

MILITANT



50p

**BRITISH
PERSPECTIVES
AND TASKS FOR THE
LABOUR MOVEMENT**

Issue No. 12

February 1977

30p

REVIEW

BRITISH PERSPECTIVES AND TASKS FOR THE LABOUR MOVEMENT

THE CRISIS OF BRITISH CAPITALISM AND HOW TO FIND THE WAY OUT

EDITOR'S INTRODUCTION

We are devoting the whole of this issue to an important study of world, and particularly British, perspectives which was written by Ted Grant some six months ago. We intended to publish this in the September issue of 'Militant International Review' but unfortunately, because of editorial and production difficulties, this issue was delayed. We are making efforts to avoid such delays in the future.

But the editors consider that we should still make this article available to our readers in this issue. The material contained in this article will be invaluable for British workers—whom we are mainly interested in reaching—in understanding

the catastrophe which faces British society on the basis of a continuation of capitalism.

Every day confirms anew the analysis made in this study. With almost monotonous regularity the capitalist press gives further details underlining the utter decay of their system. Thus investment in manufacturing industry in 1970 was £2,130 million and in 1976 it was £1,640 million (at 1970 prices)! Investment in 1977 will not reach the 1970 figure. In the steel industry—still a key index of the economy—British Steel's share of the domestic market has fallen from 70% to 55% over the last five years. Even the other sick man of Europe, Italy, now outstrips British capitalism in the production of steel.

In a more modern industry, electronics, the frightening collapse of British capitalism was shown in a recent 'Times Business News'. Some 17 years ago, the electronics industry in Britain was almost self-sufficient, needing only very small imports: "Yet, in the mid-nineteen seventies, more than half our components needs are being met by imports." Sixty per cent of semi-conductor needs have now to be imported. And now the television industry seems irretrievably set to follow to motorcycle industry. Half the sets sold in Britain come from abroad. The Japanese TV manufacturers already produce as many colour sets as all the European capitalists together. Something like 46% of cars sold in Britain are imported.

Workers' anger

The British capitalists and their shadows in the labour movement have looked hopefully towards the measures of the new Carter administration in the United States to show a way out of their impasse. But Carter's \$30 billion dollar extra state expenditure will not significantly affect the prospects for the American or world economy. On the contrary, Carter will get the worst of both worlds: his measures will not have the desired effect in stimulating an economic upswing, but they will nevertheless stoke up the fires of inflation.

While frantically urging a greater "reflation" by American capitalism, the spokesmen of the two other strongest capitalist powers, Germany and Japan, are stubbornly refusing similar advice, proffered to them by Carter's spokesman. Having just emerged from the worst crisis of the post-war epoch, the capitalists see looming on the horizon another, even deeper slump unless the Carter administration plumps for a massive "priming of the pump" along the lines of Roosevelt's New Deal. His recent measures are only a faint echo of the New Deal.

The economic decay of British capitalism goes hand in hand with the degeneration of its direct political representatives, the Thatcher leadership of the Tory Party. Heath seems sure of touch, and a political giant, by comparison with Thatcher and Joseph. Thatcher's dithering on the issue of Devolution reflects the shortsightedness

of the Tory leadership. The blacking of the limited measures contained in the Devolution Bill would give enormous assistance to the nationalists and give a push to the break up of the "United Kingdom". And the vicious programme of counter reforms—of savage attacks on the social services and mass unemployment—mapped out by Joseph would provoke resistance on the part of the working class besides which the titanic battles of 1970-4 would pale.

It is the fear of what a Tory government would mean to them, together with the instinctive loyalty of the advanced sections of the working class towards "their" government, that has resulted in the Labour government clinging to power. This fund of credit has been extended to the Labour government despite the savage reductions in living standards in the past period.

Incomes Data Services have shown that between April 1975 and April 1977 the average worker will have faced a reduction of £10 a week in his living standards. Thirteen million people—one quarter of the population—live below the poverty line. The massive inflation rate—officially expected soon to reach 19% by the Price Commission, which in reality will probably mean anything up to 25%—will mean a ruthless reduction in living standards.

This has strained the Social Contract to breaking point. The threatened seamen's strike has been followed by a whole series of local strikes which have challenged the Social Contract. The powerful combine shop stewards' committee of British Leyland cars has come out against another round of "wage restraint". This has been followed by Fords convenors making a similar recommendation to their members. The Transport and General Workers Union Executive Committee, against the advice of Jack Jones, made a similar decision before Christmas, as also has every one of the trade groups of the T&GWU.

Such is the accumulated anger and bitterness of the working class—particularly the advanced workers—that unofficial movements on wages threatens to flare up over the union leaders' heads unless they are prepared to reflect the mood of the workers. The one-day strike of the power workers—which the right wing Chapple leadership of the EETPU has

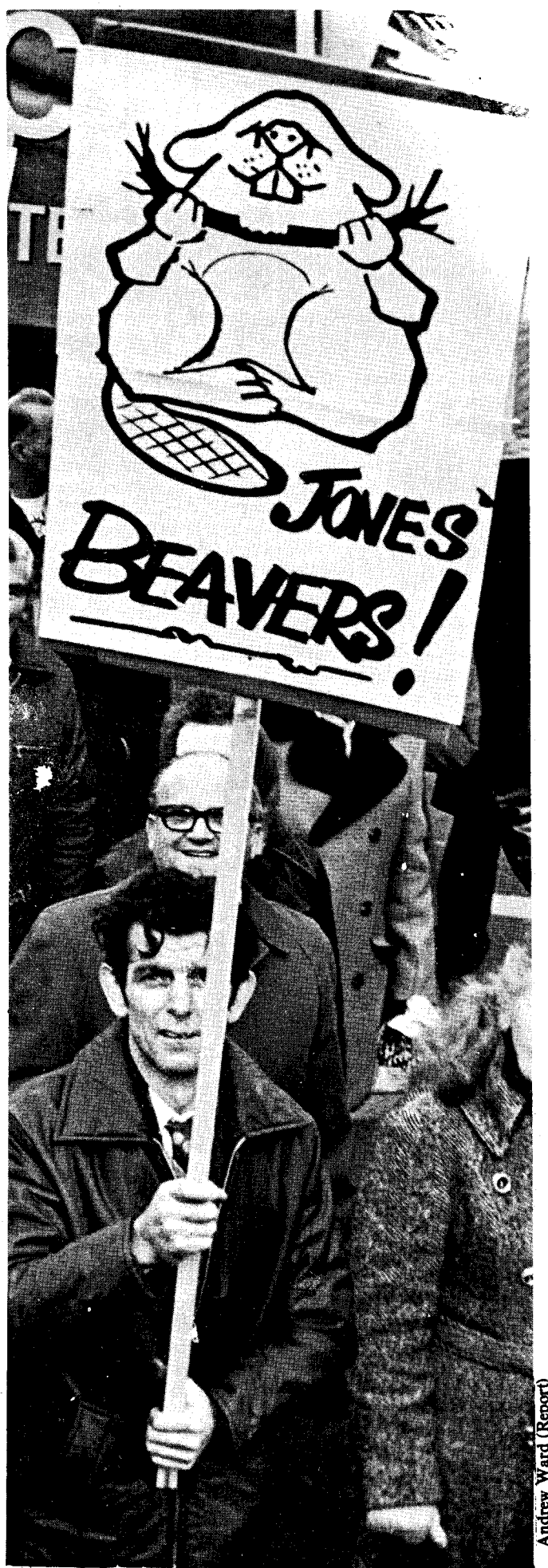
been forced to put itself at the head of—is a significant pointer to the mood of the working class.

Even some of the strategists of capital have seen the dangers of the trade union leaders being enmeshed in the State machine: "The danger lies in the widening gulf which is now appearing between the national leadership of the trade union movement and the rank and file membership, including the shop stewards.....In many ways the economy has benefited considerably from the closer liason between the government and the leaders of the TUC. Mr Jones himself deserves much credit for his role in devising the social contract and making it stick.....But his effectiveness in this task depended, and still depends, on his authority over the Transport and General Workers Union." ('Evening Standard').

Once the Labour government and the trade union leaders are shown to be incapable of selling a further round of cuts in living standards to the labour movement, this will be the signal for the Labour government to be brought down. The capitalist press has recently reported that Callaghan entertains the delusion that the Labour government will be able to hold on till 1978 and then win an Election on the basis of the rich benefits of North Sea Oil. The illusions in the North Sea Oil lifeline are dealt with in Ted Grant's article.

But even if the Labour government manages to last till 1978, a General Election fought against the background of one-and-half million unemployed, ruthless cuts in the social services, and the most vicious cuts in living standards in generations is a guarantee of a devastating defeat for Labour. On the other hand, the possibility of replacing the Labour government with a National government (fully explored in the article) has certainly not been ruled out by the spokesmen of capitalism.

One of the factors in their calculations—perhaps the main one—in relation to a National government is the consequences this would have inside the Labour Party and trade unions. They are particularly preoccupied with the growth in the influence of the Marxist left within the Labour Party. The shift towards the left which has taken place within the Labour Party in the past period would become a



Telecommunication workers demonstrate against cuts.

Andrew Ward (Report)

massive lurch to the left in the event of a National government coming to power.

The defeat of the Labour government and its replacement by a Tory government would have similar results. The right wing would be held responsible for an election defeat—and the reaction against them by Labour's ranks would be much greater than in the aftermath of the 1970 Election defeat.

It is for this reason that the capitalist press, led by 'The Times', has launched a massive scare campaign against 'Militant' and its supporters within the Labour Party. The august 'Times' devoted six articles to 'Militant'. Millions of abusive words have been aimed at us by the gutter press. Andy Bevan, Labour's Marxist youth officer, was hounded by the press and the media.

The aim of this campaign is to weaken the labour movement by striking blows, first against 'Militant' and then against 'Tribune', thereby weakening the ability of the labour movement to combat the offensive of the capitalists.

Inside the labour movement this campaign has been taken up by known agents of the CIA. Thus 'Socialist Commentary', which was known to have accumulated over £75,000 from secret outside sources, has been to the fore in this campaign. They are attempting to go back to the period of Gaitskell—the period of witch

hunts, expulsions and the closure of constituency parties. And they have found unlikely supporters for their dirty campaign in the erswhile "Lefts" Michael Foot, Renee Short, John Forrester and Barbara Castle. At the time we go to press, the National Executive Committee of the Labour Party has launched an investigation into the authenticity of Underhill's document on "Trotskyist infiltration". But there has been overwhelming opposition within the Labour Party and the wider movement to these attempts to turn the wheel of history back to the Gaitskell era.

The right wing in the labour movement is about to learn that it is impossible to suppress ideas by organisational methods. There is no way they will be able to separate Marxism from the labour movement. On the contrary, their attacks have only increased interest in the ideas and programme of 'Militant'.

A reading of the article which follows will show why the bourgeois and their echoes within the labour movement fear our ideas. The Marxist left is the only tendency whose analysis has stood the test of events. It stands on the only programme which can offer to the labour movement salvation from the horrors of a utterly bankrupt and decayed capitalist system.

FEBRUARY 1977

WORLD BACKGROUND

The slump of 1974-75 affected the economies of the entire capitalist world. It was the biggest slump of the post World War Two period. Even so the fall in production of all the OECD countries (the industrial economies of capitalism) was only under 2%.

Thus the apocalyptic ravings of one of the "Marxist" sects of a slump of 1929-33 proportions was false in theory and was very rapidly shown to be incorrect by events. But nevertheless the slump had enormous political and social consequences. It has undermined the confidence of the ruling classes of all capitalist countries in the stability and permanence of their social system.

It inaugurated a period of permanent economic and social instability in the relations between the classes and nations. It resulted in an interruption of the relatively smooth economic growth of the metropolitan capitalist states.

It means an intensification of competition between the capitalist nations, a sharpening of the precarious

"stability" of the colonial and ex-colonial countries and a re-kindling of bitter struggle between the classes.

As we predicted, the slump has been succeeded by a new boom. But a boom of a very shaky character. The long drawn out economic upswing of an unprecedentedly powerful character following the war which affected all the capitalist countries at one time or another, particularly the most powerful, the United States, were but momentary interruptions in the development of productive forces.

Now a new cycle of boom and slump opens up of a different character to that of the classical pattern of the past. The cycle of boom and slump will run from two to six years instead of the ten years or so. Pre-world war the world division of labour was intensified by the development of world trade (which links all the countries together, especially the industrially dominant countries). It was a factor which helped the process of economic

growth in a rhythmic and partially harmonious fashion. Between the wars protectionist measures during the slump of 1929-33 aggravated the crisis of capitalism. After World War II the world upswing was given a powerful boost by the lowering of tariff walls and the increase in trade between the metropolitan countries themselves. This extended the world division of labour. But now it becomes a factor leading to convulsions because of the economic contradictions of capitalism.

This is because of the very growth of production, the enormously increased productive capacity of constant capital, the productivity of labour, the accumulated inflation and the intensified division of labour in and between the capitalist nations. (There are other factors too which have been analysed and explained previously.)

The limitations of the market, partly overcome by increased division of labour through expanded world trade, new industries, etc., now aggravates and increases the contradictions of capitalism. The staggering monopolisation of industry in all capitalist countries with its concomitant of super profits acts as a further brake mangling and holding down new investment.

Any fall in production in one country because of the new trade cycle, immediately has repercussions in all other countries. This is especially so in the case of the United States, still the overwhelmingly predominant country of capitalism.

The capitalist system is caught in the contradictions engendered by world-wide inflation which temporarily gave an impetus to production but has become a scourge that undermines the social and economic fabric of capitalism.

Inflation continued, at a slower pace, even in the slump, but is tending to quicken now that the slump has ended. This will prepare an even deeper collapse of productive forces and a far more serious slump in the next period. According to some serious capitalist economists the "boom" may collapse as early as next year or during 1978.

A whole new epoch opens up similar in its instability to that of the inter-war period. It will be a new period of revolutionary crises, developing over the next decade or two in Britain, W Europe, Japan and the United States.

"Small" wars like that of Vietnam and Korea, Angola and the Lebanon, in Asia, Africa and Latin America will continue as in the whole of the post-war period. These represent the chronic social instability in these areas but also the continuing contradictions between the great powers, as they jockey for influence and position in these areas.

The entire post-war period has been one of upheavals as far as the two-thirds of the world's population in the "underdeveloped" world of Asia, Africa, and Latin America are concerned. *In this sense it has been the most disturbed period in the history of mankind.* In the colonial and ex-colonial world these upheavals will be deepened and intensified because of the impasse of capitalism and the developing impasse of the Stalinist world.

The metropolitan countries have seen the fabulous enrichment of the monopolies, which have gained a greater and greater share of Western and of total production. This laid the basis for an increase in the standard of living of the working class in absolute terms. This provided the economic base for the flowering of bourgeois democracy in the Western countries. The bourgeoisie could bask in the luxury of "enlightened liberal democracy". But now the situation is changing. The ruling class of W Europe, of Japan and the United States are faced with social convulsions in the coming period, even more dangerous to world capitalism than the movements in the last period of the colonial masses.

One reason is because of the tremendous increase in

the power of the working class, in numbers, strength, cohesion and specific social weight in society. That is due to the development of productive forces and the dwindling of the intermediate layers of the middle class in numbers and social weight.

Similar processes are taking place in the Stalinist states, especially in Russia and Eastern Europe. The bureaucracy has become more and more remote from the masses. It is becoming more and more not only a *relative* but an *absolute* fetter on the development of the productive forces.

No longer dealing with primitive and backward productive forces including an illiterate proletariat, it hampers the full use of resources accumulated at enormous cost and sacrifice by the masses. Science, technology and art are all clogged and stifled by the heavy boot of the incompetent bureaucratic élite.

That was despite gains—at enormous cost—in some fields of science especially related to defence, they lag behind the West in many fields of technique, especially electronics. Even according to the statements of ruling bureaucrats like Brezhnev, inventions are not developed because of red tape and the heavy hand of the bureaucrats.

To this day there is hardly a single theoretical work in any field of social life published during the last five decades of bureaucratic domination which would enrich the theories of Marx and Lenin.

Meanwhile the proletariat has become the overwhelming majority of the population. It is an educated and cultured proletariat, probably on a higher level than any proletariat in the world. It is the lack of a perspective and fear of world imperialism, with the memory of imperialist intervention in two World Wars which has kept the mass inert and in despair. They have taken to sport and alcohol as a way of escape.

It is a fact that formerly backward Japan has up to the present crisis of world capitalism actually exceeded the rate of growth of the Soviet Union. This indicates that the bureaucracy has outlived its role. Especially as W Germany, Italy, France and even the United States at times of upswing have not been much below the economic growth rate of the Soviet Union. This is according to official figures.

Crisis in Stalinism

So in the coming epoch criticism and hatred of the Soviet and Eastern European bureaucracy will grow among the workers and even the lower ranks of the professional strata and of the bureaucracy itself. The bureaucracy has become an impediment to the development of the productive forces.

Already isolated reports of cases of revolt have leaked through to the West. The Soviet bureaucracy is now in the stage of decay of the Franco fascist bureaucracy in Spain ten or fifteen years ago.

But the death agony of Stalinism can develop at lightning speed in the Soviet Union, as revealed by the events in Hungary and Poland during the last two decades.

The reforms and counter-reforms, centralisation and de-centralisation of the economy between Moscow and the regions, have worn to a thread the hold of the bureaucracy over the masses. The Krushchev reforms from above—to prevent revolution from below—have in the long term failed in their purpose. The counter-reforms of Brezhnev have not succeeded in stabilising the regime.

It is because of the dual crisis of Stalinism and capitalism that the Russian bureaucrats and the American imperialists are trying to patch up an uneasy

agreement which they call "detente". All the forces of the old world fear the crisis which is developing.

The fact that in the new "boom" productive forces are not being utilised to their full capacity and now investment is lagging behind in the United States, Japan, France and W Germany, not to speak of Italy and Britain and the smaller capitalist powers, means that a new crisis of capitalism is beginning.

Marx, Lenin and Trotsky explained that the epoch of social revolution begins when capitalism can no longer develop the productive forces.

This was revealed in the crisis of 1912-1939. Due to the subjective factors—the opportunist-reformist leadership of the proletariat—the ruling class escaped overthrow in that crisis which affected one country and continent after the other. Again due to the assistance of the Soviet bureaucracy and the role of the reformists and Stalinists in Western Europe in the post World War Two crisis, capitalist rule survived in W Europe and the greater part of the world.

This provided the basis of the new world upswing. As Lenin explained there is no social crisis from which the capitalists cannot find a way out unless they are overthrown. But dialectically the escape from revolutionary crisis and the new upswing in its turn has prepared an even greater crisis economically and socially. The ruling class internationally is demoralised because it can no longer fulfil its historical role. They dread the clash with the working class for fear of the consequences to their rule.

Just at the new turning point in European and world revolutionary crisis the Communist Parties in Western Europe have completed their voyage from Marxism to a debased reformism. The leadership, having risen completely above their working class base but maintaining all the traits of bureaucratic control, have turned away from the Soviet bureaucracy. They have adapted completely to the pressures of the bourgeoisie and their "democracy", just when the protracted crisis of bourgeois democracy in the West is reaching a deadly phase of class conflict.

In this new epoch these neo-reformists, as well as the old reformists, will be tested again and again. Fissures and splits will open up in their ranks. Mass centrist groups will appear.

To the extent that they have adopted reformist policies they will come more and more into conflict with the realities of the class struggle. Their iron grip on the membership, already loosened, will be shaken completely.

The shakiness of the world boom is indicated by the spare capacity in the main capitalist countries and the reluctance of the entrepreneurs to invest on the higher scale of the past. In reality it requires a much *higher* rate of investment in order to sustain the boom for more than a relatively short period.

The boom has had the consequences we predicted for the United States and other countries. It has raised the confidence of the American workers. They have begun to demand a struggle to regain and improve standards of living lost in the past five years.

As we forecast this has led to the biggest series of strikes for decades: the first national Teamsters' (lorry drivers) strike, the strike of the Rubber workers and now the strikes of the Ford auto workers. This can be the beginning of a new radicalisation of the American working class. It was on a similar wave that the CIO was organised in the late thirties.

A great lack of enthusiasm for both the capitalist parties is clearly apparent in America. If Carter wins he will put the Democrats to a severe test. Carter has promised a whole series of reforms beginning with some version of a "National Health" scheme. Under pressure

of mass indignation and of a deeper crisis than America has experienced for more than a generation, with now millions being added to the 10 m unemployed, Carter and the Democrats will probably launch a new version of the Roosevelt "priming the pump".

The effects of this Keynesianism, the high state expenditure during the last decades, would be like the application of more dope, through deficit financing. It would give a new twist to the inflationary spiral. The boom in 1933 was due to the working of the economic system itself recovering from the slump, which was added to by the Roosevelt measures. But it lasted only five years before a new collapse.

Even if the Democrats win this would prepare a new collapse far quicker than five years. It would probably be only two or three years because of the diseases afflicting the ailing body of capitalism, added to by increasing state expenditure.

If the Republicans should win, they may attempt the "cures" of the opposition witch-doctors to the Keynesians, namely the Friedmanite economic soothsayers. Then the consequences would be even more catastrophic. Like the Heath Government they would probably be compelled to retreat.

The crisis of capitalism and the incapacity of the Republican and Democratic parties to serve the needs of the masses would force the union leaders into opposition. The stirring of the masses and the struggles which they forced the union leaders to take up, would begin to have political consequences. The disillusionment with the capitalist parties would begin to force the union leaders under pressure of the masses to begin to consider *independent political action*: i.e. *the idea of an independent party of labour*. It would begin to assume importance in the thinking of the workers, albeit probably not on clear socialist lines in the beginning.

With the events of a decade or so demonstrating the impasse of American capitalism, there could be very quick changes of mood leading to sudden and sharp turns in the situation. The formation of a Labour party could rapidly be forced on the union leaders. The American workers in a short period of five to seven years could accomplish, because of the tempo of their struggle, what it took the British workers as many decades to do and establish a mass Labour party.

Europe

In Europe a whole decade of turmoil lies ahead. In Portugal Soares' Socialist Party minority government, under the prodding of the President, is trying to stabilise the economy at the expense of the working class and restore the basis of capitalism on the framework of the revolution. On the basis of the gains of the workers in the revolution this is an impossible task.

Secretly backed by President Eanes the reaction is carefully preparing. It is waiting for a certain demoralisation of the working class before striking with a coup. They learned a bitter lesson with the fiascos of Spínola. Aided by the imperialists as in Chile, meticulous preparation is going into the inevitable next attempt. But reaction fears the response of the partly armed workers, which has been there with every previous attempt of the counter-revolution. So they are preparing for a desperate civil war.

But events in Portugal will be partly determined by the echoes from the revolution in Spain. The heat lightnings of the Spanish Revolution are almost physically present already. The demonstrations of tens of thousands in Catalonia and the strike of 300,000 workers in the

Basque country as a protest against the murder by the police of a worker in a demonstration, mark the beginning of the "hot Autumn" for the dying dictatorship.

The barricade fighting in Bilbao is a last ominous warning to the regime. Only lacking is a far-sighted Marxist leadership of the working class to take power and institute workers' democracy immediately on the inevitable collapse of the regime. The CP and SP are holding back and trailing behind the workers. Nevertheless the Spanish revolution will assume explosive force in the coming months and years. It is moving to a first climax which will mean "reforms" being conceded by the regime or its complete overthrow. Either way the Spanish revolution is now well advanced.

If the regime does not move swiftly enough, some clash between the workers and the police in the strikes and struggles in the Autumn could easily turn into an all-out, all-national General Strike. This could lead possibly to some sort of agreement with the Socialist Party-CP-Democrat "Opposition" for a coalition government or the complete overthrow of the regime. But concessions to "democracy" while trying to maintain the monarchy and the regime intact could not long survive the mighty movements of the masses which this would unleash, putting in the shade the magnificent actions of the last two years!

In Greece the Karamanlis government's attempts to bridle the revolution will result in further alienating the masses from it. More strikes and demonstrations will push the masses into conflict with the regime, because their basic needs cannot be granted with the international and national crisis of capitalism.

In Italy the long drawn out crisis of Italian capitalism will not be solved by the minority Christian-Democratic government despite its "toleration" (in reality support and propping up) by the "Communist" party. Probably in the next period Italy will be propelled towards the strike-breaking "historical compromise" because of the economic and political crisis. This experiment in crude coalition and class collaboration will reap some unexpected consequences for the bourgeoisie and the Socialist and Communist Party leaders. Despite the combative strength of the working leaders, the lack of a revolutionary party and the weakness of capitalist reaction has led to a protracted crisis. The pre-revolutionary situation is explosive as the exasperation of the masses grows.

France is only one phase behind the Italian crisis. With inflation accelerating and a weak economic recovery, there is a growing political crisis. This is reflected in support for the Popular Front organised by the CP and SP. The President and the ruling class are looking towards the elections of 1978. But before this, depending on events in her neighbouring nation across the Pyrenees, the political and social crisis will develop in France.

Across the oceans Japan is recovering from the effects of the slump by an aggressive export drive which provokes the fury and opposition of her competitors, especially in Europe. The fantastic figures of industrial growth are now a thing of the past. Japan hopes to achieve similar figures as her rivals produced during the last decades. Annual average growth will probably be lower than that. Now Japan too is faced with a permanent army of unemployed, in common with all her rivals, big and small.

But the cessation of her "great leap forward" will produce convulsions and crises. Increasing standards of living will be replaced by cuts. Japan too will be faced by bitter strikes and political crises. The major party of Japanese capitalism, the Liberal Democrats, is already shaken from top to bottom by the exposure of the corruption and bribery of Japanese ruling politicians by

the Lockheed Air Corporation. The end of the era of dazzling growth will produce an outburst of struggle by the reinforced ranks of the working class. Japan too will not be immune from the virus of the Socialist revolution.

Even the formerly sheltered countries of *New Zealand* and *Australia*, based on the privilege of distance, and in the case of Australia of enormous resources, have not been immune to the clash between the classes. Strikes and demonstrations have greeted the attempts of the Tory backwoodsman Prime Minister Muldoon to introduce an Industrial Relations Act. Not learning the lesson from the experience of his continental neighbour and of British capitalism's attempt to shackle the power of the trade unions by ferocious parliamentary legislation, he will doom the New Zealand capitalists to learn the hard way. This in turn will steel the workers in the battle against capitalist law and prepare new movements of the working class.

The attempt to dismantle the reforms of the Labour government and to pare down the Australian Welfare State was met with the first—24 hour—General Strike in Australian history. This is the beginning of a further radicalisation in the trade unions and Labour Party.

In *Latin America* nearly every country has fallen victim to a brutal bourgeois bonapartist military dictatorship. The revolution in *Argentina* foundered for lack of a Marxist nucleus. In all these countries the futility of guerrillaism in its Mandelist or other petit-bourgeois tendencies has been tragically demonstrated.

These backward countries cannot even solve completely the problem of industrialisation. Their partial successes during the capitalist upswing have merely exacerbated and exaggerated the problem. The "favelas" of Latin America, Asia and Africa are living testimonies to the impossibility of coping with the problems of these countries and continents in isolation and on the basis of capitalism.

The socialist revolution would have to be of continental proportions. An all Latin-American Socialist Federation could begin to solve the problems of continental planning. Even then the problems of Asia, Africa and Latin America could only be adequately dealt with by the victory of the workers in some country in W. Europe, Japan or the United States or through a political revolution in the Soviet Union.

In Asia the lights of the last bourgeois democracies are being dimmed. In *India*, the most populous country in the world after China, the bourgeoisie is moving to a semi-bonapartist or bonapartist system with Mrs Gandhi as the mother-arbiter. The working class has not moved because it has not been given any perspective, and because of the paralysis of the leadership of the CPI. They are enthusiastically sticking their necks in the noose proffered by the measures of Mrs Gandhi. The erstwhile Maoist CPI (M) has also embraced reformism wholeheartedly. They were helpless when the props of reformism were kicked aside unceremoniously by Congress.

Congress has moved in this direction because the bourgeoisie is incapable, like the capitalists in all colonial countries, of solving the main tasks of the bourgeois-democratic revolution: the land problem, the unification of the country and the complete breaking of the shackles of imperialism.

The rise in economic activity for a short period (which is taking place in India at the present time and may continue for many months, or possibly even a year or two) will have unexpected consequences for the bourgeoisie. It will lead to a renewal of the confidence of the workers and even big strikes. For the workers, like those of the West, will endeavour to recover with a bonus in addition what they have lost in the last few years.

But all the colonial countries are subject to the process

of economic rise and fall of the dominant world economies and India will be affected even more seriously by the coming slump. Similar processes of upheaval will affect Pakistan and Indonesia. Even the islands of the Caribbean countries are being affected as the recent events in *Guyana* have demonstrated.

The perennial Middle East problems act as an ulcer aggravating the situation in this area. The Lebanese Civil War indicates once again, as did the physical suppression of the Palestinians in Jordan and the hopeless four Arab-Israeli wars, that on a bourgeois oasis not even small problems of national rights can be solved.

Africa, like Latin America, is a mosaic of balkanised military bonapartist dictatorships and one-party states. As in the Middle-East, they are even incapable of solving the problems of the arbitrary and crazy boundaries bequeathed by imperialism. They are weak in face of imperialism because of the many states, some thirty. They are industrially underdeveloped. Real and integrated development could only come with an all African Federation on a socialist basis.

In the *South of Africa*, the white ruling minority is making its last hopeless stand against the rising tide of African nationalism and the demand for equal rights in Rhodesia (or its African name Zimbabwe), and S W Africa (or Namibia).

The collapse of Portuguese imperialism led to the crisis of capitalism also in Angola and Mozambique. The American imperialists, supported by those of Britain, are afraid that the end of white rule in Namibia and Zimbabwe, if it takes place through guerrilla war, would also see the end of capitalism, as practically all industry and the fertile land is owned by the whites.

Thus Kissinger and the United States imperialists, after one of the most vile and dreadful displays of force and massacre in the history of colonialism in the war in Vietnam, express their concern at war and force in Southern W Africa and their love of peace and peaceful change and agreement.

In reality the imperialists understand that the minority regimens in these countries are doomed, even if the struggle lasts for half a decade, or even more, which is possible. Hence the desire of Kissinger for a "Kenya solution"; the creation of a black élite, which will enrich itself at the expense of the masses. While preserving a certain independence, it will be dependent on American-Anglo imperialism and will protect capitalism and imperialist interests in defence of their own privileges.

Hence the offer in effect to "buy out" the whites in Rhodesia and guarantee their property interests or an equivalent sum which the bourgeoisie could settle on and invest in S Africa, New Zealand, United States or other countries.

It is fear of losing yet another area and seeing the extinguishing of capitalism and landlordism even on the caricatured basis of a bonapartist deformed workers' state in yet new border areas of South Africa which worries the imperialists. Never in the past have they expressed any concern at the virtual enslavement of the blacks in these countries. The national and racial oppression of the blacks has never been worse in world history, even in the open slavery in the Southern United States and the West Indies.

The bourbons of S W Africa and Rhodesia, have learned nothing from the experience of the rest of the continent and especially of the disaster which struck Portuguese colonialism. So the Americans make lavish offers to cajole them into seeing the realities before it is too late and come to terms with the 'moderates' among the Africans.

A gradual setting up of an African state would give time—for a period at any rate—to continue the old crystallised social relations, with a ruling black élite

based on the state sharing the spoils of exploitation with the white big farmers and capitalists. If it is necessary adequate compensation would be given to the white farmers to appease the land hunger of the tribesmen.

It is this process which Kissinger is trying frantically to sell to Vorster, Smith and the leaders of neighbouring Zambia (formerly Northern Rhodesia) and Tanzania. Nyerere has warned the Western imperialists that if it has to be a war of national liberation on a largely peasant basis, then the white capitalists will be dispossessed. It would be impossible to prevent the victorious black army after suffering enormous sacrifices and casualties doing otherwise.

But the most important event on the African continent is the movement of the black and coloured working class of South Africa, the last bastion of white racial oppression and cruelty in Africa. South Africa is virtually a slave state, unprecedented in capitalist history with the oppressed African population having the disadvantages of wage slavery together with those of chattel slavery, and the advantages of neither!

But in the last three or four decades a hereditary African proletariat has been created which has no links with the rural areas except from the stories of migrant labour coming from the reserves. The economic strikes of a few years ago spreading across the main industrial areas marked the coming on to the scene of history of the South African proletariat. With repression far worse than Czarist Russia, a web of laws has given full rein to barbarity and, as far as the blacks are concerned, a totalitarian state. They limit and control freedom of movement and residence through pass laws. With the use of the daily threat of arrest and torture, the ruling class believed they were secure against revolt.

But now the young generation stirred by colonial revolts, the collapse of Portuguese imperialism, and the guerrilla wars in neighbouring Rhodesia and S W Africa have begun a series of protest actions. Beginning with the issue of compulsorily learning some subjects in Afrikaans instead of English, the secondary school students demonstrated. They were met with bullets by the police. How dare the "kâffirs" demonstrate without permission!

This began a new stage in the history of South Africa. *Political strikes* on the part of the black proletariat have affected practically every industrial area. This in turn has had an effect on the coloured, or mixed race population. They have organised demonstrations and come out on strike in solidarity with the blacks.

Only our tendency explained that the South African revolution would be led by the massive black proletariat, with the possibility of guerrilla war in the rear in the rural areas as an auxiliary. All other tendencies, including the CP, dismissed the black proletariat as helpless and pinned their faith on peasant guerrilla war.

Now we see the beginning of the awakening of the proletariat, starting with the magnificent school children. Like the Chinese and Spanish proletariat they were prepared to face bullets with bare hands to make a stand against unbearable oppression. The movement will die down only to break out anew in more formidable proportions in coming years.

The movement of the black proletariat in South Africa, by far the most industrialised country in all Africa, is the most important event on the continent for decades.

If victorious it could transform the situation on the entire continent. Our tendency must find a way to gain links and a basis within the working class in the industrial areas. Here too as events have demonstrated, the *traditional organisation of the proletariat*, the ANC, has sprung into life with new forces. We must intervene in this process.

BRITISH ECONOMY

The last thirty years of world upswing have tended to conceal the frightful decline of the British economy and of British capitalist world power as a consequence.

With the ending of this period and with bitter and intensified competition between the world capitalist powers for even the smallest markets, the mist that concealed—at least to some extent—the frightful decline of British capitalism will be dissipated.

Under these conditions, Trotsky's book "Where is Britain Going" remains a broadly correct analysis of British society and the consequences of the collapse of capitalist economic and therefore diplomatic and political world power. Its penetrating analysis of the decay of capitalism is in contrast to the bourgeois twaddle and reformist rubbish in trying to give a solution to the problems of British society.

At the same time it was written, Britain remained the dominant world power, second only to American imperialism as an economic, military, diplomatic and world power. Now with the decay of British power, with the rottenness, irresponsibility and effete-ness of the ruling class, with the loss of Empire, British capitalism has fallen to second rate and even third rate power status. She has been completely outstripped in economic growth by Japan, W Germany and France. Even backward Italy is now close behind her and even threatens to catch up and surpass her.

The ruling class has been completely incapable of facing up to the important need for re-equipment of industry in the period of world economic upswing. It will be incapable of solving the problems of growth in the new periodic and swift cycle of boom and slump in the broad long term decay and decline of world capitalism. All the capitalist powers face economic and political paroxysms and crises in the coming period.

But apart from Italy, Britain of all the major powers, is in the worst situation. All the attempts of the Tory and Labour politicians to remedy this situation have come to naught because of the complete blindness and incapacity of the individual monopolies, trusts, bankers and industrialists who are concerned only with their own individual and corporate interests, as opposed to those of the ruling class as a whole.

The dreams of the bourgeois and the strategists of capital, echoed by the right wing of the Labour Party, that entry into the EEC would lead to the long-sought British "economic miracle" have been shattered.

Wilson and the other leaders of the Labour Party have dreamed since 1964 of transforming the situation through the "technological revolution" and so on. Heath and the Conservatives tried a "dash for growth" between 1970 and 1974 and left a legacy of intensified inflation and class bitterness.

They failed because of the class structure of British society, with all the economic and social contradictions involved in that structure. This has been the heritage of generations of slackness, indifference and short-sightedness of the capitalists and their political representatives.

The dream the North Sea oil would solve the problems of British capitalism when the cost of producing it is fifteen to seventeen times that of the Arab countries is now treated with cynical scepticism by the ruling circles in Britain. Though it will make a big difference to the balance of payments, so long as the price of petrol remains high, a great part will be swallowed up by servicing the foreign loans which have and are being piled up by 1980. Though by 1980 it will provide a source of income to the state, easing the burden of crushing taxation, it will not fundamentally solve the problems of British capitalism.

On a capitalist basis there is no solution to the economic and social problems of the British people. The irresponsible statements of the Chancellor Denis Healey, the same arguments used over the last decades, are not taken seriously by the strategists of capital. 'Management Today' in its issue of July 1976 comments on the exhortations of the Chancellor: "(The) 'British economic miracle'. All phrases heard before, from 1964 onwards: all hopes sadly and completely dashed in the past...this time...(the) bonanza (of) oil...last time entry (into) Europe."

In vain do the spokesmen of British capital gnash their teeth at the relative success of their rivals in Europe, not to speak of Japan and the United States. Professor Pollard laments in one of the management journals "If Britain had grown at the normal European rate since the last war, income per head would now be double the current figure." These facts can be of inestimable value in showing the real crisis of capitalism and in agitation in the trade unions and Labour Party.

But then Professor Pollard proceeds "...economic growth of post-war European proportions cannot be attained without investment of like size..." This statement of the obvious does not take into account the *class structure* of society. The individual sections of the ruling class are only concerned with their proportion of *the surplus extracted from the labour of the working class and divided into rent, interest and profit.*

By the nature of the society they are interested in the broad concerns of the state (i.e. the ruling class organised as a collective body) only in reference to the challenge from the working class to their power and income, (the most basic struggle of all) or in reference to challenges from their rivals abroad organised as states.

Consequently the myopia of the industrialists, bankers and monopolists *to their rule* in the decline of Britain. They vociferously denounce the "interference" of the state and its threat to "liberty" i.e. the unchallenged right of the capitalists to dominate the working class.

At the same time through the importunity of monopoly capital and the state, they exert pressures to ensure an enormous subsidy in tax concessions and direct subsidies of £4,000 m. Under the present right wing Labour government manufacturing industry is virtually tax free so profits are increased to an "acceptable level".

The chastened Chancellor Healey and Callaghan eschew the demagogy of "squeezing the income of the rich and powerful" and "realistically" act to increase profits in order to increase investment.

Accepting the present framework of the ownership of industry and finance *there is no other way in which they could act.* Thus the prediction of the Marxists was rapidly fulfilled that the Labour government would pass from reforms to *counter-reforms because of the crisis of capitalism on such a basis* would not allow for any other course.

British capitalism is falling further and further behind her rivals. This is despite the fact that the net margins of the British capitalists are in general greater than those of their main rivals.

Taking Japan as my example to show the decline of British capitalism, in 1960 Japan's domestic price inflation was 5.7% on the previous year. British capitalism could preen itself on an increase of only 1.8%. Yet by 1975 Japan's increase by prices at home over the last year was 7.3%, while Britain's had increased to the staggering margin of 28%.

When we turn to the percentage share of world trade in manufactures Japan's share in 1960 was 6.9% while Britain's was 16.5%. But in 1975 Japan's share had risen

to 13.6% while Britain's had fallen to 9.3%! In Britain from 1855 to 1914 there was an average growth of the economy of 1.8% per year. From 1918 to 1939 that had increased slightly to 2% per annum. But between 1945 to 1975 this had increased to 2½% average growth each year. Curiously enough the rate of growth is one of the highest in the history of capitalism, but unfortunately for the ruling class extremely low in comparison with that of their rivals.

The last thirty years have been an exceptional period in the history of capitalist growth in the industrially developed nations and even in world capitalism as a whole (for reasons explained in our previous material). But British capitalism has lagged behind. The figures for 1955-1975 demonstrate this graphically.

The average growth of industrial production in the years between 1955-75 was in Japan 13.3% per annum. In Italy it was 7.3%. West Germany and France both reached 5.9%. Even the USA with her colossal economy and enormous growth in absolute figures reached 4.7%. Britain had the worst record of any industrial power only reaching the miserable figure of 3% per year. Thus the real power, the industrial power of Britain, has shrunk in comparison with her rivals. This is particularly marked in the comparison with her great power competitors against which she has to match herself in the struggle for markets.

British capitalism is paying the penalty. The law of the capitalist jungle is that the weak must go to the wall. The privilege of backwardness which was entrenched behind the tariff walls around the Empire has long ended. But Britain's economy is relatively sluggish as her deficit in the EEC alone of over £200 m shows. The "bracing wind of competition"—as Edward Heath saw EEC entry—has given British capitalism a chill which threatens to turn to pneumonia! On world markets her share of exports has *fallen*, while her share of imports rises.

Britain's share of exports to the world markets in semi-manufactured goods was 15% in 1963 and only 9% in 1974. In finished manufactured goods it was 16½% in 1963 and only 8½% in 1974.

The motorbike industry has collapsed. From 90% of the world market Britain's share is now 2%. This means a new burden of imports instead of exports of from £50 m to £100 m.

Rolls-Royce, one of the brightest jewels of British quality production collapsed and had to be rescued by the Tory government by *nationalisation* of the company because of the implications for the defence industry but not before they hived off the profitable part of motor car production. When British Leyland was faced with collapse, it had to be nationalised by the Labour government.

In every field where British capitalism was pre-eminent they are being beaten by their rivals abroad. Britain has since the industrial revolution been a net exporter of steel. In 1975 she was a net importer of more than 20% of steel components compared with about 9% in 1970.

Modern industry depends decisively on computers and electronics. In this field too British capitalism has been decisively beaten by her opponents. The sale of electronic components in Britain reached £600 m in 1975, of which £380 m was imported. It is a growth industry. Now the flood of cheap components being imported is such that the industry is screaming that they face the same fate as the motor bike industry. They are demanding subsidies of £100m from the state. If they are to face this competition. Electronic components are as vital to a modern economy as cars and aero-engines.

These examples provide just a glimpse of the crisis facing British industry, the British economy and British society. In the new climate where every capitalist power is

in difficulties every market is eyed hungrily by each power. While they can extend grudging aid, for fear of the consequences as a whole they cannot extend special favours to each other. As with the IMF all aid has a price.

Even within the club of the EEC no special favours can be given to the laggards. The other members are only too willing to take advantage of the problems of the weaker members like Britain and Italy.

Management Today in its issue of August 1976 remarked sadly "As each (trade) cycle seems to reinforce the position of the stronger economies (of the EEC) and erode the position of the weaker ones. Thus, while investment is expected to show some real growth in most of the EEC countries in 1976, an increase in investment in the UK, Eire and Italy (now doubtful-our comment) is not possible until 1977. Throughout this cycle....The rate of investment in real terms in Britain (will) be below the average for the EEC, again weakening the country's industrial base."

Stagnant investment

Britain, because of historical reasons, because of the role of the City and finance capital and the Empire, the parasitism of finance and the high concentration of capital in monopolies, has failed to invest in productive manufacturing industry.

The reason for this is the desire for the maximisation of profit of individual capitalists, corporations, banks and monopolies and the peculiar position of British capitalism in the last three decades.

The industrialists are not prepared to risk their capital in reinvestment when the lion's share would go to the bankers in interest charges (now 15%-17%), and to landowners and landlords who have raised the business rents of new (and old) properties to fantastically high levels.

The symptomatic degeneration of the ruling class is shown by the rise of the "flash boys", the Poulsons, Slater Walkers, Lowsons, Lonrhos and other bucket shop "asset-strippers" and wide boys.

As Marx explained there are periods in the history of capitalism when capital (i.e. the capitalists) forgets that real wealth is material wealth in manufacturing production.

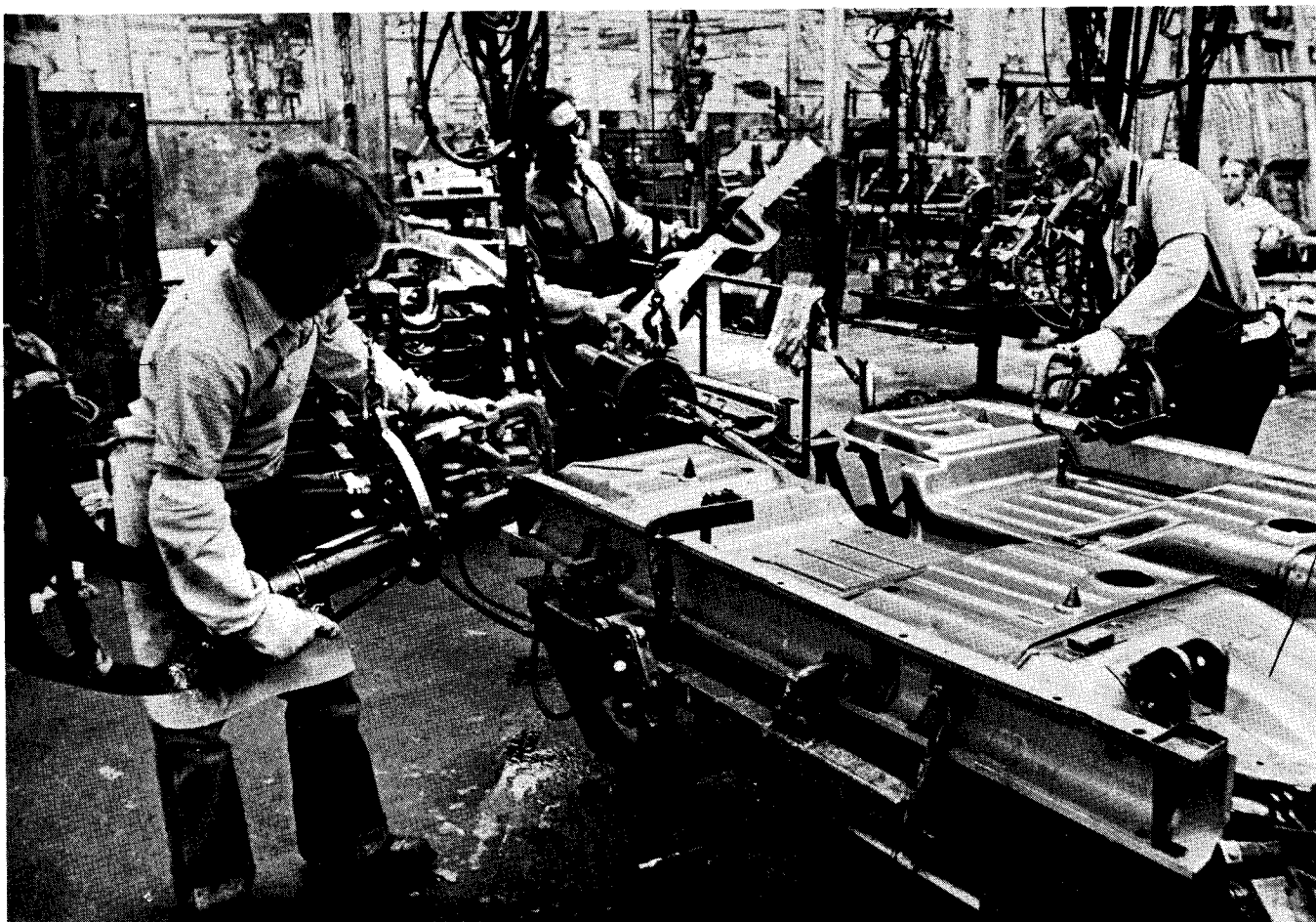
They run after the will of the wisp of paper wealth, paper money. This, of course—for a time—enriches the individual corporation, banker or company at the expense of the whole society. But eventually it leads to the common ruin of the capitalists as a whole as their society sinks in comparison to the productive power of their rivals.

In Britain the separation and antagonism of banking capital and the City is one of the factors in the decline of Britain. But not only the bankers but the industrialists too prefer to invest unproductively new found wealth extracted from the labour of the workers in service industries like hotels, catering and tourism which being sweated industries have a higher rate of profit.

Others like GEC under its Chairman prefer to leave part of the surplus drawing interest in the banks. £250 m of GEC's money is invested in this way. They get a higher rate of interest than they would from profits reinvested in industry. Hence Weinstock's dabbling in the property market.

The big monopolies which control the greater part of the economy prefer to invest a great part of their profits overseas which brings in a higher rate. In 1973 investment abroad reached the staggering figure of £2,500 m, a tenfold increase in the space of a decade.

The banks were caught in the mirage of the feverish



Production workers at British Leyland, Austin factory.

Angela Phillips (IFL)

property speculating boom. Before the bubble burst they had invested £7,000 m in three years! But the myth unfortunately subscribed to by the Tribunites that industry has been short of funds to invest because of the failure of the banks to invest in industry is false.

There is a whole web of conceptions under capitalism each interacting on the other. In fact in the post-war period British industry has generally had a higher rate of profit than her rivals abroad. *And because of higher profits, [especially for the monopolies] the capitalists have had no incentive to invest.*

Here the "Neanderthal" trade union leaders of the immediate post-war period have a responsibility for the failure of modernisation. Deakin, Carron, Cooper and others, by holding back the struggles of the workers and preventing them from gaining much higher wages and so forcing the capitalists to invest, contributed to sluggish remodernisation. One of the factors leading to the containerisation of the docks was precipitated because of the relatively high wages gained by the dockers.

The criminal irresponsibility of the vaunted "trustees of society", the 'entrepreneurs', in bringing British capitalism to the edge of a catastrophe which cannot be postponed indefinitely, although it has been for decades, must be brought home to every section of the working class we can reach.

Taking the year 1972 as an example, gross investment in industry per head was £539 in Sweden, West Germany reached £523, France £475, Japan £460 and the UK, as usual at the bottom of the table reached only £239.

Every worker in practically every factory knows the way in which "the gaffers" hang on to worn-out and antiquated equipment.

An article in 'The Economist' points out that Britain's capital stock in manufacturing industry in 1976 is little larger than 1970 and much older than it was then. 60% of all plant and equipment was installed before 1965.

80% was installed before 1970. Thus Britain's cannot match the modern equipment of her rivals abroad.

The profits of the biggest monopolies, of the banks and insurance companies, are higher pound for pound than their rivals abroad. These 250 monopolies and the banks and insurance companies control more than 85% of the wealth of the economy.

The top 100 companies controlled on fifth of the manufacturing output of the United Kingdom in 1950. By 1970 that had increased to 50%. It is anticipated that by 1985 they will control more than 66% of manufactures.

220 of the biggest firms account for two thirds of direct exports, 75 for 50%, 31 for 40%. Yet the monopolies are not prepared to modernise sufficiently to increase world markets because it would cut into the monopoly profits they are making.

For example the net margins of the fifty largest British companies are higher than those of their rivals. Similar figures could be given in practically all the main sectors of industry. The average post-war net margins of the fifty largest companies in Japan were 2.3%, in France, 2.1%, in W Germany 1.4% but in the United Kingdom 7.6%!

When we turn to the average annual post-war equipment of industry we see an empirically opposite picture. The average re-equipment of Japan as a percentage of the GDP was 21.4% per annum. Its average growth rate was 10.4%. That of West Germany in average re-equipment was 14.7% and its average growth rate was 6.4%. That of French re-equipment was 12.3% and its growth rate in terms of the gross domestic product was 4.9%. The average United Kingdom re-equipment as a percentage of gross domestic product was only 6.9%. Its average percentage of gross domestic product growth rate was a measly 2.6%!!

Marxists have explained that in a sense—and for a period—capitalism creates its own market. The investment in capital goods industries creates a further market for consumer and capital goods in a growth spiral. The international market and division of labour gives further impetus to the spiral. But only while it is profitable for the capitalists to do so. The failure of the capitalists to invest in re-equipment has meant an ailing machine-tools industry. This has forced the government again to come to the rescue.

A P Herbert the biggest machine tool firm now has the majority of its stock owned by the government.

One of the reasons for the low growth of British industry in the post-war epoch is undoubtedly the low rate of investment in new machinery, plant and buildings. This has reacted on limiting the home market and is one of the decisive causes of the crisis facing British capitalism.

During the slump the gap between Britain and her rivals increased. Now during the "boom", of a very mild character as far as Britain herself is concerned, the gap is increasing. While in 1976 projected investment in W Germany, Japan and the United States shows an increasing investment in comparison with 1975, Britain will see a fall according to calculations of government statisticians of (5%). Private sector (including manufacturing industry, commerce and the service industries) investments fell (16%) between 1973 and 1976.

It is estimated by government statisticians that the volume of manufacturing investment fell in *real terms* (not in money inflationary figures) by 13%. This was £1,820 million at 1970 prices. They anticipated a further fall in this figure in 1976. They were hoping for an increase on this low figure of 1976 in 1977 of 10% to 15%. But this figure will not bring British investment back to the 1970 level, which was not much above the level of 1961.

The bourgeoisie is content to make a "bonanza" out of the concessions given by the state and the holding down of wages through incomes policy which inevitably means a greater share of the surplus products for the capitalists.

As the 'Economist' commented joyfully, the financial surplus of companies of £1,500 m this year, is the biggest for many years. "This improvement will owe a great deal to company caution on investment and other commitments".

"In 1975" again according to the same source "prices were mainly constrained by competition" (our emphasis). That is to say that even without a "prices code" prices would not have moved much higher. The sickness of British and international capitalism is indicated by the fact that despite falling production in the worst slump for forty years, *prices were still rising*. They rose much slower than they were rising in the upswing, that is all. "Normally" in a slump prices will fall.

The fall in living standards and the fall in production, even in badly equipped Britain, has meant the appearance of *surplus capacity*. That is an additional reason for the capitalists to refuse to invest to *increase capacity* at a time when the capacity they have is not used.

Contradictions

The state under the Tories and now under Labour constantly comes into collision with the contradictions of capitalism. It is not a question of "rationality" but of profits and class thinking due to the conditions which have developed. Holding down the wages of the workers to increase profitability of capital undoubtedly leads to a situation where there is surplus capacity, so despite promises by the CBI there is a disinclination to invest.

On the other hand from a capitalist point of view the frightful fall in the rate of profit of all countries (leading to a fall in the rate of increase of investment everywhere, even in the boom) including Britain means the system is faced with ruin. In Britain the fall in the rate of manufacturing profits has been from 35% in the 1950s to 4% at the present time taking into account interest and rent. This is an additional factor leading to lack of investment. This explains the threats of the CBI. Unless given lavish concessions there would be no investment. With the new measures lifting the banks' Minimum Lending Rate to 13% interest rates for industry are raised and act as a further disincentive.

But in comparison with their rivals the profits of British industry look gigantic in proportion to investment. It was fashionable among some British and American capitalist economists to explain the lower rate of investment by the spendthriftness of the Anglo Saxons, who had the "propensity to consume" and only "saved" 4% to 5% of their income in comparison with the French and Germans who "saved" 12% to 14% of their income!

The contradictions of capitalism are manifold. They now try and use this as a reason for the lack of investment. Come back spendthriftness!! The situation has now been reached where whatever "solution" is tried on a capitalist basis it further aggravates the contradictions.

An increase is not likely. On the one hand it will depend on the state of the world market. On the other hand it will depend on the *limitations* of imports which would be sucked into Britain by the lack of capacity of home industry.

Any boom in economic activity would lead very rapidly to the "stop" which has succeeded every "go" in the post-war period. The 'Economist' puts 12 months as a maximum before "stop" measures of squeeze would have to be introduced because of the lack of capacity of British industry to cope with the home, let alone foreign, markets.

This is despite the measures of devaluation which have further threatened British goods abroad, while raising the price of food and raw materials, and of imported manufactured goods. The 'Economist' makes the point that for the first time since the war there will be an *actual fall in the stock* of British machinery, one year upon another, even though production has gone up by 50%!

"The peak of investment (was) in 1974 and the trough (of) investment in 1976...both (were) lower than the 1950s and 1960s trend...in addition, the long term rising trend in capital investment also has been arrested...."

"...However the 1964-1974 trend suggests that *net investment by manufacturing industry this year [1976] will be lower absolutely than 20 years ago although manufacturing production will be 50% higher. This is the real measure of the investment famine...*"

"If the Department of Industry's prediction for this year proves over-optimistic, and if the rate of scrapping existing plant has accelerated, Britain's capital stock in manufacturing will be reduced for the first time since before the war. That spells big trouble in the next boom." ('Economist' 10.1.76)

The 'Economist' experts (in a different issue and a different article) are not very sanguine about prospects for the immediate future either. "Private consumption is likely to remain about flat from now on and *private fixed investment to be held back by excessive capacity to only a moderate revival during 1977. Public expenditure falls slightly in the forecast period...* (at the) end of 1977 one million unemployed."

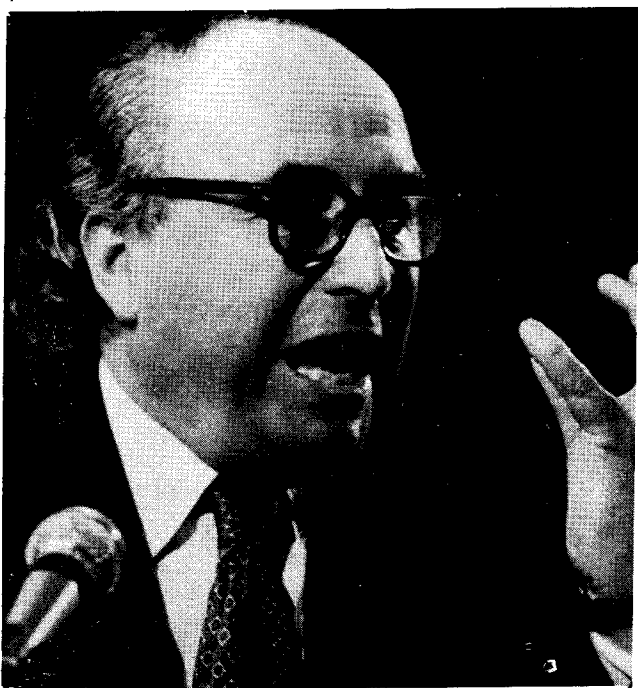
Thus staggering on from one expedient to another the British ruling class is involving the British people in a frightful impasse. They will not escape the consequences in intensified battles between the classes in the coming

years, when the masses in the labour movement become conscious of the situation and present their bill.

The capitalists have been shielded from the consequences of the economic ineptitude and follies of their system by the world upswing. They will be exposed in all their nakedness in the new economic climate which is developing.

There is a piling up of large quantities of "liquid" funds i.e. idle money in the banks and the "company sector" (industrial and commercial capital) also has large quantities of surplus funds at its disposal. But because of the economic climate, in spite of a "bonanza" of profits (the 'Economist's' words) due to the cutting back of workers' wages, the capitalists are, as in the last decades looking elsewhere than industry to invest, or leaving it in the banks to accumulate interest. Industrial production and investment in the first nine months of 1976, according to Peter Walker, the former Tory minister "...is still below what it was during the three day week" ('Daily Express' 6.9.76).

While the shaky boom continues, the other imperialist powers will swallow the measures of suggested import controls by Britain, but not without pressure to have them removed. They have already tolerated for a period the import controls of Italy, the other sick man of Europe. But once the boom collapses, possibly in 1977, they will force Britain to either dismantle the measures of protection, or threaten retaliation.



Roy Jenkins leaves for EEC

Thus the US Congress will use the example of Britain to try and force through measures of quotas and protection with disastrous effects on her rivals. The USA remains the biggest market in the world. Protectionist measures would react disastrously on the economies of her rivals especially Britain. It could spiral into a protectionist war with disastrous consequences for world capitalism economically, socially and politically. As in the depression of 1929-33, Britain would be hard hit. Consequently *all* the powers will exert pressure for a speedy lifting of "restraints on trade."

The 1968 measures of import controls did not solve Britain's problems. They had to be abandoned within two years. The smaller EFTA partners of Britain took a disgruntled view of these measures. The mightier economies of the EEC, Japan and the United States, the major economic powers of the capitalist world, will not tolerate such measures for long.

Meanwhile it will increase the tendency of British capital *not to invest*, especially in those industries given large measures of protection and thus aggravate the problems of Britain's precarious position on world markets.

The ruling class wishes to put the full burdens of their profligacy, irresponsibility, idleness and general inefficiency on to the shoulders of the working class. Only thus can they hope to recover from the crisis of world capitalism and especially the "*British sickness*".

With the Empire and Britain's economic power, a position of privilege in comparison to abroad could be granted to the skilled section and partly to the British working class as a whole, even in the inter-war period of British decline. Now the position is reversed and British workers' living standards are now probably not much higher than those of Japan.

Beaten in the field of productivity because of the failure to introduce new machinery and techniques, the ruling class has no other means of competition than cheap labour. That is the meaning of the devaluations which lead to a vicious circle of further devaluation. *The ruling class wishes to reduce the British workers to the level of the coolies of Western Europe.*

Already, if the new measures of incomes policy can be maintained Britain will have the lowest standard of living of all the countries of the EEC. Even backward Southern Ireland will have a higher standard of living in 1977, if present projections are maintained.

All the illusions in Keynesianism and state intervention and expenditure as a panacea for capitalism have been entirely shattered by the resultant inflationary explosions which have followed.

One of the main factors has been the deficits in state expenditure. Now the IMF sounds the retreat to the old orthodoxy of sound balanced budgets as the programme for international capital, echoed by the voice of the British 'Times'. It means the acceptance of mass unemployment as a permanent feature of the economies of the Western industrialised world. It is the crude programme of Keith Joseph and Margaret Thatcher.

Neither the policies of inflation nor deflation can put new blood into the palsied and sick body of world or British capitalism.

The rulers, staring at the fearsome results of unbalanced state expenditure have half forgotten the other side of the coin. They seem to accept as a lesser evil the reserve army of unemployed. But with such a policy they will pay the penalty of economic collapse and slumps on a scale undreamed of in the post World War Two period.

So these two dilemmas of capitalism will both lead to over-production and slump and to political convulsion and clashes between the classes in a measure never reached in the past. This is the new twilight of capitalism on an international scale. It is the background to the problems facing the Labour government and its perspectives.

The devaluation of the £ to the extent of nearly 60% in terms of the dollar and main currencies since 1967 is a source of weakness and inflation at a time when international finance is trying, largely unsuccessfully, to move in the opposite direction. Devaluation gives no real advantage, even in the short run, because of the extreme monopolisation of British industry. It is a larger dose of the quack medicine which failed to effect a cure in 1967 and 1972-74.

The top 100 companies produced a fifth of manufacturing output in 1950 and 50% in 1970. In the six years since then their share must have been increased and within less than a decade, it will be 66% or more of output. *220 firms account for more than two-thirds of direct exports. 75 firms account for a half and only 31 for*

40% of all visible exports. Thus the decisions of the directors of the 250 monopolies, banks and insurance companies render laughable all the attempts of governments, Labour or Tory, to control the economy.

Trotsky's material on the American economy in his introduction to the "Living thoughts of Karl Marx" now has real relevance to the situation of the world and British economy.

The buying power of the £ in British and international markets has been washed away by the devaluation. Britain's inflation, already higher than most of the powerful industrialised capitalised economies, will receive a new twist. The press has announced price increases in October of food and other necessities. This is before the effect of higher import prices of raw materials and food has worked through the economic system.

Any theoretical advantage for British goods on world markets by the devaluation will be cancelled out in the same way as in the period of Heath's devaluation (unannounced) in 1972-74 when the lack of capacity of British industry meant they failed to take advantage of world markets. This was despite the unused and "excess" industrial capacity of up to 20%. By the time monopoly industry will be geared to take advantage of home and export markets the evanescent opportunity will be gone and British capitalism will be in a worse position, with the danger of still further devaluations.

The National Institute of Economic and Social Research, a tame tool of the monopolies, complains that "excess capacity" is preventing investment to the end of 1976. Devaluation has provoked merely groans from big business. The illusions of 1967 and 1972-74 have not been repeated, except perhaps in the minds of the Treasury 'experts' and their ventriloquist's dummy, the Chancellor Denis Healey.

In the fourth quarter of 1975 investment of the key engineering industry in new plant machinery and building fell to the lowest on record since the statistical computations of the figures in the post-war period.

The Stock Exchange, a very sensitive indicator of the mood of the bourgeoisie, has been at a low ebb throughout 1976. It is this demoralisation of the bourgeoisie that has been one of the factors in the apparent and at first sight "baffling" stability of the Labour government.

Labour government

The Labour government's "solution" to restrict the consumption of the masses through incomes policy has depressed the market, led to idle excess capacity and therefore to a lack of investment. But to have taken the line of the CP and Tribunites to increase state expenditure and wages in order to create a market would have led to increased inflation cancelling out the nominal gains. It would lead to an even greater refusal to invest by depressing profitability even further than the fall in the rate of profit has already done.

This is the two-sided sword, both blades of which can inflict painful cuts on the working class whether wielded by the bourgeoisie or right or left reformists. They are caught in the contradictions of capitalism. The right and left reformists and the trade union leaders do not even dimly understand the insoluble crisis with which capitalism, especially diseased British capitalism, is faced in the long term.

Restriction of production and investment is no longer due to the fall in the amount of profits gained by the industrialists but is due to their fears and uncertainties of the future for markets at home and abroad.

As a class the British bourgeoisie is incapable of extricating itself from the mess which its policies have

involved. Its lack of farseeing intelligent representatives, with which it was gifted in the past, is a reflection of the blindness of a class doomed to destruction.

The effects on the masses of this impasse will be a radicalisation which will make the movement of the British working class of 1970-74 seem pale by comparison. This in turn was the greatest in the history of the working class apart from the General Strike of 1926 and that of the Chartists.

The long-term outlook is one of upheavals and clashes over five or ten years, leading to a definite show-down between the classes. The long-term perspectives are those of social revolution. To use an expression of Trotsky, the "bourgeoisie with closed eyes is tobogganing to disaster".

The ruin of British capitalism will be the ruin of the British working class and the British people if they do not extricate themselves from the toils of capitalism. We must imbue every supporter, every contact, with the understanding of the fundamental crisis of British capitalism, so that it becomes part of their very fibre, part of their being and they are not affected by episodic moods and tendencies in the working class and the labour movement.

At first sight it seems "amazing" that the Labour government under difficult conditions has maintained itself in office without too many upheavals. We corrected our original conditional prognosis that there would be a rapid development of events almost immediately after the election of the Labour government.

By a dialectical social paradox the apparent stability of the government arises from the weakness of the capitalists socially, and the enormous power of the labour movement. The ruling class is afraid of its weakness and the trade union leaders of the titanic strength of their organisations.

The capitalists tested the relationship of forces during the Heath government and then shrank from the showdown for fear of the consequences. The "Left" union leaders saw the massive support they possess and did not know what to do with the enormous power they could deploy.

The movement of the workers culminated in the election of a Labour government. The mass of the organised workers saw this as a means of improving their lot, advanced layers looking towards a movement, towards "Socialism".

The mass movement has an enormous loyalty to its leaders. The programme of Wilson, Callaghan, Healey and others was taken on trust. When these "leaders" demanded sacrifices in order to overcome "the legacy of inflation left by the Tories" this was accepted by the workers.

This was so especially because the "Left" trade union leaders like Jack Jones, Scanlon, Daly and others, have endorsed the propaganda of the Cabinet. The "Left" union leaders piled up a great good-will and support because of the struggles which they conducted over the period of 1968-1974. They found themselves in a dilemma. Not prepared to draw revolutionary conclusions from the crisis of British capitalism because they are not Marxists, they were in an impossible position.

Due to the pressure of their members under the Tories they had broken away from the embraces of the state machine in which the Right-Wing leaders had become embroiled. But with a Labour government, given their reformist outlook, they did not see any alternative but to renew this process of entanglement with the state. They wished to exert pressure *through and on the state, the capitalist state*, through consultations, Boards and so on.

So the tendency to become enmeshed with the state machine had its effect now on the "Lefts", as it did with the rights in the past. "Left" leaders like Scanlon and Jones, together with the General Secretary of the TUC,

Murray, were even prepared to have secret discussions with the Conservative leadership to try and "normalise" relations in case of a future election victory of the Conservatives. Not prepared for a fundamental change in society which they postpone for decades or in reality for ever, the union leaders try "realistically" and in "practical" terms to come to grips with the current situation.

It is this that is the basis of the social contract and the acceptance for two years in succession of the biggest cuts in living standards for the workers seen for generations.

If capitalism and its new jargon "the mixed economy" is to remain for generations then the capitalists must have the wherewithal to invest in industry. The workers must make the sacrifices. There is no other source but profits for increased investment. Consequently accepting *the premises of a continuation of the present social system*, the union leaders are compelled to accept the "logic" of capitalism. The workers must accept lowered standards in order for the employers to get sufficient funds to increase investment. The "Lefts" accept the fairy-tale of a regeneration of British industry and its capacity to fight the "foreigners" i.e. other national capitalisms. They do not see the organic decline of British capitalism. That is one side of the policy of counter reforms of the Labour leaders, accepted also by the trade union "Left" leaders.

On the other hand big business has received *more* than they were demanding from the government. The programme of points of the CBI, brandished like so many pistols at the Labour government a few days before the results were declared in the October 1974 election, have virtually all been carried out or exceeded in the last two years. Subsidies of £ 3,000 million asked for have been exceeded. £4,000 m worth were granted, bigger subsidies than any other country trying to placate big business. Denis Healey has actually bragged about this to the Directors' Annual Meeting.

Two years of pay restraint which is worse than in any other capitalist country has been operated. The second year of cuts in living standards has been more severe than the first. Crudely insinuating that there was ingratitude by Big Business, this is how Healey put it: "I think it is about time industry gave the trade unions and the government credit for the fact that for the first time in our history—or I believe in the history of any country the second year of pay restraint is to be more not less strict than the first" (Industrial Management, September). Healey goes on "government relief to manufacturing industry had been greater over the last two years than in any other country."

In addition to this has been an easing of nominal price restraint and tax concessions. There has also been the slashing of state expenditure demanded by Big Business, so undermining the Welfare State and Social Services.

These and other services to Big Business, while attacking the living standards and social achievements of the organised labour and trade union movement, explain the apparent quiescence of Big Business in relation to the Labour government. "It is the best government we have got" is the attitude of the real strategists of capital.

The toleration and support of these two opposite poles, Big Business on the one side, and the leadership of the trade unions on the other acquiescing in these policies, have held the Labour government afloat. *That was the real basis of its stability.*

But in the bottomless crisis with which they are faced the appetite of Big Business is insatiable. The *inch* that is demanded and the *two inches* conceded then turns into a yard in an endless sequence. They have Labour on the run is their reasoning. Therefore why not demand the moon?

As far as the opposite pole is concerned, a gigantic confidence trick has been played on their supporters.



Len Murray

Wilson and other leaders declaimed on TV and radio to the vociferous and enthusiastic yapping of the prostitute press ('quality' and 'popular') that "one man's wage increase is another man's price increase" or "one man's wage increase is another man's unemployment", or "full employment is in danger", or "Give us a Year for Britain". These fallacies and false economies were pushed forward in a skilful propaganda campaign. The union leaders did not wage a counter campaign but accepted, grudgingly or otherwise, the arguments of the government.

A section of the most advanced organised workers had displayed great initiative, dash and sacrifice in the struggle against the Tory government over four years. This was a struggle against "the Capitalists' government" and in defence of their organisations. With the election of a Labour government the masses were in a waiting mood. They trusted and accepted the policies of their Labour leaders and when the "Left" trade union and Tribune MPs organised no counter campaign they did not see any other alternative. But experience on broad issues is a great teacher. For a period there was a mild reaction in the trade unions and the Labour party.

The demoralised Right in the trade unions and Labour Party raised their heads. In the national union elections, and even in shop stewards' committees and trade union branches they gained certain successes. They elbowed aside "utopian" left wingers. This was a time for "hard-headed men".

Layers of militants were under the pressure of the more passive and inactive layers who at that stage were

not prepared to take action. This reacted on the militants leading to bewilderment and despair. Activity ebbed in the Labour Party wards and Trade Union branches and was at a lesser tempo even in the shop stewards committees, closest of all to the working class. One factor reacted upon another, effect became cause and back again.

But the masses were waiting for relief from their day to day woes of living. Price falls are now being succeeded by prices rises. Unemployment has reached a record of more than a million and a half. State services in Housing, National Health, Social Services and Local Government are a shambles.

Very slowly the organised active section and the militant trade unionists are recovering from their befuddlement. A symptom of this has been the large number of "small" strikes in every area of the country, which has not been publicised by the kept press. There were the strikes in the car plants and the threat of an official national strike by the seamen.

All these have been proof of the *semi-turn* or shifting mood of the workers which we have explained. This first break can become an immense flood of indignation and fury by the mass of the workers at being tricked.

The right wing Labour government will be caught in a vice by the very factors that have buoyed it up for the last two years. *And this is not a long term factor of years but probably of months.*

They have been tolerated and *even supported by Big Business* because they have delivered the goods: of cuts in state expenditure and living standards, while increasing lavishly the share of the capitalists in the National Income. No Tory government could have got away with such a programme without resistance by the workers both in official and unofficial action.

It was predicated on the opposite pole by the support of the trade unions and to some extent even the constituency parties.

When the Labour government can no longer give further concessions to Big Business and is compelled even to take back some of what it conceded then Big Business will have no further use for it. "The Moor will have done his duty".

A dress rehearsal was the hysterical fury at the raising of the employers' contribution to National Insurance of £1000m. This will be passed on to the consumer in any event. But immediately, as if regarding industry as a personal toy of the employers, the CBI threatened an "investment strike". As if investment is not already below the minimum necessary to keep industry afloat.

This tax was to soften the blow to the labour and trade union movement of the new £1000m cut in state expenditure. Trotsky had remarked that a Labour government by implementing mild reforms would not satisfy the workers and also irritate and arouse the opposition of the capitalists. The Labour government of 1974 has fallen far lower than this. Its counter reforms, though welcome, are not sufficient for the voracious appetites of Big Business which is degenerate and faced with an unprecedented crisis.

On the other hand under the pressure of an angered and awakened working class, the "Left" union leaders and "Left" MPs cannot continue to tolerate further attacks on living standards. They risk losing all credit among the active trade union and Labour Party members, and the mass of the passive members and supporters as well.

In 1977 it seems out of the question that there can be a renewed social contract CUTTING living standards further, at least of the crude character of the last two years.

Consequently the strategists of capital accept that there will have to be a measure to renew the traditional "collective bargaining" in 1977. Therefore the double conciliation of Big Business and the trade union leaders

with the Labour government will change into its opposite. From the point of view of Big Business the Labour government's usefulness is over.

If the government showed the slightest tendency to bend to the renewed pressures of the working class, which is reflected in a distorted way by the Tribunes and the trade union leaders, then all the stops would be taken out in a campaign to bring it down. In the coming period the government will face the semi-opposition of the trade union leaders (at least quarter opposition) and of Labour parties through the NEC which will exert enormous pressure on it.

On the other side Big Business will be exerting even more furious pressure on the Labour government. It is these irreconcilable and incompatible pressures which will bring down the government *possibly even in the next months.*

On the one hand has been the opposition of the public sector workers to attacks on their standards and the beginning of the dismantling of the "welfare state". As we have pointed out in previous Perspectives, sections never involved in struggles in the past have come to the fore.

Attempts to whittle away the numbers of civil servants have met resistance because this would mean leaving thousands more in a hopeless position drawing the dole. It is clear that there are not mass opportunities for new jobs in industry even if these sections could transfer easily to manual labour. Hence the swing to the "left" of the CPSA and the Society of Civil and Public Servants. Even more determined have been the council workers organised in NUPE, the GMWU and the hospital workers organised in these and other unions.

It is a symptom of the change of social relations in Britain that at this stage sections of white collar workers because they are coming under direct attack have manifested more militancy than the decisive sections of the industrial workers, the crack troops of the working class.

But the leaders of the TUC are well aware of the growing discontent of the rank and file of the industrial workers. The threat alone of the seamen to launch an official strike aroused an immediate response among other sections of the organised workers. The active rank and file dockers, railwaymen, miners and engineers immediately voiced sympathy for the seamen.

It was the realisation that a strike would immediately tear to shreds the frail fabric of the dirty and tattered social contract which led the General Council to lean so heavily on the leaders of the seamen. Even though the strike has been dropped, the concessions in fringe benefits won by the seamen will drive a ship through the fabric of the social contract.

Every section regards itself as a "special case" and there will be a clamour for fringe benefits. The miners will have to be given concessions in lowering the age of pension rights. They will probably have to increase the pension rate for miners too. Other sections of the working class will flood through the breach made by these two sections.

There are now, despite 1½ million unemployed and the fall in the number of employed people, 11 million organised workers affiliated to the TUC. This amounts to 50% of the employed workers. Taking into account the lesser percentage of white collar workers organised in unions, it must mean that a decisive majority of the industrial workers in Britain are now organised. If Lenin and Trotsky considered that the organised British workers had an overwhelming strength in the far-off days of the twenties and thirties, what would they have said about the crushing social weight of the trade union movement today?

The pressures and discontents of the workers in the trade unions and the Labour parties are reflected in the

resolution of the NEC for the nationalisation or partial nationalisation of the banks as an objective for the next Labour government.

Even five years ago such a resolution from the "Lefts" on the NEC would have been impossible. It is the growing disillusionment and the radicalisation of the rank and file of the trade unions and constituencies which have made this possible.

If it is accepted by the conference this year by a two-thirds majority, as the media consider almost inevitable, that will be a decisive change, even though the proposal will be mangled and it will not be a straightforward clear-cut decision.

It will represent a challenge to finance capital. It will be a key sector of profitable industry that is threatened with takeover. So far with the grudging acceptance of Big Business the Labour leaders have only nationalised *ruined industries*. Profitable industry or the sacred preserves of the City of London are a different matter. All the factors are coming together to bring a crisis for the Labour government possibly at the end of this year or this winter.

National Government

The ruling class for manifold reasons does not wish to see another Labour government after this one. It would be too much under pressure to carry out measures like bank nationalisation in the face of crisis. This one is rapidly ending its useful role in their eyes: of serving their needs and discrediting the idea of Socialism among large sections of politically backward workers and the middle class.

Straws in the wind show in which way the strategists of capital are thinking. David Steel's appeal for "coalition" to the Liberal Conference was a preparation for the short-term future.

The editorial in the 'Times' of 20.9.76 on economic policy was an accurate reflection of the thinking of the strategists of capital. It reflects the ideas of a big section of international capital. It was an echo of the IMF thinking published in the same issue. Savage deflationary cuts in state expenditure would increase and even probably double the army of the unemployed. It is the policy carried out in 1929-1933.

The editorial was not specifically directed to any party. Clearly a *majority* or even a *minority* Labour government would be incapable of carrying out such a programme because of its political and social base.

But the IMF report in the same issue makes it clear that that is the programme it has in mind as a 'cure' for inflation. The fact that the cure would be worse than the disease is beside the point. Representatives of capital are blind to the real consequences of their policies in their endeavours to stabilise the system. It seems likely that the Labour government will be compelled to apply for a loan of £1,000 million in December. The IMF will impose conditions of more stringent cuts in state expenditure to balance the budget. This will provoke the most serious crisis in the government to date. It seems as if it will be difficult, if not impossible, for the TUC to accept such cuts. This will embolden the Tribunites and provoke a crisis in the Cabinet.

The ruling class does not want a hung parliament in the next elections. Nor do they wish for another Labour government under pressure from the organised workers. Consequently behind the scenes, they may be preparing now for a split in the Labour Party. The Bank of England is not even attempting to hold up the falling £ on the exchange markets, partly because of the cost, partly because of its futility but also for political reasons.

All these plots and intrigues would come to nothing so long as the Labour government could give the results the

CBI wants. This depends on the rank and file of the trade union and labour movement. There are limits to what the trade union leaders will swallow. Consequently we must be prepared for abrupt changes and sudden swings in the situation.

There could be a "National government" in Britain as early as this winter! On the other hand the Labour government could drag on well into next year because of the irresolution of the ruling class and the spinlessness of the "left".

But for the Labour government to last out its full term seems extremely unlikely. On the other hand the Tories are no alternative. The strategists of capital look at the extreme ignorance of the backwoodsmen on the Tory front bench including Mrs Thatcher. Rather than the "strong" government the capitalists are yearning for, such a government would provoke disaster and chaos worse than that of the Heath regime. Consequently the bourgeoisie looks to some other solution. They hope for miracles. In the "sea of trouble" that is afflicting them, a massive majority for a right wing Labour, Tory and Liberal coalition government, i.e. a new version of a National government, must play a major part in their calculations.

Of course this would not solve their problems. In the event of a National government, a temporary bewilderment and even partial demoralisation would be succeeded by anger at its programme of unprecedented attacks in the post-war period on the gains of the working class.

While a National government is a possibility for the near future, if the situation drags on a Tory government is not excluded. But in the crisis which is developing with the world boom running out of steam and a collapse of production likely, it seems that the ruling class will plump for the strongest government they can get at this stage, i.e. a National government.

Cuts which have been timidly introduced by Labour, they would brutally attempt to force through. Strikes would reach a new tempo in practically every sector: state, white collar, industrial and service industries. It could lead to a General Strike.

Because of the changed balance of forces a General Strike, even if it did not lead to the taking of power by the workers, would not necessarily be defeated. *It could even lead to the resignation of such a government.* It would bring a revolutionary situation to Britain.

The Marxist Approach

The political and industrial lull which affected the labour movement for a whole period now seems to be ending. It even had its effect on our tendency though we explained the reasons for it. The baffled and even despairing mood of sections of the militants in the trade unions was bound to rub off on to some of our own supporter. We weathered this and have made gains in influence and support.

The sects have been demoralised and decimated during this period. The CP also has suffered severe losses. Their lack of perspectives and understanding of the processes is responsible for their disarray. At a time when according to their theories they should have made enormous gains because of the policies of the Labour government and the disillusionment it provoked, they have suffered losses.

Our tendency has stood the test and reinforced its power and influence within the labour movement. The workers as they become convinced and draw the lessons of their experiences will strive to further transform the labour and union organisations. The loyalty of the basic sections of the workers, the organised industrial sections,

has not in the least wavered.

There is no alternative, that is what the workers can see. Consequently the same process which led to the partial transformation of the trade unions and even the Labour Party in the last decade or so will be intensified.

There has already been an semi-turn in the mood of the organised labour movement. Within the shop stewards committees, trade union branches, wards and constituencies there is a far more critical mood. At this stage it is not reflected in most areas by increasing attendance of new members. But the mood of even the older members who have maintained their activities and regular attendance is much more bitter. They are examining in an entirely different spirit from a year ago the activity, or lack of activity of the government on issues such as the increase in unemployment. They are not prepared any longer to give a blank cheque to the government. They want results and measures in the interests of the working class. A real struggle in the wards, constituencies and trade union branches will attract a fresh layer of workers.

The sectarians can only see the "geriatric wards" in the Labour Party and the domination of the trade unions by their "bureaucratic officials". They are completely blind and cannot understand the process of awakening of the working class. The fresh lesson of Newham and Hammersmith and that this is just an early phase in the struggle of the workers to transform the Labour Party cannot be understood by them.

We have just been given an instructive lesson in this phase in the unions too. All the sects, plus the CP and even the Tribune gave up the GMWU as entirely finished as a vehicle of struggle for the workers. They all supported the fatal attitude of the IS, in supporting the "splinter" glass workers' union when it was set up at Pilkingtons in St Helens. Because of these attitudes and the mistakes of a section of the ill-advised former strike leadership in setting up a new union, the workers were split, with only a tiny minority supporting the new union. This gave an opportunity to the former Cooper leadership of the GMWU to expel them. This in turn laid the basis for their victimisation by Pilkingtons and their sacking from their jobs. Many of the prominent leaders of the ill-fated glass workers union drifted to a reactionary position. The glass workers union never really got off the ground.

Now the GMWU shop stewards at Pilkingtons with the support of the union have unanimously adopted a decision blacking any goods from the South African branch of Pilkingtons till they recognise the black trade union. This is not merely a question of bread and butter trade unionism, but a political decision to give support to black fellow workers oppressed and exploited in another country.

All these are symptoms and portents to those who can use the Marxist method, and understand the dialectical inter-action between the class and its organisations.

Of course new periods of lull, of despair, indifference, frustrations and even reaction (of a mild character at this stage) are possible and even inevitable. Even within the upswing of the movement in the next period there will be times of apathy and inactivity by the organised workers. But they will be periods of weighing up their experiences and thinking by the workers, periods preparatory to feverish and intense activity.

We have only to compare the situation in the Labour Party and trade unions today to that which existed in the 1950s and early 1960s to see the enormous political and psychological gulf which spans the two periods. In turn the present day situation will produce even greater differences to the situation in the organised movement in the future.

Our own approach must be one of patiently explaining the fundamental crisis of capitalism to make fully

conscious the will of the workers to change society. As they see no way out, more and more workers in the labour movement will become convinced of the necessity to overthrow capitalism and change society on fundamental lines. They will come to understand this not as a preparation for the dim and distant future but as a concrete solution to the otherwise insoluble problems of the present.

One thing we must guard against is giving the appearance of a bookish or academic approach to the problems of the workers. Our tendency has never been guilty of this. But the ultra-left sects veer from an attitude of contempt for the workers to the lowest "practicalities". Unspoken is their idea that the workers are too "ignorant" to understand the programme of Socialist Revolution.

Thus all these sects veer from hysterical preparations of the taking of power "by the setting up" of phantom "committees" largely composed of themselves to the putting forward of purely reformist demands.

From time to time all the sects, as could be expected, mumble phrases about the Transitional Programme. The essence of the transitional programme is that it *links day-to-day demands with the programme of the socialist revolution*. Otherwise it becomes a meaningless mumble of reformist demands empty of all content. We must concretise our programme of demands at each stage in the development of our work. Our paper and journal do these tasks excellently. Though there is always room for more improvement.

At the present time our main demands would be to strengthen the Labour government by carrying out the promises of the Manifesto! For the 35-hour week and a public works programme to mop up unemployment and provide necessary housing, schools, hospitals, factories! Work or full maintenance for the unemployed! No redundancies! For a plan of production! Give the unemployed productive work! Higher wages and a sliding scale of wages to compensate for inflation, monitored and indexed by the trade unions! A housing programme without the obstacle of banks, landowners, landlords and building parasites! A £60 minimum wage! In order to plan production, the nationalisation of the 250 monopolies, banks and insurance, with minimum compensation on the basis of need and with workers' control and management. From time to time we should add concrete programmes to suit the needs of the situation for workers.

In reality the sects fall to the level of the left reformists, in pushing forward demands which are left in mid-air without a foundation. The essence of the present period is the ease with which a fundamental change in society can be explained and accepted by masses of workers on the basis of their own experience. All transitional demands and even *wage demands* which normally are reformist and come within the framework of the capitalist system are utopian at the present time. Without a socialist plan wage increases will be cancelled out by inflation and provoke catastrophe.

The pressure of the CP and Left Reformists in their attitudes has infected and corrupted the would-be "revolutionaries with knives between their teeth"—the sects. The argument of the CP or the Tribunites and adopted by Clause 4 among the youth is that our programme is "unrealistic" and "impractical". They put forward, they argue, a series of concrete "practical proposals which can be realised under capitalism". We should be fighting for wage increases, greater expenditure by the state, no cuts and so on, but it is a mockery of the workers to pretend that this can be done effectively under capitalism.

The right wing leaders of the Labour Party have abandoned reforms and instituted counter-reforms, not because of original sin, but because of the crisis of

capitalism. They do not believe in any alternative system. Under the "guidance" of the state officials at the Treasury they initiate measures they think will bring "stability" and perhaps in the future better days for the workers when capitalism can afford it. This is an illusion. *But if one accepts the premise* that the bulk of industry should remain in private hands, then it is the only "practical" policy which can be operated.

The Tribunes and the "Left" trade union leaders, prompted by the Communist Party leadership (and vice versa), have no clear idea where they are going and what policy to adopt. They accept the basis of the system without understanding the economic laws which cannot be overcome within the framework of the system.

The "Lefts" will probably gain overwhelming control of the trade unions and Labour Parties on the basis of the political and economic experiences and upheavals of the next period. They have drifted to positions on the "Left" that they would have considered "ultra-left", "unrealistic" and "impractical" (the words are always the same) only five years ago. They had the attitude that the nationalisation of the banks and insurance companies was too "extreme" for the "electorate" to accept. They would not even remotely have considered putting it forward.

Yet the experience of the crisis and of the reaction of the Labour government to it is such that now they are advocating it. The proposal gained a majority on the NEC, whether immediately stable or not remains to be seen, as a concrete plank for the next Labour government.

How far the situation is changed is shown by this fact. But the "Lefts" are incapable of understanding what this commits them to in the need to break the resistance of the bankers and the City, nor that this would provoke the resistance of *all sections of the capitalist class*. The industrialists and landlords would feel equally threatened. They are not interested in the privilege of being eaten last, extended by the one-eyed giant to Ulysses. It would provoke the infuriated resistance of the capitalists. This shows up the utopia of the Stalinists and different wings of the reformists including the most "Left", of changing capitalism a little at a time!

An instructive example of the results of "reforming" capitalism is the regional grants system initiated by the Tribunes. The sore spots of British capitalism would be healed by an injection of state money—à la Keynes. In Tyneside, Merseyside, Wales and Scotland subsidies would be provided to set up factories on government provided sites. This would "gradually" abolish unemployment and bring back life to the depressed areas by bringing new industry to them.

Big business pocketed the lavish subsidies and built the factories they would have built in any event. But it meant that they neglected the Midlands and S E England and other areas of "prospering" and low or nil unemployment. The authorities organised New Towns to drain the population of the industrial conurbations. Now in the new and deeper slump of the capitalist cycle, it has resulted in mass unemployment not only in the former depressed areas but throughout the country. They have succeeded in turning London, the South East, Manchester and the Midlands into new depressed areas! Now they are frantically racking their brains to try and find a way—not too expensive—to prevent the collapse and decay of all the inner areas of the industrial conurbations, especially London!

Such is the rationale of Reformists, Right and Left! It is these inconsistencies and lack of a worked out programme which is the fatal weakness of Left reformism.

While unemployment mounted and living standards have been cut, the passivity of the organised movement has resulted in bitterness and despair among backward

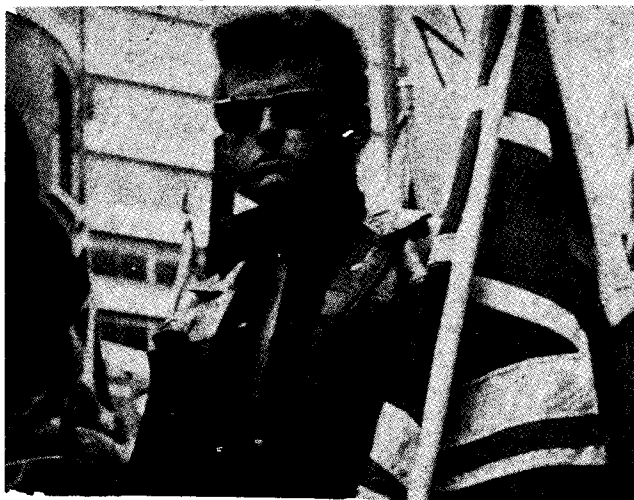
layers on the fringe of the working class. Sections of the lumpen proletariat, of the despairing small shop-keepers and petit bourgeoisie and even to a limited extent backward workers in and near the areas of high immigrant concentrations, have listened to the demagogy of the National Front and other fascist groupings pouring out their racist poison.

Racialism

From time to time this has been partly because of the unscrupulous campaigns of the popular, in reality 'yellow' press. The 'quality' press lifted its skirts but did not shrink discreetly from echoing these vile bayings. It is from the lurid tales and vivid stories about the black immigrants and sometimes the Irish in the daily press that the Fascists have gained nourishment. In addition the atmosphere of the Labour government, slashing living standards while the trade union leaders acquiesced and the organisations of the workers remained passive, provided favourable conditions for these brutal thugs and hirelings of capital.

The policy of the Labour Party and trade union leaders of ignoring this threat, in the hope that it would oblige them by going away, also assisted the growth of these bodies. Now partly as a result of our pressure and propaganda but mainly because of the minor successes of the National Party and National Front electorally, the "Lefts" on the NEC and the TUC have pushed through resolutions against racialism and the National Front. The campaigns proposed will have some effect in mobilising organised workers against the racials.

But it would be wrong to exaggerate their strength and possibilities for the present or immediate future. At this stage the ruling class does not even consider them a serious auxiliary in the sense of the Neo-Fascists in Italy. It does not seem likely that they will be more than fringe groups of the Right. Later a split of the Right Wing of the Tory Party will probably gain a big support among sections of the petit-bourgeoisie and some despairing



National Front thug on demo

backward workers. It will immediately attract sections of the lumpen proletariat as well as some of the gilded Tory youth in the universities especially at Oxford and Cambridge.

Such an organisation would absorb most of the elements round the smaller lunatic racist groups such as the National Front and National Party. Most of the leaders would be discarded as they are too tainted with the support of the ideas of Hitler. This would be a "British" group, appealing to the prejudices, frustrations and illusions of the middle class and suburbia. It would be "respectable", repudiating all suggestions of a



Textile workers march to Westminster to protest against factory closures.

Chris Davies (Report)

link in ideas and method with the former dictators. It would have large numbers of former top Armed Forces officers in its ranks. It would be far more formidable outfit than the present Fascist groups.

Nevertheless we should continue an on-going campaign against racism in the movement, in the factories and on the streets. It has enormous educational value in raising all the issues that really affect the masses. Such as defence of their organisations and rights against ruling class or hired gangs attacks; housing; unemployment; living standards and so on.

Once the Labour Party and trade unions are forced to actively campaigning against the ills of capitalism, as in the period 1970-74, then the support for this scum will tend to evaporate and become ineffective. The backward layers in the factories look towards the militants in periods like that. The Fascist threat, very small at this stage, would begin to ebb. In studying processes of this sort we must keep a sense of proportion as to the forces involved, not to lose our heads like the sects, the CP and "left" MPs like Renee Short who see "Fascism round the corner".

There will be enormous shifts and changes in the coming years. The frightful blind alley in which capitalism will involve British society will become clearer to wider and wider strata of the working class. The activities of the Fascists, if they grow to any extent, will alarm the vital core of the active workers and they will

begin to strike back against any provocations.

Wave upon wave of struggle from the workers will not leave much room for Fascist activity. On the other hand although the fascist gangs are small, we should not underestimate their capacity for mischief, especially in certain areas of immigration concentration. We must be sensitive and on guard to mobilise all the forces we can influence of the labour movement to counter such activities. The youth movement can play an enormous role in campaigns among immigrants, in the factories, or the dole queues and most importantly in the labour movement to rally and educate the movement against the scourge of racism and the cancer of unemployment.

However, Fascist activity poses again the problem of work among the West Indians, Indians and Pakistani workers. A higher proportion of immigrant workers are organised in the unions than in the white population. This shows that the bulk of the immigrants are now working class whatever their former origins. A higher proportion are industrial workers and among the most exploited section of the workers.

What applies to blacks applies even more to the problem of working women, young women workers in particular. The crisis of capitalism brings additional burdens to working women. They have the burdens of maintaining the household and bringing up the children, while being forced to work part or full-time and not

finding they can make ends meet because of inflation. They are among the most affected by unemployment like the immigrants. In the recent period large numbers of strikes are taking place for equal pay [*like Tricos*], and against bad conditions. This marks the beginning of the awakening to political and trade union activity of women.

Nationalism

The quantitative decay of the ruling class over decades has reached a new quality.

Under conditions where the Labour leaders could resist pressures for another 12 to 18 months they would bide their time. This would lead possibly to another Tory government. This would not change anything fundamentally but it seems the least likely development. One favourable result of a National government would be to complete the destruction of the Liberals which was partially accomplished by the National government of 1931. Part will be absorbed by the Tories, part by the Right Wing which will split from the Tories. The radical fringe would tend to move into a rejuvenated Labour Party. Some of the demagogic radical fringe would move to the Far Right.

The Liberal politicians are so hungering after positions of power that they are incapable of seeing the consequences of a coalition with the Tories. The safety net of the capitalists to catch voters disillusioned with the Tories will be taken to pieces. These would be mainly white collar workers, petit-bourgeois, small businessmen and professional people and some rural elements and self employed artisans. They were skillfully deflected by the press from the decisive step of supporting Labour by a "radical" alternative in the shape of the Liberals.

This will largely be removed as a viable possibility if the Liberals go into the embraces of the Tories. Many backward workers have traditionally supported the Liberals because of their parents and because one wing of the Liberals present themselves as "more" radical than the Labour leaders, especially on questions of civil liberties and on fringe questions such as Women's Rights. Then there are the empty histrionics of the Young Liberals, assiduously played up by the press. All this would fade away as the Liberals were seen as a weaker edition of the Tories, as a screen and weapon of Big Business.

The sickness affecting British capitalism is shown most clearly on its outer edges. After the collapse of Empire there have been centri-fugal forces tugging at the unity of the United Kingdom. The apparently remote bureaucracy of Whitehall is regarded with hostility by all the regions. The greater unemployment and lower standards in Wales, Scotland, the North East, Merseyside and the North of England are resented by all the areas.

But in Wales and Scotland, particularly among the middle class in rural areas, it took the form of *Scottish and Welsh* nationalism. The decline of Britain has reached such a stage that neither the former Empire nor London have attractive and lucrative jobs to offer the talented in the professions or university graduates from Scotland. There is no easy escape to the South either for industrial workers, as Britain has become one vast industrial slum with mass unemployment everywhere. The passing of the Labour government from reforms to counter-reforms in the last period has driven the petit-bourgeoisie, disillusioned with *Toryism* into the ranks of the Nationalists.

It is one reason why the Fascists have negligible support in Wales and Scotland. They appear in the eyes of the petit-bourgeoisie of these countries as *English* nationalists. Of course the small numbers of immigrants

to be pointed out as scapegoats is another factor.

However the British ruling class is taking very seriously this consequence of its decay. They are split between those who wish to make concessions of Home Rule and those who think the problem will somehow painlessly disappear. It is a very similar division as there was on the question of "Home Rule" for Ireland in the last century.

Of course the "programme" of the Nationalists is completely empty. There is no real social content and a separation of the economy of Scotland and England would be damaging to both countries. They are now completely integrated. However the Scottish Big Business backers of the Nationalists who jumped on the Nationalists' bandwagon when they achieved a certain success would oppose this. Consequently the Nationalists seem to be soft peddling the question of complete separation and concentrate more on demagoguery and the cry of "self-government."

But the logic of their position might push them more and more in the direction of separation. Of course it is only because of the bankruptcy of the policies of reformism and the delay in the social revolution that the question is even posed.

Without a *Mass* revolutionary alternative the industrial workers too are not immune from the nationalist sickness. The more inert and backward layers disillusioned with the Labour Party are drifting towards voting for the Scottish Nationalists, some to the nationalist split from the Labour Party, the Scottish Labour Party. This will be changed to a large extent by the activity of the mass movement in the next period. But the stand taken by us has been shown to be correct by these developments.

If the next "Left" Labour government fails to deliver the goods and we do not win big sections to the policy of our paper, in despair there would be an even bigger surge towards nationalism. Many of the "Lefts" like Eric Heffer are totally blind to the consequences of not granting even a measure of autonomy to Scotland and Wales. They add grist to the mill of the Nationalists.

In the last analysis it is true that the problem is a social one but we must recognise that in all countries with sizable minorities it tends to take a national connotation. To the English workers, (as well as the Scots and Welsh of course) we must explain that they must stand firmly for the right of separation of the Welsh and Scottish (of course it goes without saying the Irish) people, if they so desire.

Tasks Ahead

But the decline of Britain, and the growth of nationalism also provides a great opportunity for the Marxists to emphasise the imperative necessity for "realistic" revolutionary policies to halt the attacks on living standards, social services and so on.

Reformism without reforms is impotent to prevent even the breakup of Britain which might be possible if the labour and trade union movement does not show a Socialist alternative. The decay of British capitalism will result in all sorts of aberrations.

Only if our ideas can gain powerful mass support can we guard against dangers and disasters. Our strength lies in using the method of Marxism to explain the processes affecting society as a whole. With our principles and the science of perspectives we can operate flexible tactics and win over the radical workers in the labour movement in the industrial heartlands of West Scotland and South Wales, while also gaining in the industrial conurbations in England.

Even our tendency has been affected to some extent by the prevailing lull. But now with the semi-turn in the situation and the prospect of shattering events which will

stir the advanced workers and the workers as a whole into renewed activity in the next period, we must be in a position to influence events.

Considering the possibilities over the last 12 months the aims we have set ourselves were entirely modest, and would have been so even in a period of deeper reaction and lull.

If we do not achieve them then we must look not in the main to objective but subjective reasons. The editors and the staff are both responsible, perhaps with a greater share of the blame on the local, regional and national members of the editorial board, rather than the supporters.

Every supporter could have won an additional supporter for the paper, if we had organised properly. But this is primarily a *political question*. It is a question of raising the theoretical level of every supporter through schools like the one in South Wales.

There is a thirst for theory, not only on British Perspectives but on international and general theoretical questions and the fundamental ideas of Marxism. If we raise the level of understanding of every supporter to understand the tasks and opportunities posed by history, we will build on rock-sound foundations. We will gain for each one, two or three supporters even if the conditions are similar to the period through which we have passed.

There is a whole layer of industrial workers who are moving into activity in the unions and the Labour Party and are asking for solutions to their problems. More and more the most advanced can be shown that the programme of "Left" reformism, (they have long rejected Right Wing Reformism) leads to the same blind alley of the Right Wing. The Left reformists are on the capitalist treadmill, patching up here and there, but going round and round and round and reaching nowhere.

We must imbue every supporter with confidence in the ideas and in the perspectives, both immediate and long term. We must have local editorial boards acting as guides to the supporters in the areas. *Regular Schools* involving every supporter and possible supporter must be

organised regularly every two months or so. This is a vital task. Two or three thousand active supporters should be the minimum we can set ourselves.

The danger is that we may not be able to cope with the manifold tasks which loom ahead. In the immediate future there is a risk we could get swamped by the possibilities in every direction. We must give responsibilities to and raise the level of every industrial supporter, otherwise many will drift away into indifference.

But we need the sinews of war. Those who can win supporters can also get cash.

While we need not be down hearted we must try and assure that we are ready for the qualitative changes that are possible, not only politically but organisationally, in gaining finance and supporters above all from industrial workers among the youth, the Labour Party and trade union movement, among shop-stewards and in the factories.

We must test and re-test our perspectives, ideas, methods of organisation and results. We can be enormously optimistic. The ruling class can now only stagger from one crisis to another. Their fumbings and mistakes are those of a doomed class.

The right wing reformists have put themselves at the service of the rulers and will thereby merely incur odium. The "Left" trade union leaders and the Tribunites stagger from one expedient to another. But the mighty intervention of the masses in the coming period will show the pitiful inadequacy of all the fractions of the ruling class. We will have an "Italian" development of events in Britain. Opportunity after opportunity as the masses move into activity to try and change their lives and conditions. There will be sufficient time to correct our mistakes and short-comings both politically and organisationally.

More full-time sellers, more equipment for our printshop, a bigger circulation and more frequent appearance of our journal and paper. These tasks loom ahead once we achieve our modest goals. These are imperative if we accept the short-term and long-term perspectives facing British society.

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