian Nationalism.* Bombay: Popular Book Depot, 1960.

Dresch, Stephen P. *Disarmament: Economic Consequences and Developmental Potential.* United Nations Department of Economic and Social Affairs, Centre for Development Planning, Projections and Policies, December 1972.

Economic Report of the US President, Washington DC (annual report), various dates.

Economics Intelligence Unit. *The Economic Effect of Disarmament*. London: Author, 1963.

The Economist (London weekly), various issues.

Emmanuel, Arghiri. *Unequal Exchange: A Study of the Imperialism of Trade.* London: New Left Books, 1972.

———. "White-Settler Colonialism and the Myth of Investment Imperialism." *New Left Review* 73 (May–June 1972).

Epstein, Helen. "Time of Indifference." *The New York Review,* 12 April 2001.

Feis, Herbert. *Europe, the World's Banker 1870–1914.* Yale University Press for the Council on Foreign Relations, 1931.

Financial Times (international daily business newspaper), various issues.

Florence, P. Sargant. *Ownership, Control and Success of Large Companies.* London: Sweet and Maxwell, 1961.

Fortune Magazine, "Directory of the Five Hundred Largest US Corporations," Chicago, mid-July issue of respective years.

Galbraith, John Kenneth. *The Affluent Society*. Harmondsworth: Penguin, 1961.

———. "The Modern Corporation." BBC Reith Lectures, no. 2. *The Listener* (24 November

1966): 756.

Gluckstein, Ygael. "On the Class Nature of the 'People's Democracies'" (1951, mimeographed), London; reprinted in *The Origins of the International Socialists*. London: Pluto Press, 1971.

———. *Stalin's Satellites in Europe*. London, 1952; https://www.marxists.org/archive/cliff/works/1952/stalsats/index.htm

———. *Mao's China*. London: George Allen and Unwin, 1957.

Gokhale Institute. *Notes on the Rise of the Business Communities in India.* Gokhale Institute of Politics and Economics. New York: Institute of Pacific Relations, 1951.

Government of India. *Defence Service Estimates,* Delhi: Author, n.d.

———. *Economic Survey 1970–1971.* Delhi: Author, 1971.

———. *Indian Labour Statistics 1971.*

———. *Indian Labour Yearbook 1966.*

———. *Indian Labour Yearbook.* Simla, annual.

Government of India. Cabinet Secretariat. *National Sample Survey,* Delhi: Author, n.d.

Government India, Central Statistical Office. *Brochure on Revised Series of National Product for 1960–61 to 1964–65.* New Delhi: Author, 1967.

Government of India, Central Statistical Organization. *Annual Survey of Industries, 1965*. Vol. 1. Calcutta: Author, n.d.

Government of India, Labour Bureau, Ministry of Labour and Employment. *Indian Labour Statistics,* Simla.

Government of India, Ministry of Labour and Employment. *Tripartite Conclusions 1942–1962.* New Delhi: Author, 1962.

Government of India, Planning Commission. *Fourth Five Year Plan, a Draft Outline.* New Delhi: Author, 1966.

Government of India, The Statistical Section, Coffee Board. *Coffee Statistics.*

The Guardian (British daily newspaper), various issues.

Hall, A. R. "A Note on the English Capital Market as a Source of Funds for Home Investment before 1914." *Economica* 24, no. 93 (February 1957): 59–66.

Harman, Chris. *Bureaucracy and Revolution in Eastern Europe*. London: Pluto Press, 1974.

———. "Better a Valid Insight Than a Wrong Theory." *International Socialism*, 100 (July 1977).

Harris, Nigel. "The Decline of Welfare." *International Socialism*, no. 7 (Winter 1961).

Harris, Nigel, and John Palmer, eds. *World Crisis: Essays in Revolutionary Socialism.* London: Hutchinson, 1971.

Harrison, John. "The Political Economy of Housework." *Bulletin of the Conference of Socialist Economists* 3, no. 1 (Winter 1973): 35–52.

———. "Productive and Unproductive Labour in Marx's Political Economy." *Bulletin of the Conference of Socialist Economists* 6 (Autumn 1973): 70–82.

Healey, J. M. "Industrialization, Capital Intensity and Efficiency." *Oxford Bulletin of Economics and Statistics* 30, no. 4 (November 1968): 323–39.

Henderson, G. "Emigration of Highly Skilled Manpower from the Developing Countries."

United Nations Institute for Training and Research Report no. 3, 1970.

Higgins, Jim. "Ten Years for the Locust: British Trotskyism 1938–1948." *International Socialism* 14 (Autumn 1963).

———. "More Years for the Locust." London: IS Group, 1997; https://marxists.anu.edu.au/archive/higgins/1997/locust/index.htm.

Hollis, Richard. "Robin Fior Obituary." *Guardian*, 5 October 2011.

House of Lords, Select Committee on Science and Technology. *Complementary and Alternative Medicine.* London: The Stationery Office, 2000.

Hughes, Celia. *Young Lives on the Left: Sixties Activism and the Liberation of the Self.* Manchester: Manchester University Press, 2015.

International Labour Office. *The Cost of Social Security 1958–60*. Geneva: Author, 1964.

———. *Yearbook of Labour Statistics.* Geneva: Author, 1970.

IS editorial note. "Russia and China." *International Socialism* (Winter 1960): 2–4.

Jefferys, James B., and Dorothy Walters. "National Income and Expenditure of the United Kingdom, 1870–1952." In *Income and Wealth,* Series V, Simon Kuznets, ed. London: Bowes & Bowes, 1955.

Jenks, Leland H. *The Migration of British Capital to 1875.* London: Jonathan Cape, 1938.

Karol, K. S. "A View of de Gaulle's France." *New Statesman* (17 February 1961).

Kidron, Nina. "Cliff and Mike Kidron," n.d.; http://grimanddim.org/tony-cliff-biography/cliff-and-mike-kidron.

Kitzinger, U. V. *The Challenge of the Common Market.* Oxford: Basil Blackwell, 1961.

Labour Bureau, Ministry of Labour and Employment. *Indian Labour Statistics 1971.*

Lenin, Vladimir Ilyich. *Collected Works.* Moscow: Foreign Languages Publishing House, 1960 et seq.

———. "Imperialism, The Highest Stage of Capitalism." In *Selected Works,* Vol. 5. London: Lawrence & Wishart, 1917.

Liesner, H. H. *The Import Dependence of Britain and Western Germany.* Princeton Studies in International Finance, no.7. Princeton, NJ: Princeton University Press, 1957.

MacIntyre, Alasdair. "Rejoinder to Left Reformism." *International Socialism*, no. 6 (Autumn 1961).

Maizels, Alfred. *Industrial Growth and World Trade.* Cambridge: Cambridge University Press, 1963.

Mandel, Ernest. *Traité d'économie marxiste.* Paris: Julliard, 1962.

———. *Marxist Economic Theory.* Translated by Brian Pearce. London: Merlin Press, 1968.

Marx, Karl. *Capital,* Vol. 1. Moscow: Foreign Languages Publishing House, 1961.

———. *Capital,* Vol. 3. Moscow: Foreign Languages Publishing House, 1962.

———. *Theories of Surplus Value.* Moscow: Foreign Languages Publishing House, n.d.

———. *A Contribution to the Critique of Political Economy.* Calcutta: Bharati Library, n.d.

Mattick, Paul. *Marx and Keynes.* Boston: Extending Horizons Books, 1969.

Meek, Ronald L. *Studies in the Labour Theory of Value.* London: Lawrence & Wishart, 1956.

———. "Some Notes on the 'Transformation Problem'." In *Economics and Ideology and Other Essays.* London: Chapman & Hall, 1967.

Midland Bank Review (London quarterly).

Mitchell, Kate. *Industralization of the Western Pacific.* New York: Institute of Pacific Relations, 1942.

Monthly Labor Review. Washington DC: US Bureau of Labor Statistics, December 1971.

Morgenstern, Oskar. *The Question of National Defense,* 2nd rev. ed. New York: Vintage Books, 1961.

National Economics Division. "Input–Output Structure of the US Economy: 1963." *Survey of Current Business,* November 1969.

New Society (London), weekly.

Nicholson, R. J. "Capital Stock, Employment and Output in British Industry 1948–1964." *Yorkshire Bulletin of Economic and Social Research* 18, no. 2 (November 1966): 65–84.

Oakes, Walter J. "Towards a Permanent War Economy." *The New International* (February 1944).

Oliver, Richard P. "Employment Effect of Reduced Defense Spending." *Monthly Labor Review* (December 1971).

Organisation for Economic Co-operation and Development. *Government and Technical Innovation* (Spring 1965).

Palloix, Christian. "The Question of Unequal Exchange: A Critique of Political Economy." *Bulletin of the Conference of Socialist Economists* 2, no. 1 (Spring 1972): 67–94.

Pardiwalla, J. J. "Exchange Banks in India." Bombay University, PhD dissertation, 1950.

Pejovich, Svetozar. *The Market-Planned Economy of Yugoslavia.* Minneapolis: University of Minnesota Press, 1966.

Phillips, Joseph D. "Estimating the Economic Surplus." In *Monopoly Capital,* Paul A. Baran and Paul M. Sweezy, eds. New York and London: Monthly Review Press, 1966.

Pilling, Geoff. "Political Economy and Imperialism: The Work of Arghiri Emmanuel." *Economy and Society* 2, no. 2 (May 1973).

Powell, J. Enoch. *Saving in a Free Society.* London: Hutchinson for The Institute of Economic Affairs, 1960.

Prais, S. J. "Dividend Policy and Income Appropriation." In *Studies in Company Finance,* Brian Tew & R. F. Henderson, eds. London: Cambridge University Press, 1959.

———. "Size, Growth and Concentration." In *Studies in Company Finance,* Brian Tew & R. F. Henderson, eds. London: Cambridge University Press, 1959.

Primoff, Charles. "Balancing Resource Requirements Against Resource Capabilities." In *Requirements: Matching Needs with Resources,* Harry B. Yoshpe, ed. Washington, DC: Industrial College of the Armed Forces, 1964.

Radcliffe Committee, Committee on the Working of the Monetary System. *Report* (Cmnd 827). London: Her Majesty's Stationery Office, 1959.

Reid, G. L., and D. J. Robinson. "The Cost of Fringe Benefits in British Industry." In *Fringe Benefits, Labour Costs and Social Security*, G. L. Reid and D. J. Robinson, eds. London: Allen and Unwin, 1965.

Reserve Bank of India. *Census of India's Foreign Liabilities and Assets.* 1950.

———. "Foreign Investments in India." *Bulletin,* April 1960.

———. "Foreign Investments in India." *Bulletin,* May 1961.

———. *Bulletin* (Bombay), monthly.

Robinson, E. A. G., and Michael Kidron, eds. *Economic Development in South Asia*. London: Macmillan, 1970.

Robinson, Joan. *Economic Philosophy.* Piscataway, NJ: Transaction Publishers, 1962.

Routh, Guy. *Occupation and Pay in Great Britain, 1906–1960.* Cambridge: Cambridge University Press, 1965.

Royal Institute for International Affairs. *The Problem of International Investment: A Report by a Study Group of Members of the Royal Institute for International Affairs*. London: Oxford University Press, 1937.

Rudge, John. "Duncan Hallas and the 1952 'Programme for Action.'" 2015. http://grimanddim.org/tony-cliff-biography/duncan-hallas-and-the-1952-grogramme-for-action/.

———. "The Turn to Democratic Centralism: Documents of the 1968 IS Conferences." 51 pages (unpublished, forthcoming 2018).

Saville, John. "Edward Thompson, the Communist Party and 1956." *Socialist Register* (1994): 20–31.

Schlesinger, Rudolph. *Marx, His Time and Ours.* London: Routledge and Kegan Paul, 1950.

Semmel, Bernard. *Imperialism and Social Reform*. London: Harvard University Press, 1960.

Shachtman, Max. *The Fight for Socialism*. New York: New International Publishing Co., 1946.

Shonfield, Andrew. *The Attack on World Poverty.* London: Chatto and Windus, 1960.

———. *Modern Capitalism*. London: Oxford University Press/RIIA, 1966.

Showalter, Elaine. *Hystories: Hysterical Epidemics and Modern Culture.* London: Picador, 1997.

Socialist Worker, (London weekly). Various issues.

Soltow, A., ed. *Six Papers on the Size Distribution of Wealth and Income.* New York: National Bureau of Economic Research, 1969.

Spencer, D. L. *India, Mixed Enterprise and Western Business.* The Hague: Martinus Nijhoff, 1959.

Sraffa, Piero. *Production of Commodities by Means of Commodities.* Cambridge: Cambridge University Press, 1960.

The Statistical Section, Coffee Board. *Coffee Statistics 1968–1969.* Bangalore: The Secretary, Coffee Board, 1970.

Stockholm International Peace Research Institute. *The Arms Trade with the Third World,* Stockholm: Almqvist and Wiksell, 1971.

Stockholm International Peace Research Institute. *World Armaments and Disarmament.* Stockholm: Almqvist and Wiksell, 1972.

Strachey, John. *Contemporary Capitalism*. London: Gollancz, 1956.

———. *The End of Empire.* London: Gollancz, 1959.

Sweezy, Paul, ed. *Karl Marx and the Close of His System*, by Eugen von Bohm-Bawerk and *Bohm-Bawerk's Criticism of Marx*, by Rudolf Hilferding. New York: Augustus M. Kelly, 1949. (Original work published 1907).

Sweezy, Paul M. *The Theory of Capitalist Development.* London: Dennis Dobson, 1949.

Tea Board of India. *Tea Statistics 1969–1970.* Calcutta: Tea Board, 1970.

Tew, Brian. "Self-financing." In *Studies in Company Finance,* Brian Tew and R. F. Henderson, eds. London: Cambridge University Press, 1959.

Tew, Brian, and Henderson, R. F., eds. *Studies in Company Finance.* London: Cambridge University Press, 1959.

The Statist (London weekly until 1967).

The Times (British daily newspaper), various issues.

Thorner, Daniel. *Investment in Empire.* Philadelphia: Pennsylvania University Press, 1950.

Torrey, E. Fuller. *Out of the Shadows, Confronting America's Mental Illness Crisis*. New York: John Wiley & Sons, 1977.

UK Department of Health. *General Medical Services Statistics, England and Wales.* London: HMSO, 1994.

UNESCO. *Statistical Yearbook* (annual publication).

United Nations, Social Development Division. *The Brain Drain From Five Developing Countries.* Research Report no. 5. New York: United Nations Institute for Training and Research, 1971.

United Kingdom. *National Income and Expenditure 1957.* London: Her Majesty's Stationery Office, 1958.

———. *Powers of Investment of Trustees in Great Britain,* Cmnd 915 (December 1959).

———. *Assistance from the United Kingdom for Overseas Development,* Cmnd 974 (March 1960).

———. *Defence Estimates* (Army), annual.

———. *Treasury Bulletin for Industry,* no. 119 (April 1959).

United Kingdom, Board of Trade. *Economic Trends* (monthly publication), various issues.

United Kingdom, Central Statistical Office. *Annual Abstract of Statistics 1972.* London: Her Majesty's Stationery Office, 1972.

———. *National Income and Expenditure.* London: Her Majesty's Stationery Office, annual.

———. *Social Trends.* London: Her Majesty's Stationery Office.

United Kingdom, Department of Health. *General Medical Services Statistics, England and Wales,* National FSA, 1994.

United Nations. *Measures for the Economic Development of Under-Developed Countries.* New York: Economic and Social Council, 1951.

———. *Economic Development of Under-Developed Countries, Relative Prices of Primary Products and Manufacturers in International Trade.* New York: Author, 1953.

———. *The International Flow of Private Capital 1946–1952.* New York: Department of Economic Affairs, 1954.

———. *Demographic Yearbook 1955*. New York: UN Statistical Office, 1956.

———. *Demographic Yearbook 1966*. New York: UN Statistical Office, 1967.

———. *Demographic Yearbook 1998*. New York: UN Statistical Office, 2000.

———. *The International Flow of Private Capital, 1956–1958.* New York: Department of Economic and Social Affairs, 1959.

———. *World Economic Survey 1960.* New York: Department of Economic and Social

Affairs, 1961.
———. *Economic and Social Consequences of Disarmament*. New York: Department of Economic and Social Affairs, 1962.

United Nations, *World Economic Survey.* New York: Author, various years.

United States, Bureau of Labor Statistics. *Survey of Consumer Income and Expenditure for 1960–61* (BLS Report nos. 237-93). Washington, DC: February 1965.

United States, Department of Commerce, Bureau of the Census. *Raw Materials in the United States Economy,* Working Paper no. 1. Washington, DC: US Government Printing Office, 1954.

United States, House of Representatives Committee on Government Operations, Research and Technical Programs Subcommittee. *Hearings on the Brain Drain of Scientists, Engineers and Physicians from the Developing Countries to the US,* 90th Cong., 2nd Sess., 23 January 1968.

United States, Joint Economic Committee of the US Congress, Sub-Committee on Foreign Economic Policy. *New Directions in the Soviet Economy.* Washington, DC: US Government Printing Office, 1966.

United States, Senate. *US Armament and Disarmament Problems.* Hearings before the Sub-committee on Disarmament of the Committee on Foreign Relations, 1966.

United States, Senate, Special Committee to Study the Foreign Aid Program. *Foreign Aid Program, compilation of studies and surveys,* Study no. 7, 85th Congress, 1st Sess., Washington, DC, 1957.

US Census Bureau. *US Census of Population 1960.* Washington, DC: Department of Commerce; https://www.census.gov/prod/www/decennial.html

US Department of Commerce. *Consumers Buying Indicators.* Series P-65, no. 35 (May 1971).

———. "Income and Employment, by Industry." *Survey of Current Business* 51, no. 7 (July 1971).

US Department of Commerce. *Construction Review*. Bureau of Domestic Commerce.

US Office of Emergency Planning. *Nuclear Attack Hazards in the Continental United States 1963*.

Vance, T. N. "After Korea—What?" *The New International* (November-December 1950).

———. "The Permanent War Economy" (a six-part series). *The New International* (January-February–November-December 1951).

Vernon, Raymond. *Sovereignty at Bay.* New York and London: Basic Books, 1971.

Ward, Barbara. *India and the West*. London: Norton, 1961.

Watanabe, S. "The Brain Drain from Developing to Developed Countries." *International Labour Review* (April 1969).

Widgery, David. "The Revolutionary." *Time Out* (27 March–2 April 1981).

World Health Organization. *World Health Report 2001*. Geneva, Switzerland: Author, 2001; http://www.who.int/whr/2001/en/.

World Resources Institute, UN Environment Program, UN Development Program, and World Bank. *1998–99 World Resources, A Guide to the Global Environment.* New York and Oxford: Oxford University Press, 1998.

Yoshpe, Harry B., ed. *Requirements: Matching Needs with Resources.* Washington, DC:

Industrial College of the Armed Forces, 1964.
Yoshpe, Harry B., Charles F. Franke, et al. *Production for Defence.* Washington, DC: Industrial College of the Armed Forces, 1968.

Notes

Introduction

1. Ian Birchall's biography of Tony Cliff (*Tony Cliff: A Marxist for His Time*) is invaluable for understanding the development of the Socialist Review group in the context of the wider politics of the left in the period. His obituary of Michael Kidron ["Michael Kidron (1930–2003)"] is also very helpful.
2. Birchall, *Tony Cliff: A Marxist for His Time*, 128ff.; see also Higgins, "Ten Years for the Locust."
3. Saville, "Edward Thompson, the Communist Party and 1956."
4. Campaign for Nuclear Disarmament, "The History of CND."
5. The covers and contents of the early issues are available online at https://www.marxists.org/history/etol/newspape/isj/. The contents unfortunately are reformatted, so the sometimes quirky layout of the journal is lost, but thumbnail images of the covers, in all their glory, are there to view. There is a warm obituary of Fior by his long-time associate and friend Richard Hollis ("Robin Fior Obituary," published in 2011).
6. As John Rudge has pointed out to me, Kidron produced 65 signed articles between 1954 and 1962 plus any number of unsigned editorials. Personal communication, 24 November 2015.
7. Kidron, "Capitalism, Socialism and the 'Mixed Economy'," 3–4.
8. Breen, "Have K and B Really Been Slain?" 5–6.
9. Kidron, "The Choice before the People of Cyprus: Colony, Enosis or Independence."
10. Hughes, *Young Lives on the Left: Sixties Activism and the Liberation of the Self*, 90.
11. Widgery, "The Revolutionary" (reproduced in Appendix C in this volume).
12. N. Kidron, "Cliff and Mike Kidron."
13. This was the position of former Labour Party minister Anthony Crosland in what became the central revisionist text of its time; see his *The Future of Socialism*.
14. Kidron's own view of how the theory developed acknowledges the role of insights elaborated by T. N. Vance in the US journal *The New International* in 1950–51 and brought first by Cliff to *Socialist Review* in 1957 ("The Economic Roots of Reformism"). See Kidron, "Two Insights Don't Make a Theory" (see Chapter 11, this volume).
15. The popular description of the nonaligned countries that were neither developed capitalist ones, nor Communist ones—often used as a synonym for underdeveloped countries.
16. Kidron, *Pakistan's Trade with Eastern Bloc Countries*.
17. Robinson and Kidron, *Economic Development in South Asia*.
18. See Cliff and Barker, *Incomes Policy, Legislation and Shop Stewards*.
19. Kidron, "The Limits of Reform: A Reply to Ken Alexander."
20. Kidron, "Reform and Revolution: Rejoinder to Left Reformism II."
21. Ibid.
22. John Palmer, personal communication, December 17, 2015.

23. Kidron, “Reform and Revolution: Rejoinder to Left Reformism II.”
24. Kidron, “Imperialism: Highest Stage but One.”
25. Nigel Harris, personal communication.
26. Kidron, “Capitalism—the Latest Stage.”
27. Kidron, “Two Insights Don’t Make a Theory.”
28. Kidron, “Memories of Development.”
29. Arghiri, *Unequal Exchange: A Study of the Imperialism of Trade*.
30. These essays (“Black Reformism: The Theory of Unequal Exchange” and [with Elana Gluckstein] “Waste: US 1970”) appeared in Kidron, *Capitalism and Theory*. Perhaps because they were not published in *International Socialism*, they evoked little debate.
31. Kidron, “Two Insights Don’t Make a Theory.”
32. These can be found in Appendix B in this volume.
33. Kidron, “Where Are We Rushing to?”
34. Kidron’s contribution to the organisational debate included an internal document “We Are Not Peasants: A Note—and Proposals—on IS Organisation” (October 1968), which is commented on very favourably by Jim Higgins in his gloriously jaundiced appraisal of the IS experience: “Paradoxically, and despite its opposition to the ‘Leninist’ forms, this was the most Leninist of the contributions to the debate, it started from an appreciation of the importance of looking outward, it assessed the forces available to us, their strengths and weaknesses, and then formulated a plan to get the best from everyone. It was serious politics and it was totally unsuccessful, because nobody was really paying attention.” Higgins, “More Years for the Locust,” Chapter 9.
35. Harman, “Better a Valid Insight than a Wrong Theory.”
36. Nina Kidron, personal communication, 6 December 2015. David Widgery wrote a warm, personal appreciation of Kidron in the weekly magazine *Time Out* (“The Revolutionary”). Thanks to Juliet Ash for permission to reproduce it in this volume as Appendix C.
37. Anderson, “Michael Kidron 1931–2003.”
38. *The State of the World Atlas* has remained in print since 1981, periodically revised and updated. It is now edited by Dan Smith, co-author of *The War Atlas*. A selection of maps from the original *State of the World Atlas* will be made available in the Marxist Internet Archive in due course.
39. Kidron and Segal, *The Book of Business, Money and Power,* Preface. The Heilbroner quote in the next sentence is cited on the front cover.
40. Kidron, “Two Insights Don’t Make a Theory.”

1. Reform and Revolution

1. First published in *International Socialism*, no. 7 (Winter 1961): 15–21. It was a response to Henry Collins, “The Case for Left Reformism,” *International Socialism*, no. 6 (Autumn 1961) and followed on from Alasdair MacIntyre, “Rejoinder to Left Reformism” in that same issue.
2. See Semmel, *Imperialism and Social Reform*, for a full and interesting account of the

marriage between reformism and classic imperialism.

3. Mentioned in Ward, *India and the West*, 44.
4. Tew, "Self-Financing," Table 3.1, 44.
5. Prais, "Size, Growth and Concentration," Table 8.1, 109.
6. See Kidron, "Washington or Moscow," for a critical analysis of Shonfield's views on planned international trade. As for Triffin, the fate of the monumentally cautious Jacobsson plan which replaced Triffin's should be borne in mind: "What emerges from (the Vienna meeting of the IMF) is not so much a stronger IMF as a second and largely separate line of possible stabilization credits, which although formally routed through IMF would in fact be akin to direct credits from national governments, acting in cooperation" (*Economist*, 30 September 1961).
7. See *International Socialism* editorial note 1960, on China and Russia. Since then coordinated investment programs have been decided on between Poland and Czechoslovakia—still a far cry from full common planning.
8. Ibid.
9. For a full presentation of the argument as it applies respectively to Russia, Eastern Europe, and China, see Cliff, *Stalinist Russia: A Marxist Analysis*; Gluckstein, *Stalin's Satellites in Europe*; and Gluckstein, *Mao's China*.

2. Imperialism

1. First published in *International Socialism*, no. 9 (Summer 1962): 15–20.
2. Lenin, "Imperialism, the Highest Stage of Capitalism," 7. All page references in this essay are to this edition of the article. Emphasis has been added to the last seven words of the quotation.
3. United Kingdom, Board of Trade, *Economic Trends,* cited in *The Times, 2* May 1962.
4. Writing in mid-1961, U. V. Kitzinger stated: "The last three years have also seen a vast crystallization of Franco-German industrial agreements and measures of business integration directly provoked by the Common Market. Peugeot and Mercedes-Benz, As de Trefle and Agfa Leverkusen, Fouga and Messerschmidt, Desmarais and BV-Aral, Rhone-Poulenc and Bayer Leverkusen, Centrale de Dynamite and Hoechst, Breguet and Dornier, Lip and Holzer, Lavallette and Bosch, Manurhin and Auto-Union, Nord-Aviation and Focke-Wulf, to mention only some of the more famous names in the aeroplane and motor, chemical and mechanical industries of the two countries, have all concluded various kinds of agreement: for the exchange of patents, for manufacture under licence, for marketing of each other's products, for the joint manufacture of new products. Much the same kind of activity is going on between French firms and Belgian, Dutch and Italian firms, and almost all the combinations possible between six partners" (Kitzinger, *The Challenge of the Common Market*, 96–97).
5. About 470 out of about 2 million private concerns in Britain (some 0.0002 percent) accounted for 48 percent of all paid-up capital in 1951–52 (Florence, *Ownership, Control and Success of Large Companies*, Table ID, 9); more than one-third of the labour force in all industrial activities work in the three largest business units—87

percent in cement, 84 percent in petroleum, 93 percent in explosives, and so on (Table IF, 16).

6. Tew, "Self-Financing," 44.
7. Radcliffe Committee, *Report,* para. 136, p. 46.
8. Ibid., Table 8, 45.
9. Ibid., Tables 15, 16, pp. 84, 89, and 86.
10. Feis, *Europe, the World's Banker 1870–1914*.
11. Jefferys and Walters, "National Income and Expenditure of the United Kingdom, 1870–1952," Table XV, 37–38.
12. Ibid.
13. See Kidron, "Reform and Revolution: Rejoinder to Left Reformism II" (reprinted in this volume).
14. Prais 1959,Table 2.1, 27.
15. Powell, *Saving in a Free Society*, Table II, 29.
16. From the United Kingdom, *Treasury Bulletin for Industry.*
17. Prais 1959, 26.
18. Notice the relief with which the chairman of the Chartered Bank, one of the largest of those operating "out East," greeted the decision to retain a common currency in the area beginning to be known as Malaysia: "It must, therefore, be a matter of satisfaction that the continuance on the same parity basis, of the existing currency arrangements, to put it at the very least, postpones the fragmentation of the unified currency area comprising the Federation, Singapore and the British territories in Borneo, in which first the Straits dollar and subsequently the Malayan dollar have provided a stable and effective medium of exchange" (Statement at the Annual General Meeting, 1 April 1959).
19. Quoted in *The Economist,* 28 May 1960.
20. *The Times,* 10 February 1960.
21. The lower figure is an official estimate for 1953–59 (United Kingdom, *Assistance from the United Kingdom for Overseas Development,* 6); the higher is a private estimate for 1956–57 (Conan, *Capital Imports into Sterling Countries,* 84).
22. Between 1885 and 1895, capital exports from Britain average some £30 million, and during the following decade—some £40 million (Royal Institute for International Affairs, 1937, 115) or in terms of today's prices, about £100 million annually over the whole period. Only between 1905 and 1913 did they become heavy—some £200 million a year—but even then they did not reach the £150 million mark—roughly the current rate in real terms—until 1910 (C. K. Hobson cited in Conan, *Capital Imports into Sterling Countries,* 82). Feis, *Europe, the World's Banker 1870–1914,* 14–15, gives lower figures, however: £185 million annual average for 1910–13.
23. Using Feis's conservative estimate for capital exports; see *Europe, the World's Banker 1870–1914*.
24. Ibid., 14–15.
25. Annual average of 'net income from abroad' for 1953–56 as given in the Blue Books of United Kingdom, *National Income and Expenditure,* plus an estimated £200 million as given in *The Times,* 24 April 1958.

26. Feis, *Europe, the World's Banker 1870–1914* 1931, 16; Jenks, *The Migration of British Capital to 1875,* 5–6 gives a figure of 20 percent for 1914.
27. From Hall, "A Note on the English Capital Market as a Source of Funds for Home Investment before 1914," 62.
28. United Nations, *The International Flow of Private Capital, 1956–1958,* 51.
29. United Kingdom, *Assistance from the United Kingdom for Overseas Development,* 6.
30. United Nations, *The International Flow of Private Capital, 1956–1958,* Table 3, 20.
31. See Kidron, "Reform and Revolution: Rejoinder to Left Reformism II" (reprinted in this volume).
32. United Nations, *World Economic Survey 1960*, Tables 1–1, 2-1, pp. 16, 58.
33. United Nations, *Measures for the Economic Development of Under-Developed Countries,* 19.
34. United Nations, *The International Flow of Private Capital 1946–1952,* 16.
35. Ibid., footnote.
36. Feis *Europe, the World's Banker 1870–1914*, table on p. 23.
37. Liesner, *The Import Dependence of Britain and Western Germany,* Table 25, 37.
38. United States, Department of Commerce, *Raw Materials in the United States Economy*.
39. NIESR cited in *Barclays Bank Review,* February 1961.
40. He wrote: "It goes without saying that *if capitalism could develop agriculture,* which today lags far behind industry everywhere, if it could raise the standard of living of the masses ... there could be no talk of a superfluity of capital.... *But if capitalism did these things it would not be capitalism*" (Lenin, "Imperialism, the Highest Stage of Capitalism," 56–57, emphasis added).
41. Shonfield, *The Attack on World Poverty,* 176.
42. Karol, "A View of de Gaulle's France."
43. Reserve Bank of India, "Foreign Investments in India" (1960), Statement IV; and Reserve Bank of India, "Foreign Investments in India" (1961), Statement II. More than half the increase in plantation investments was accounted for by paper revaluations of assets in the mid-1950s
44. From Feis, *Europe the World's Banker 1870–1914,* 27.
45. Bell, *The Sterling Area in the Postwar World,* Table LX, 370–72.

3. International Capital

1. First published in *International Socialism*, no. 20 (Spring 1965).
2. Mover of the Swadeshi (home production) Resolution adopted at the Allahabad convention of the Indian National Congress in 1910.
3. The first estimate not patently false is Dr. V.K.R.V. Rao's, relating to 1926–27. It puts total British private investment at just over £150 million. See Rao, Reserve Bank of India 1950.
4. *The Economist,* 21 June 1911, 345. Government and railway securities are excluded.
5. Thorner, *Investment in Empire,* 23.
6. Rao, in Reserve Bank of India 1950, 153.

7. Philip Woodruff described what happened in the matter of famine relief. In 1866 the crops failed in the Indian province of Orissa. The members of the Board of Revenue who advised the lieutenant-governor were, he wrote in his book, *The Guardians,* "held by the most rigid rules of the direct political economy." They rejected "almost with horror" the idea of importing grain. They would not even allow the authorities in Orissa to take the grain from a ship which ran ashore on their coast in March. It was bound for Calcutta and to Calcutta the grain must go. In fact, it rotted in the holds while plans were made to move it … By the time relief came a quarter of the population were dead" (Quoted in Strachey, *The End of Empire,* 55–56).
8. Gokhale Institute, *Notes on the Rise of the Business Communities in India,* 6, 10, 20, 45.
9. Pardiwalla, "Exchange Banks in India."
10. United Nations, *Economic Development of Under-Developed Countries, Relative Prices of Primary Products and Manufacturers in International Trade,* 22.
11. Lenin, "Imperialism, The Highest Stage of Capitalism," 81.
12. United Kingdom, *National Income and Expenditure 1957,* Table 50, and *The Economist,* 8 April 1961, 148. For technical reasons manufacturing is aggregated with contracting and some distribution.
13. Prais, "Dividend Policy and Income Appropriation," Table 8.1, 109.
14. Ibid.
15. Desai, *Social Background of Indian Nationalism,* 99.
16. Spencer, *India, Mixed Enterprise and Western Business,* 28.
17. Mitchell, *Industrialization of the Western Pacific,* 284–85.
18. Cited in Desai, *Recent Trends in Indian Nationalism,* 29.
19. Powell, *Saving in a Free Society,* Table II, 29.
20. United Kingdom, *Treasury Bulletin for Industry*.
21. Prais, "Dividend Policy and Income Appropriation," 26.
22. *Midland Bank Review* 1960, November, Table, 10.
23. See e.g., United Kingdom, *Treasury Bulletin for Industry*.
24. Radcliffe Committee, *Report*, 90.
25. *Barclays Bank Review 1961,* inset, February 1961.
26. *Economic Report of the US President,* January 1960, cited in Shonfield, *The Attack on World Poverty*, 176.
27. Karol, "A View of de Gaulle's France," 249.
28. United States, Department of Commerce, 1954 (cited in *World Economic Survey 1955,* p. 36n)
29. Kidron, "Imperialism: Highest Stage but One" (reprinted in this volume).
30. The lower is an official estimate for 1953–59 in United Kingdom 1960; the higher is Conan's estimate for 1956–57 in Conan, *Capital Imports into Sterling Countries,* 84.
31. Between 1885 and 1895 capital exports from Britain averaged some £30 million a year, between 1895 and 1905—some £40 million a year, or, in terms of today's prices, about £100 million a year over the whole period. It was only between 1905 and 1913 that capital exports were heavy—some £200 million a year—but even then they did not reach the £150 million mark—roughly the current level in real terms—until 1910 (See discussion and sources in Conan, *Capital Imports into Sterling Countries,* 82.)

Herbert Feis estimates a 1910–13 annual average of £185 million: *Europe, the World's Banker, 1870–1914,* 14–15.

32. A very rough estimate based on Feis, *Europe, the World's Banker 1870–1914,* 5.
33. Roughly calculated from the estimates given in the text and in United Kingdom, Central Statistical Office, *National Income and Expenditure* (annual).
34. Feis, *Europe, the World's Banker 1870–1914*, 5, 14–15.
35. United Kingdom, Central Statistical Office, *National Income and Expenditure* (annual).
36. Feis, *Europe, the World's Banker 1870–1914*, 16; a figure of 20 percent for 1914 is given by Jenks, *The Migration of British Capital to 1875,* 5–6.
37. Annual average of "net income from abroad" for 1953–56 as given in the Blue Books plus an estimated £200 million in profit retentions abroad as given in *The Times*, 24 April 1958.
38. Hall, "A Note on the English Capital Market as a Source of Funds for Home Investment before 1914," 62.
39. United Nations, *The International Flow of Private Capital, 1956–1958,* 51.
40. Conan, *Capital Imports into Sterling Countries,* 49.
41. Ibid., 50.
42. Ibid., 64.
43. United States, Senate, Special Committee to Study the Foreign Aid Program, *Foreign Aid Program, Compilation of Studies and Surveys,* 2.
44. Conan, *Capital Imports into Sterling Countries,* 50.
45. This is a conservative figure based on the *Statist*'s 1939 estimate for British private investment of Rs 930 crores and the RBI Census count for mid-1948 of Rs 320 acres of which 72 percent—or Rs 230 crores—was British even if the *Statist* figures are halved to account for Indian capital wrongly smuggled in, at least half the pre-war total must have been withdrawn. The withdrawal became a panic after the August 1952 "days" of nationalist uprising.
46. Based on Reserve Bank of India *Census Tables,* 111–27, 111–28; Reserve Bank of India *Bulletin*, Volume XII No 9, Table 3, 1010.
47. Clark, [Untitled paper].
48. Mammon in *The Observer*, 23 April 1961.
49. *The Guardian* (25 April 1961) reported the general secretary's reply to the main political debate in these terms: "Mr Ghosh was emphatic that a national democratic front could not be built by ignoring the Congress Party. He made it clear that the object of the front was not to overthrow the Congress Government or to take the country along the path of noncapitalist development but for democratic reforms and for defending and strengthening all that is progressive in the Government's policies."

4. A Permanent Arms Economy

1. First published in *International Socialism*, no. 28 (Spring 1967): 8–12.
2. United Nations, *Economic and Social Consequences of Disarmament*.
3. Ibid., 4.

4. Ibid., Table 2-1, 55–57. In the UN study, the figures given for Britain are generally lower than in the more detailed report made by the Economist Intelligence Unit a year later (Economist Intelligence Unit, *The Economic Effects of Disarmament).* Since the discrepancy is not material to the argument, no attempt is made to adjust the figures here.
5. Organisation for Economic Co-operation and Development, *Government and Technical Innovation*.
6. Economist Intelligence Unit, *The Economic Effects of Disarmament,* 49, 69, 82, and elsewhere in passing.
7. Organisation for Economic Co-operation and Development, *Government and Technical Innovation*, table, 30. The Economic Intelligence Unit gives a figure of 49 percent for Britain 1958–59 (59.2 percent in 1955–56): Economist Intelligence Unit, *The Economic Effects of Disarmament*, 27.
8. Organisation for Economic Co-operation and Development, *Government and Technical Innovation*, 30.
9. Ibid., 31–32.
10. Ibid., Table 3-3, 65.
11. Economist Intelligence Unit, *The Economic Effects of Disarmament,* 22–23.
12. Quoted by Galbraith, *The Modern Corporation*, 756.
13. Shonfield, *Modern Capitalism*, 344.
14. Quoted in Ibid., note.
15. *Strachey, Contemporary Capitalism*, 239, 246.
16. Marx, *Capital*, Volume 3, chapters 12 and 14.
17. Bortkiewicz, summarised in Sweezy, *The Theory of Capitalist Development*, 115–25.
18. Sraffa, *Production of Commodities by Means of Commodities,* 7–8.
19. *The Times*, 10 May 1966.
20. *The Economist,* 21 May 1966, 809–10.
21. *The Times,* 12 May 1966.
22. House of Commons report, *The Times*, 24 May 1966.
23. Organisation for Economic Co-operation and Development, *Government and Technical Innovation*, 1965, 31.
24. Cliff, "The Economic Roots of Reformism"; Kidron, "Reform and Revolution: Rejoinder to Left Reformism II"; Cliff and Barker, *Incomes Policy, Legislation and Shop Stewards*; and Barker, "The British Labour Movement."
25. Reid and Robinson, "The Cost of Fringe Benefits in British Industry."
26. International Labour Office, *The Cost of Social Security 1958–60*, Part 2, Table 4, 249.

5. Marx's Theory of Value

1. First published in *International Socialism,* no. 32 (Spring 1968).
2. Marx, *Capital,* vol. 3, 172.
3. Marx, *Capital,* vol. 1, 44.
4. Schlesinger, *Marx, His Time and Ours,* 129.
5. Bohm-Bawerk, in Sweezy, ed., *Karl Marx and the Close of His System*.

6. Bernstein, “On the Meaning of the Marxist Theory of Value.”
7. Robinson, *Economic Philosophy,* 44.
8. Marx, *Capital,* vol. 3, 171.
9. Ibid.
10. Ibid., 197.
11. Marx, *A Contribution to the Critique of Political Economy.*
12. Hilferding, *Bohm-Bawerk’s Criticism of Marx*, in Sweezy, ed., *Karl Marx and the Close of His System*, 144–46.
13. A post-war crop would include Sweezy, *The Theory of Capitalist Development*, 42–44; Meek, *Studies in the Labour Theory of Value,* 172–73; Mandel, *Traité d’économie marxiste,* vol. 1, 78.
14. Routh, *Occupation and Pay in Great Britain, 1906–1960,* 3–6, 42.
15. Ibid., 53–59, *passim* for figures covering this century in Britain.
16. Marx, *Capital,* vol. 1, 323–24.
17. Marx, *Capital,* vol. 3, 171.
18. Marx, *A Contribution to the Critique of Political Economy,* 299.
19. Ibid., 24.
20. “There is always the possibility of an error if the cost-price of a commodity ... is identified with the value of the means of production consumed by it. Our present analysis does not necessitate a closer examination of this point” (Marx, *Capital*, vol. 3, 162).
21. Bortkiewicz’s major article on the subject, “On the Correction of Marx’s Fundamental Theoretical Construction in the Third Volume of *Capital,*” was originally published in 1907. Translated by Sweezy, it forms an Appendix to his edition of the Bohm-Bawerk/Hilferding debate. See Bohm-Bawerk in Sweezy, *Karl Marx and the Close of His System*.
22. Sraffa, *Production of Commodities by Means of Commodities*. Its high level of abstraction is as responsible as the low level of current Marxist scholarship for Sraffa’s neglect. An appeal to Maurice Dobb and, indirectly, to Sraffa himself elicited a total of five extended reviews from a Marxist standpoint and one assessment in the five years following publication of his book. A bibliography of English-language attempts at a solution of the “transformation problem” in the period between Bortkiewicz and Sraffa can be found in Meek, “Some Notes on the ‘Transformation Problem’,” 143.
23. Marx, *Capital,* vol. 1, 310. The observation recurs a great number of times.
24. Nicholson, “Capital Stock, Employment and Output in British Industry 1948–1964,” Table 3, 8l.
25. *Fortune Magazine*.
26. If the textile industry might stand for Sweezy’s “clothing industry,” and metal manufacturing for steel, the ratio of assets per employee in the two industries declined from 1:2.1 to 1:1.5 between 1959 and 1967 (from *Fortune Magazine*).
27. Cf. Marx: “The determination of the magnitude of value by labour-time is therefore a secret, hidden under the apparent fluctuations in the relative values of commodities. Its discovery ... in no way alters the mode in which that determination takes place” (Marx, *Capital,* vol. 1, 75, and *passim*).

28. Ibid., 356. See the entire section “Division of Labour in Manufacture, and Division of Labour in Society.”
29. Galbraith, *The Affluent Society*, 91.
30. Pejovich, *The Market-Planned Economy of Yugoslavia,* 56.

6. Maginot Marxism

1. First published in *International Socialism*, no. 36 (April/May 1969): 33–36.
2. Mandel, *Marxist Economic Theory.* All page references are to this edition.
3. Ibid., 706.
4. “[T]he totality of production ... is urged onward only by the capitalists’ thirst for profit. The private form of appropriation makes profit the only aim and driving force of production” (p. 171); “Profit remains the purpose and driving force of capitalist production” (p. 561); and so on.
5. Ibid., 568–69.
6. Ibid., 166.
7. Ibid.
8. Ibid.
9. Ibid., 167.
10. Ibid., 529–34.
11. See Ibid., 168, 171, 346, 437, and 529 for a fair sample.
12. Ibid., 531.
13. Ibid., 511, 520–21.
14. Ibid., 488, 489.
15. Maizels, *Industrial Growth and World Trade,* 80.
16. Mandel, *Marxist Economic Theory,* 436–37.
17. Ibid., 492.
18. Ibid., 516 (emphasis in the original).
19. Ibid., 437, 437n.
20. Ibid., 574.
21. Ibid., 584.
22. Ibid., 631.
23. Ibid., 597.
24. Ibid., 561.
25. Ibid., 565 (emphasis in the original).
26. Ibid., 561.
27. Ibid., 571–72.
28. Ibid., 564.
29. Ibid., 572–73.
30. Ibid., 17.
31. Ibid., 726.
32. Three out of a “number of sociologists [sic!] who try to make use of the Marxist method of analysis” are mentioned by name in a footnote to “The Social Character of the Soviet Economy,” a key section (p. 560). The one whose ideas on the subject are

most developed and who has succeeded in implanting them in an active, revolutionary organisation—Tony Cliff—is not mentioned in the extensive bibliography nor referred to in the index. The one whose ideas are of an earlier vintage and less commanding, but who can still claim something of an organised following in Italy—Amadeo Bordiga—makes the index but not the bibliography. And the third—D. Dallin—with few, and reactionary, ideas and no following—makes both.

33. Mandel, *Marxist Economic Theory,* 643.
34. Ibid., 13.
35. Ibid., 707.

7. Capitalism

1. First published in Nigel Harris and John Palmer, eds., *World Crisis. Essays in Revolutionary Socialism* (London: Hutchinson, 1971).
2. As a political system, as an ideology and as a system of attitudes, imperialism continued long after its base narrowed. But this is not the place for a full analysis.
3. Dr. John S. Foster, director, Defense Research and Engineering, in US Senate, *US Armament and Disarmament Problems,* 15.

8. Waste

1. First published in Kidron, *Capitalism and Theory* (London: Pluto Press, 1974), 35–59.
2. The most extensive work on the constituents of a productive economy is the analyses used by the military for targeting and survival exercises. These are not normally open to outsiders. Occasionally they surface. During World War II the American "bedrock" programme unexpectedly came up for open discussion in Congress—a Congressman wanted to know why whisky production was included amongst essential industries. The programme itself was "an estimate of the level of civilian end-product output at which war production would be at a maximum . . . above or below which the war effort would be weakened" (Yoshpe et al., *Production for Defence*, 158. This is a National Security Management textbook). Since then the idea of a core economy has taken root. In the late fifties there was a great deal of discussion about burying a self-contained US sub-economy in underground shelters. One fervent advocate wrote: "It is possible to determine within our present economy a sub-economy which provides at least a certain number of interdependent essential activities, free from all luxuries, all frills. It will secure the very barest *but continuing* existence of a part of the population—that part which may be assumed as saved by shelters or by-passed in a large-scale attack . . . The sub-economy must be a surplus-producing economy. . . . The sub-economy . . . must form an integrated system which can live by itself. . . .

   "The proper design of the sub-economy should not only accomplish the construction of an economy which can work by itself when the surface economy is knocked out or gravely wounded. It should be able to rebuild the country gradually from the remnants left over" (Morgenstern, *The Question of National Defense,* 130–31; emphasis in the original).

   An elaborate official study of such a core economy was started in the US Office of

Emergency Planning in 1962. Called *Nuclear Attack Hazards in the Continental United States 1963* (NAHICUS 63), it was based on over 700,000 distinct resource points or resource records stored on tapes. Its aim was to ascertain the conditions for economic survival and recovery of a post-attack US reduced to one-quarter of the then current economic size. Amongst its subsidiary aims was the updating and refinement of the inter-industry input–output tables (on which this essay is based) in order, *inter alia,* to "determine the final *essential* demand of . . . private consumption, Government expenditure, capital investment, and foreign export" (Primoff, "Balancing Resource Requirements Against Resource Capabilities," 110, emphasis added).

3. In conventional national income accounting, GNP falls if well-heeled bachelors marry their housekeepers and rises if they then change their minds and buy revolvers to effect the change.
4. Unfortunately, we are not doing too well. To judge by recent writing on the subject, Marxists, in England at least, can be as obscure and ideological as any bourgeois academic, and as insensitive to the historic contexts in which their analytic categories were formed and are used. The worst recent sinner in this respect is John Harrison, who concludes that "Marx's attempt to formulate a scientific category of unproductive labour employed by capital was fundamentally misconceived"; that "all labour performed under the capitalist mode of production should be treated as 'productive'"; and that "all constant capital is 'productive' constant capital." Not even the most dyed-in-the-wool of the system's trusties would say that when sober (Harrison, "Productive and Unproductive Labour in Marx's Political Economy," 78, 81).
5. As Marx put it, "that labourer alone is productive who produces surplus-value for the capitalist, and thus works for the self-expansion of capital" (Marx, *Capital,* vol. 1, 509).
6. Cf. Marx, *Theories of Surplus Value*, "the doctor who prescribes pills is not a productive labourer" (vol. 1, 180); "what the labourer . . . pays out for the services of physicians, lawyers, priests, is his misfortune" (Ibid., 205).
7. The teacher's case is ambiguous: "a schoolmaster is a productive labourer when, in addition to belabouring the heads of his scholars, he works like a horse to enrich the school proprietor. That the latter has laid out his capital in a teaching factory, instead of in a sausage factory, does not alter the relation" (Marx, *Capital,* vol. 1, 509).
8. Cf. Marx, *Theories of Surplus Value*, vol. 1, 292: "When on the other hand the bourgeoisie has won the battle and has partly itself taken over the State, partly made a compromise with its former possessors and has likewise given recognition to the ideological professions as flesh of its flesh and everywhere transformed them into its functionaries, of like nature to itself; when it itself no longer confronts these as the representative of productive labour, but when the real productive labourers rise against it and moreover tell it that it lives on other people's industry; when it is enlightened enough not to be entirely absorbed in production, but to want also to consume 'in an enlightened way'; when the spiritual labours themselves are more and more performed in its *service* and enter into the service of capitalist production—then things take a new turn, and the bourgeoisie tries to justify 'economically,' from its own standpoint, what at an earlier stage it had criticised and fought against. Its spokesmen and conscience-salvers in this line are the Garniers, etc. In addition to

this, these economists, who themselves are priests, professors, etc., are eager to prove their ‘productive’ usefulness, to justify their wages ‘economically’.”

9. This is a fairly common mistake. Cf. for example, Paul Mattick: “Government-induced production can enlarge total social production; but it cannot enlarge the total capital” (Mattick, *Marx and Keynes,* 158).
10. Harrison, “The Political Economy of Housework”; Harrison, “Productive and Unproductive Labor in Marx’s Political Economy.”
11. Baran, *The Political Economy of Growth*, 32.
12. Baran continues: *“Most generally speaking [unproductive labour] consists of all labor resulting in the output of goods and services the demand for which is attributable to the specific conditions and relationships of the capitalist system, and which would be absent in a rationally ordered society”* (Ibid., emphasis in the original).
13. Phillips, “Estimating the Economic Surplus,” 384.
14. Oliver, “Employment Effect of Reduced Defense Spending,” 3–11.
15. *Survey of Current Business,* July 1971, 30.
16. Dresch, *Disarmament: Economic Consequences and Developmental Potential.*
17. National Economics Division, “Input–Output Structure of the US Economy: 1963.”
18. *Survey of Current Business,* July 1971, 30.
19. US data from *Survey of Current Business,* April 1965 data for the USSR from *New Directions in the Soviet Economy,* studies prepared for the Sub-Committee on Foreign Economic Policy of Joint Economic Committee of the US Congress, Table A-1, 657 and Table A-1, 772.
20. *Survey of Current Business 1971,* and US Department of Commerce, *Consumer Buying Indicators*.
21. Phillips, “Estimating the Economic Surplus,” 381–84 and references.
22. US Department of Commerce, *Construction Review,* 24.
23. *US Census of Population 1960,* Subject Report PC (2)-7.
24. Oliver, “Employment Effect of Reduced Defense Spending.”
25. “Income and Employment, by Industry,” 35.
26. *Survey of Current Business,* April 1971.
27. Cochran and Eldridge, “Employment and Personal Consumption Expenditures.”
28. Soltow, *Six Papers on the Size Distribution of Wealth and Income*, 128.
29. United States, Bureau of Labor Statistics, *Survey of Consumer Income and Expenditure for 1960–61,* 11.
30. *Survey of Current Business,* April 1971.
31. See fn. 28.

9. Black Reformism

1. First published in Michael Kidron, *Capitalism and Theory* (London: Pluto Press, 1974), 95–123.
2. During the 1960s the discussion of unequal exchange was restricted more or less to readers of French, and particularly to readers of *Cahiers de l’ISEA* and *Problèmes de Planification.* The arguments are now becoming accessible in English. The most

elaborate exposition is in Emmanuel, *Unequal Exchange: A Study of the Imperialism of Trade*. In addition, see Emmanuel, "White-Settler Colonialism and the Myth of Investment Imperialism"; Palloix, "The Question of Unequal Exchange"; Pilling, "Political Economy and Imperialism"; and a number of less accessible articles in journals as far away as, for example, the *New Zealand Left Books Review* or the *Review of Radical Political Economics* in the US.

3. Emmanuel, *Unequal Exchange: A Study of the Imperialism of Trade,* 49.
4. I am grateful to Amartya Sen for pointing out inconsistencies in an earlier draft of this section.
5. Average gross household wage-income in 1966 was £1,432, of which 77 percent was left for free disposal. (From United Kingdom, Central Statistical Office, *Annual Abstract of Statistics 1972,* Table 79, p. 78; and "The Incidence of Taxes and Social Security Benefits, particularly among households with low incomes," in United Kingdom, Board of Trade, *Economic Trends,* July 1968, Tables I iii–vi, pp. xxxiii–xxxvi).
6. This is a weighted average wage for "registered" workers in the industries listed in the table below, less estimated indirect taxes plus estimated subsidies and excluding secondary earnings contributed by women and children.

Wages:

India: *Registered employment and average annual earnings, per head 1966*

Sector	Employment (millions)	Earnings (Rs)
Plantations	1.13	764
Mining/quarrying	0.67	1581
Manufacturing	4.53	2114
Utilities	0.31	2280
Transport/communications	2.21	2047
Weighted annual average of incomes		1890

Sources: Government of India, *Economic Survey 1970–1971,* Tables 3.1, 3.2, 109–10; Tea Board of India, *Tea Statistics 1969–1970,* Tables 26c, 27, 111–28; The Statistical Section, Coffee Board, *Coffee Statistics 1968–1969,* Table XVII, 287–302; Labour Bureau, Ministry of Labour and Employment, *Indian Labour Statistics 1971;* Simla, 1971, Tables 2.3, 4.1, 4.2, 37, 55, 57; *Indian Labour Yearbook 1966,* Simla, 1968, Table 2.19, 61, and *1968*, Simla 1970, Table 2.18, 67.

The final figure Rs1890 is probably a fair approximation to an average urban wage for that year, since the downward bias imparted by the relatively low-paid plantation and mining workers (13 and 8 percent of the total respectively) is offset by the exclusion of similarly low-paid "unregistered" (small-industry) urban workers. The figure is understated to the extent of women's and children's contribution to total household wage income, which is still fairly important in urban India (although clearly less than in a rural setting).

Taxes:

It is assumed that Indian workers pay no direct taxes and that the incidence of all indirect taxes other than that on motor spirit is proportional to income. Assuming further that agricultural labour income averaged Rs660 in 1966 (from *Indian Labour Statistics 1971,* Table 4.9, 63) total indirect tax revenue for 1966 divided by total population weighted by income gives Rs35 for indirect taxation per working-class household.

Benefits:

The money value of benefits and employer's contributions in manufacturing (including gas and electricity distribution) was Rs230 per employee per year (Government of India, Central Statistical Organization, *Annual Survey of Industries, 1965,* 4). Assuming the same ratio of benefits to wages in the sectors listed above, but that employee's contributions (to state pension schemes, etc.) do not exist outside manufacturing and utilities, average gross benefits were Rs151 per head.

7. In Britain, the rate of supplementary benefit for a single householder "directly responsible for rent" in 1966 was £4.05 per week (United Kingdom, Central Statistical Office, *Social Trends in 1971,*Table 42, 88). This is a subsistence allowance based on physiological needs and excluding so far as possible, the "historic and moral element" in wages. The official estimation of these needs has not changed in essentials since the 1890s or before (see Atkinson, "Who Are the Poorest?" 466–68).

   In India, minimum cost urban subsistence diet approved by the National Nutritional Advisory Committee and confirmed by Dr. Kalyan Bagchi, nutritional adviser to the ministry of health, was estimated at Rs1.49 per adult "equivalent consumption unit" per day in Bombay (Rs1.4 in Bangalore) in 1968 *(Indian Labour Journal,* December 1968, 1650–51) or R1.32 per day in 1966 prices. The minimum clothing requirement per urban adult was estimated by the Committee of the Indian Labour Conference in 1962 to be 18 yards of cotton textile a year, or Rs40.35 in 1966 prices. The minimum rent charged by the government for an open developed plot in Bombay or Calcutta Rs6.50 per month in 1960 is taken as basic for housing costs; and fuel, light, etc., is assumed to form a fifth of total subsistence expenditure, in line with official estimates (Government of India, Ministry of Labour and Employment, *Tripartite Conclusions 1942–62,* 49). On these assumptions, a weekly subsistence budget per adult male in urban India was Rs14.25 in 1966.
8. For some examples see Kidron, *Foreign Investment in India*, 249.
9. Healey, "Industrialization, Capital Intensity and Efficiency," Table 1, 327, concludes that the productivity of operatives in India relative to the UK in the most "capital intensive" that is, machine-paced or continuous-process industries, is 44.71 percent and that it declines sharply the lower the level of fixed investment per head, to a low of 14.21 percent. The weighted average is 22.50 percent.
10. An incidental result of these comparisons is the emergence of an exchange rate that reflects the purchasing power of the wage packet more closely than the official rate. This wages-purchasing-power parity rate based on subsistence is Rs3.5 to the pound at 1966 prices. This exchange rate has not been used in calculating relative exploitation. It is a result implicit in the calculations.
11. The full costs are not always paid, of course. At the time of writing the EEC foreign ministers were resisting pressure to concede full welfare rights to migrant labour from the Maghreb countries since doing so "would give workers from these countries privileged treatment over those from Turkey or Yugoslavia" (*Guardian,* 5 June 1973). Throughout western capitalism, there are pockets of bonded-labour systems for migrants, which effectively deny the workers trapped in them the normal social and legal protection. But the social, political and administrative costs of special treatment for migrants as an underclass are heavy and unacceptable in the long run to large-scale bureaucratically-organised capital.
12. Average annual outlay on pay, allowances, maintenance, etc per enlisted man in the army, that is, excluding procurement, equipment maintenance and so on, was: in

India—Rs3094.8; in Britain—£١١٠٣.٨ in the five years ١٩٦٥/٦٦—1969/70 (figures from the United Kingdom, *Defence Estimates (Army),* relevant years; Government of India, *Defence Service Estimates,* relevant years). See note 9 for the wage-exchange rate.

13. Watanabe, "The Brain Drain from Developing to Developed Countries," Table v, 414–15.
14. Henderson, "Emigration of Highly Skilled Manpower from the Developing Countries," 119.
15. Ibid., 118 gives an estimate of $2 billion on account of this loss.
16. Watanabe, "The Brain Drain from Developing to Developed Countries," Table 1, 404–5; Henderson, "Emigration of Highly Skilled Manpower from the Developing Countries."
17. Assuming such people to have had a secondary education and for that to have cost a total of $429 in direct government outlay at primary and secondary levels (unweighted average for five countries, 1968–69, taken from United Nations, Social Development Division, 1971, Table 7, 148).
18. Cf. the verbal testimony submitted by Dr. Charles Sprague, dean, Southwestern Medical School, University of Texas, to the US House of Representatives, Committee on Government Operations, Research and Technical Programs Subcommittee: "In the Philippines, for example, there are proprietary institutions which, seemingly, have as a major objective the preparation of physicians to come to the United States for graduate education and hopefully to pursue professional practice of medicine in this country" (United States, House of Representatives Committee on Government Operations, *Hearings on The Brain Drain of Scientists, Engineers and Physicians from the Developing Countries to the US,* 63).
19. Dropout rates from William C. Thiesenhusen's written testimony (Ibid., 28–30; average cost per head in Cameroon, Colombia, Lebanon, Philippines, Trinidad and Tobago from Ibid., Table 7, 148; enrolment figures from UNESCO, *Statistical Yearbook* 1971, Table 2.2.
20. The Reuss Committee quoted in footnote 18 concluded: "If the cost of education and training received by emigrants is assessed in terms of the basic education and literacy foregone by their countries in having higher education systems, the loss of scientific professionals to developing countries is clearly very high, though not calculable in dollars-and-cents terms" (United States, House of Representatives Committee on Government Operations, *Hearings on The Brain Drain of Scientists, Engineers and Physicians from the Developing Countries to the US,* 5).
21. Kidron, *Foreign Investment in India*, 186.
22. Two-fifths of private investment *in industry* (from Government of India, Planning Commission, *Fourth Five Year Plan, a Draft Outline,* Table 7, 11), plus two-fifths of public outlay on *administration* (Government of India, Central Statistical Office, *Brochure on Revised Series of National Product for 1960–61 to 1964–65,* cited in Robinson and Kidron, *Economic Development in South Asia*, 93), came to Rs577 crores in the mid-sixties. Assuming the usable surplus outside agriculture (taxes and domestic savings) to be 23 percent of gross domestic product (from the above two

sources) or Rs4,984 crores, the share of foreign capital in this part of the surplus is 11.6 percent.

23. India's share of the South's gross domestic product is given as $41.5 billion out of a total $281.8 billion in 1967 (from United Nations, *World Economic Survey 1969–70,* Table A1, 177–79).
24. See Chapter 8 ("Waste: US 1970") in this volume.
25. Value of major weapons exports to the South in 1971 at 1968 prices—$1.8 billion (Stockholm International Peace Research Institute [SIPRI], *World Armaments and Disarmament* 1972, Table 5A.1, 120–21) doubled to $3.6 billion at 1968 prices to give total arms exports; and adjusted for price increases for arms of 10 percent per year to give $5.8 billion in 1973 at current prices; SIPRI, *The Arms Trade with the Third World,* 4–7, 83). These monetary values are approximate and extremely conservative for the extent to which arms imports into the South are under-recorded and underestimated. They are also net of military aid. Military aid is not part of the centralising process, at least not directly. It merely shifts waste about. Nor, in principle, are non-military loans and grants. Even the part of economic "aid" which is spent on balance-of-payments support and which for that reason can be said to sustain the continued flow of profits, royalties, fees, interest and other payments from South to North does not come into it. Such aid does induce centralisation of capital, but indirectly. The effect is felt within the North, rather than between South and North, for the "aid" is paid out of taxes levied regressively on small and medium-sized businesses at the centre, while the profits and other payments whose repatriation it sustains accrue by and large to the biggest of its capitals. The South participates in this case as a conduit, not as a victim.

    In practice "economic aid" can be and often is a method of dumping non-arms waste in the South, at a price; in practice it need not and often does not cover all the foreign-exchange costs of foreign investments, while yet covering enough to keep the payments going; and it often lubricates one or other form of unequal exchange. But in principle it is not one of the mechanisms for centralising capital internationally.
26. Stockholm International Peace Research Institute (SIPRI) reports that repair and maintenance costs of major weapons and the cost of establishing and maintaining adequate repair shops and the various support services for effective field organisation come to "several times" the initial price *in a developed country*; and that they are very much higher "in a developing country with a low level of technical education" (*The Arms Trade with the Third World,* 84).
27. Excluding the armed forces, India has over 10 million central and state government employees compared with 3 million twenty years ago (Prem Shankar Jha, *The Guardian,* 23 May 1973). The armed forces have grown in roughly the same proportion—from under 300,000 to 960,000.
28. In 1968, 924 million people—or 42 percent of the world's population over 15 years old—were thought to be illiterate. The number was growing—by 40 million between 1950 and 1960; United States, House of Representatives Committee on Government Operations, *Hearings on The Brain Drain of Scientists, Engineers and Physicians from the Developing Countries to the US,* 27.
29. The case is argued in Chapter 10 ("Memories of Development"), this volume.
30. Amin, *L'accumulation a l'echelle mondiale*, 75, 76.

31. Emmanuel, *Unequal Exchange. A Study of the Imperialism of Trade*, 265 (emphasis in original).
32. Ibid., 367.
33. Paradoxically, the unequal exchangeists model is truer to life as it was at the beginning of the "era of unequal exchange," when the colonial state often held the balance between home-based and colony-based metropolitan capital, each acting independently in world trade, than it is today. Now, most North–South trade can be assumed to take place either between governments or between the components of large international companies.
34. Vernon, *Sovereignty at Bay,* 18.
35. Emmanuel, *Unequal Exchange. A Study of the Imperialism of Trade,* 163, 169, 330–31 *passim.*
36. Amin, *L'accumulation a l'echelle mondiale,* 12.
37. Emmanuel, *Unequal Exchange. A Study of the Imperialism of Trade,* 133, 379.
38. International Labour Office, *Yearbook of Labour Statistics* (1970), 11.
39. Ibid.

10. Memories of Development

1. First published in *New Society* (4 March 1971).

11. Two Insights Don't Make a Theory

1. First published in *International Socialism*, no. 100 (July 1977).
2. Notably in *The Nature of Stalinist Russia*, and republished/reworked in "Stalinist Russia, A Marxist Analysis," *Russia: A Marxist Analysis London*, and *State Capitalism in Russia*.
3. Notably in these works by Gluckstein: "On the Class Nature of the 'People's Democracies'" and *Stalin's Satellites in Europe*.
4. Gluckstein, *Mao's China*.
5. Oakes, "Towards a Permanent War Economy."
6. Vance, "After Korea—What?" and Vance "The Permanent War Economy."
7. Cliff, "Perspectives of the Permanent War Economy."
8. Kidron, "Reform and Revolution: Rejoinder to Left Reformism II" and "A Permanent Arms Economy" (both in this volume).
9. Kidron, *Western Capitalism since the War*.
10. Kidron, *Capitalism and Theory*.

12. The Injured Self

1. This essay was first published in the *Socialist Register 2002*, 229–44 with a note saying that it was "drawn largely from my book, *The Presence of the Future: The Costs of Capitalism and the Transition to Ecological Society,* forthcoming 2002." [In the event, the book was not completed; but the latest draft will hopefully be found online in the fullness of time via the Marxist Internet Archive,

https://www.marxists.org/archive/kidron/index.htm.]

2. Report from UK National Audit Office, reviewed in the *Financial Times,* 15 February 2001.
3. World Health Organization, *World Health Report 2001*.
4. Torrey, *Out of the Shadows, Confronting America's Mental Illness Crisis*, 206–7.
5. See World Health Organization, *World Health Report 2001*.
6. UK Department of Health, *General Medical Services Statistics, England and Wales, National FSA,* Table 4.20.
7. House of Lords, Select Committee on Science and Technology, *Complementary and Alternative Medicine*, Table 2, 14.
8. Epstein, "Time of Indifference," 36–37.
9. Showalter, *Hystories: Hysterical Epidemics and Modern Culture*.
10. Data table &.2, 246–47.
11. United Nations, *Demographic Yearbook 1955* (Table 29B), *Demographic Yearbook 1966* (Table 20) and *Demographic Yearbook* 1998 (Table 21).

13. Failing Growth and Rampant Costs

1. First published in *International Socialism Journal,* 2nd ser., no. 96 (Winter 2002).

Appendix A1: Our Programme

1. For the full text of this programme and a fuller account of the background, see Rudge, "Duncan Hallas and the 1952 Programme for Action."
2. Kidron, "The Limits of Reform: A Reply to Ken Alexander."
3. The formatting, punctuation, and presentation of these articles elaborating the programme was very erratic. They have been standardised here.

Appendix A2: The Fight for Socialism

1. Surplus value amounted in fact to more than this figure—no account has been taken of taxation out of working-class incomes, the payment to workers of wages for non-productive labour, and much else.
2. Shachtman, *The Fight for Socialism,* 53.
3. *New Statesman and Nation*, 9 August 1952.

Appendix B: Michael Kidron and 1968

1. This introduction is an edited extract from an unpublished 51-page manuscript by John Rudge, "The Turn to Democratic Centralism: Documents of the 1968 IS Conferences."
2. Birchall, *Tony Cliff: A Marxist for His Time*.
3. Ibid.
4. Rudge, "The Turn to Democratic Centralism: Documents of the 1968 IS Conferences."

5. Higgins, "More Years for the Locust."
6. This paragraph and the last paragraph are editorial comments by John Rudge.

Appendix C: The Revolutionary

1. *Time Out*, 27 March 1981–2 April 1981.