

CONVENTION RESOLUTION

**DECLINE OF AMERICAN IMPERIALISM AND THE GROWING
WORLD CONFLICT**

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Introduction

Almost everyone expected a resurgence of the economic crisis following the Second World War. While an initial upturn could not be ruled out as capitalism rebuilt its war ravaged economies, it was believed that the war had done nothing to solve the fundamental problems of capitalism. The depression conditions of the thirties would return, if not immediately then in a fairly short period of time. It was further expected that such a crisis would usher in a new revolutionary period offering tremendous possibilities for revolutionaries.

The Workers' Party shared this overall economic perspective. Its primary contribution, however, was its analysis of the relationship of class forces internationally. Its understanding of the class basis of Russian society made it uniquely capable of making such an analysis. It correctly argued that there was now a three-cornered struggle, between capitalism, bureaucratic collectivism, and the working class of the world.

As a result the Workers' Party argued that, "The main antagonism in the imperialist world today is between the United States and Russia. The stakes of the conflict between these two giant imperialist powers are nothing less than the domination of the entire world. It is this antagonism that will give the basic coloration to the development of world politics in the next period," (1946 resolution, in New International, April 1947).

The struggle between these two systems and their super-powers they felt must inevitably lead to war. Thus the resolution continued: "If the socialist revolution does not intervene, the antagonism cannot fail to break out into a third world war." And again, "The war between the two big imperialist powers is inevitable in the end."

There was, of course, much material to support both contentions, of economic crisis and war. Yet neither occurred. While there were numerous lesser wars, none of them led to a general world conflict. Even more surprising was the prolonged prosperity, rather than crisis, that capitalism experienced. The nature of the post-war period, therefore, turned out to be significantly different than Marxists had expected.

The Structure of the Post-War World

The United States emerged from the war as the greatest imperialist power the world had ever seen. Indeed, even during the war itself the US carried on a continuing struggle against its allies with regard to their imperialist interests following the war.

The US used its economic might to replace throughout the world the other imperialist powers. As a Senate Economy Committee Report of November, 1947, noted: "Provided that necessary safeguards are established there is no question that in the mineral field at least, American capital is available to take over or supplement European investments in many colonial areas," (quoted in Stein, International Socialism #41, p. 9). For one of the most crucial raw materials, oil, the US replaced Britain as the dominant force. Before the war Britain had controlled around 60% of all oil reserves in the Middle East. After the war, it was the US which controlled almost 60%.

The hegemony of the US was further reinforced through a series of treaty agreements. These included the Breton-Woods monetary agreement, the General Agreement on Tariffs (GATT), and numerous other lesser agreements.

Of course, it wasn't just a matter of replacing its capitalist rivals throughout the world. While the US was the dominant capitalist power, it was not alone in the world. It faced the threat of a powerful rival in Russian imperialism, as well as the threat of social revolutions in the advanced capitalist countries. Thus for political reasons it was forced to rebuild the war ravaged economies of Europe and Japan. Yet even here this was carried out to the extent possible in consonance with American interests. Thus while the Marshall Plan did aid in rebuilding Europe, it also helped to further American business interests there. In the case of Japan, a specific attempt was made to develop its economy as a junior partner of America's.

The struggle with Russian imperialism, and the fact that capitalism was dependent on the US for its defense, also served to enhance the dominance of the US. Permanent military bases were established throughout the world in over 64 countries. Numerous treaties, such as NATO and SEATO, were established which were controlled by the US.

What this meant was that the US was no longer merely a leader of the capitalist world, but the leader. Through its domination it served to organize and coordinate the capitalist countries around policies that it was mainly responsible for making.

Its dominant position, reinforced through the numerous post-war agreements, meant that it could, by and large, identify its interests with those of capitalism as a whole.

The stability which American hegemony brought to international capitalist relations would have been shortlived, however, if it was not combined with economic stability and prosperity. Without such stability it could be expected that the centrifugal tendencies in the international economy would come to the fore as each country tried to fend for itself.

It was precisely such stability that was ruled out by the general Marxist analysis of advanced capitalism, of the epoch of capitalist decay.

The post-war stability was not due, however, to the fact that capitalism had overcome its inner contradictions. Rather, it was due to permanent, massive expenditures on arms.

A Permanent Arms Economy

With the Korean War, a substantial military budget became a permanent feature of modern capitalism. The sheer size of this spending necessitated a new analysis of the functioning of the capitalist system.

As Kidron notes, "In 1962 . . . a United Nations study concluded that something like \$120 billion . . . was being spent annually on military account. This was equivalent to between eight and nine percent of the world's output of all goods and services at the time, and to at least two-thirds -- or even as much as -- the entire national income of all backward countries"; (Western Capitalism Since the War, p. 39).

If we consider only advanced western capitalism, arms expenditures have accounted for as much as 25% of all government expenditures in 1955, and 7.2% of gross national product in 1953. Of course, this was not spread evenly over the various countries, but was heavily concentrated in the United States. It was the impact on the economy of such arms spending which explains capitalism's avoidance of any major crisis since WWII.

It was commonly assumed, by both Marxists and non-Marxists alike, that the problem facing capitalism after the war would be one of overproduction. An overproduction crisis, however, would not be due to a lack of effective demand, as the liberals would have it, but rather to the historical tendency of the rate of profit to fall.

As investment takes place there is a tendency for the organic composition of capital to rise. Associated with this rise, however, is a tendency for the rate of profit to fall. With the fall in the profit rate, investment declines and unemployment occurs. Markets for goods are thus reduced, further driving down the rate of profit. The result is a recession or a depression.

Government arms spending reduced the potential rate of increase in the organic composition of capital by reducing, through taxation, the amount of capital available for private investment. Armaments are unproductive, or waste, in the sense that they do not return into the production cycle as either production or consumption goods. Arms spending therefore represents a capital drain, and has the effect of restraining potential capital expansion and thereby also the potential decline in the rate of profit.

These negative effects of arms spending have been largely overshadowed by the fact that the arms economy has maintained a high level of employment and production, and consequently we have witnessed sustained high levels of growth and profits.

Arms spending has the effect of bringing into use productive resources, both material and labor, which would otherwise remain unemployed.

At the same time, government intervention in the economy by means of the arms economy has been used to enforce the process of capital concentration and centralization, a process which is necessary to the continued functioning of the system. As Mattick notes: "Governments, of course, cannot subsidize anything; they can only see to it that one part of the economy subsidizes another part, that socially-available profits are distributed in such a manner as to enable the prevailing society to function," (Marx and Keynes, p. 143). To put it another way, one effect of the arms economy has been to concentrate capital in large enough amounts at a high enough rate of profit to encourage investment in the private sector, especially in the capital goods sector.

It is therefore no surprise that the bulk of defense contracts go to the largest monopolies in the US. Indeed, as Kidron notes, the largest 100 corporation in the US receive three-quarters of all arms spending. The 50 largest recipients of defense contracts regularly receive over 60% of all defense spending (Corporations and the Cold War, p. 178).

All monopolies, and especially those engaged in military production, have consistently shown higher rates of profit. In 1957, profits computed as the after-tax rate of return on stockholders equity for all manufacturing industries (except newspapers) was 11%. For those aircraft and propulsion companies among the largest 50 defense contractors, the rate of profit was 16.96%. In electronics it was 13.23% (Corporations and the Cold War, p. 180).

At the same time, the permanent arms economy has been used to underwrite the costs of research and development that has occurred since the war. In the US, military spending has accounted for over 50% of all money spent on R & D. Lesser, though still significant amounts have been spent in other countries.

One effect of such spending has been to enable private industry to maintain large research establishments which would have been impossible without the government contracts. A second benefit has been that much of the technology developed for the military has been applicable to private industry. Such technological spin-off has been most evident in aircraft and electronics and has also occurred in the food processing, packaging, leather, chemical, primary metals, fabricated metals, and machinery industries.

Arms, as Kidron points out, are a fast wasting end product. Being either blown up, or rapidly becoming obsolete, they are in constant need of replenishment. Hence a high level of military spending can be maintained over time.

One result is a constantly high level of employment. Indeed, employment directly attributable to military spending has been consistently about 10% of all employment, or about 8 million people in 1969, falling to about 6.5 million in 1971.

Arms spending has also maintained a high level of production in the

capital goods sector. "If we combine the spending for producers durable goods resulting from the military with the private spending for the same type of goods, we find the following: 36 percent of the output of the producers durable industries is purchased directly or indirectly by the federal government," (Dynamics of US Capitalism, p. 64). For particular industries the figures are: primary metals, 13.3%; electrical machinery, 20.9%; transportation equipment, 38.5%; and petroleum, 10.4% (Corporations and the Cold War, p. 211)

One of the major effects of the arms economy has therefore been to stretch out the business cycle and dampen its slumps, since the threat of overproduction and the fall in the rate of profit are both restrained. Since the Korean War, increasing the military budget in order to offset the effects of a recession has been more or less a conscious part of all government planning. Indeed, even today as the economy lurches towards a new recession, Herbert Stein suggests increasing the military expenditures to reduce unemployment (New York Times, 12/12/73).

While the costs of the permanent arms economy have been distributed very unevenly throughout the world, being heavily concentrated in the US, the benefits have been spread more evenly. This has occurred through the flow of capital and investments abroad and the export of goods from Europe and Japan to the US. The growth and stability of the US market has been very important to the growth of the more export oriented economies abroad.

Of lesser importance is the fact that military spending in one country has the tendency to force its rivals, real or potential, to do likewise. While this has been most obvious with regard to the struggle between capitalism and bureaucratic collectivism, it has also played a role between major capitalist powers. Thus England and France have always maintained a high level of military spending, and any country which hopes to play an independent role on the world arena must develop the military capabilities to defend that role. To the extent that capitalist rivals have been forced to devote capital to the military they have been prevented from investing that capital in ways that would enable them to compete better with the US economy.

While the arms economy has been associated with high levels of growth, it in no way represents the health of the capitalist system. Rather it is the direct result of the moribund, decaying condition of advanced capitalism. For state intervention in the economy through arms spending was most directly due to the inability of market mechanisms to any longer regulate the system. At the same time, the productive capacity and organic composition of capital were so high that stability could only be maintained through increasing expenditures on waste. Thus capitalism, in order to maintain itself, has been increasingly forced to turn to non-capitalist, statist measures to defend itself.

The entire structure of the permanent arms economy made it a uniquely beneficial one for post-war capitalism for a number of years. It is unlikely that any other method of state intervention would have had such long term, beneficial effects. In any event, arms spending was not motivated

by purely economic reasons, but was tied up with the imperialist conflict which continued after World War II.

The PAE and Imperialism

It was Marx who first pointed to foreign trade and investment as a counteracting influence on the falling rate of profit. "Since foreign trade partly cheapens the elements of constant capital, and partly the necessities of life for which the variable capital is exchanged, it tends to raise the rate of profit," (Capital, Vol. III).

Lenin developed what were only suggestions in Marx into an analysis of the imperialist imperative in the 20th century. Key for Lenin was the role of capital exports in understanding the role of imperialism. Thus: "Typical of the old capitalism, when free competition held undivided sway, was the export of goods. Typical of the latest stage of capitalism, when monopolies rule, is the export of capital," (Imperialism, the Highest Stage of Capitalism).

Imperialism functioned for a while as a stabilizer of capitalism by finding profitable fields for investment in the colonies, thus offsetting the tendency for the rate of profit to fall. The flow of capital to the colonies was necessitated by the moribund nature of advanced capitalism. Imperialism was not an aberration of capitalism that could be reformed away as the revisionist Social Democrats claimed. Rather it was a result of the basic dynamic of capitalism and represented a necessary stage in its development.

The ability of capital exports to stabilize the system declined after 1918, and even more after 1945. While imperialism continued to be important to the functioning of the capitalist system, it could not be looked to in order to explain the long period of post-war stability. While foreign investment in the Third World continued to take place, it was not primarily responsible for the stability.

This is evident from examining the capital flow after the war. Increasingly, foreign investment occurred between the major capitalist countries, and not between them and the Third World. This fact is incompatible with Lenin's argument that capital flowed to the colonies because of the falling rate of profit.

Rather than capital exports, it has been the permanent arms economy which has been responsible for stabilizing capitalism since the war.

The permanent arms economy, however, did not represent an entirely new epoch of capitalism, replacing the imperialist one. It would be more correct to say that whereas imperialism stabilized the system before through the mechanism of capital exports, today it does it through the massive military spending which is necessary to defend it.

A permanently high level of military spending was necessitated by the imperialist struggle that has gone on since the war between Russia

and the United States. While some military spending has been of dubious defensive capability (the ABM system), maintaining a superiority of arms has been key to defending the capitalist system from encroachments on its territory by its bureaucratic collectivist rival.

The arms race has also been used as an economic weapon against other countries. By forcing rivals, primarily Russia, to make similar allocations of resources to build up their military capabilities, they prevent them from using those resources in a productive manner which might eventually challenge the US economically. This aspect of the permanent arms economy has played a specific role with regard to Russia, where it was actually hoped at times that the level of military spending would bring havoc to the Russian economy.

Yet even capitalist countries, like France, were forced to increase their military spending if they were to escape the domination of the US and play an independent role in world affairs. Today, military spending is playing an increasing role in economic competition as the US tries to shift some of the burden of military spending to the rival capitalist powers. By this means it hopes to slow down the faster rate of growth of those economies, thus enhancing America's declining position.

None of this is meant to deny the importance of imperialism in the modern epoch. Indeed, it was the very existence of imperialism that has necessitated a permanent arms economy. What is different about this period of imperialism is that it has been less characterized by a struggle between capitalist powers for the division of the world and more by the necessity to defend capitalism as a world system against its non-capitalist rivals.

Thus the United States, as the organizer and dominant power within capitalism, took on the role of defending the capitalist system irregardless of the economic importance of any particular country. For it rightly saw the growth of the bureaucratic collectivist system as a threat to its very existence, something which must be combatted wherever it raised its head. This was true whether it was Russian imperialism or indigenous Communist movements that it was fighting. This struggle led to two major wars and numerous minor ones.

Furthermore, while the Third World may be less important as an outlet for capital exports, it still is tremendously important as a source of raw materials. In spite of technological improvements making the use of raw materials more efficient, in spite of the increasing use of synthetics, the advanced world is still dependent upon underdeveloped countries for raw materials. Even the US, which has enormous internal resources, has been forced to import increasing amounts of raw materials since the war.

This point was made very clearly in the Rockefeller Report in 1951: "Considered from the point of view of the strategic dependence of the United States on these regions, it must be emphasized that we get from them 73 per cent of the strategic and critical materials we import -- tin, tungsten, chrome, manganese, lead, zinc, copper -- without which

many of our most vital industries could not operate," (quoted in Vance, The Permanent War Economy, p. 43).

More than that, it was important for the US to monopolize as much of the world's resources as possible for fear that they might fall into the hands of an actual or potential competitor.

While imperialism continued, however, it did not take the form of direct colonialism as had characterized the first part of this century. Rather it found new means to continue its exploitation.

International Capitalism and Neo-Colonialism

"The specific task of bourgeois society is the establishment of a world market, at least in outline, and of production based upon this world market," (Marx to Engels, 10/8/1858). Today the world market has developed in phenomenal proportions.

While capitalism developed the world market, however, it did not do so on an equal basis. Rather, the internationalization of capital led to the "new and international division of labor . . . one part agricultural . . . supplying the other . . . industrial," (Capital, Vol I).

As new areas and territories of the world were brought within the capitalist market through the mechanism of the old colonial imperialism, they were done so in a thoroughly dependent relationship, tied to the economies of the advanced colonial powers. While colonialism is no longer with us in general, the dependent relationships developed during the previous period still are.

Furthermore, the internationalization of capital has continued at a rapid pace since WWII. World trade, while declining during the depression, has grown from \$81.7 billion in 1953 to \$125.75 billion in 1960, and continued to grow throughout the sixties.

Along with the growth of international trade has gone the growth of the international, or multinational, corporation. Today, every major monopolistic corporation functions internationally, some having economic activities in over 60 countries. The true significance of these activities cannot be gotten from world trade figures alone, since much of the capital abroad is left to accumulate new capital there and does not enter into world trade figures. A better indication is given by considering the activities of all foreign based US owned corporations as a unit. Thus considered, their economic activity would amount to the third largest GNP in the world.

The anarchy of production that exists under a national society of private producers is projected into this international market with the important addition of the functioning of nation states. It is this anarchy of the market, combined with the role of nation states in defending their national capitalisms, that has led to the continuing imperialist conflicts for redivisions of the world, and consequently of the world market.

While this anarchy can never be done away with, it was masked by the post-war relationships. A certain order was brought about in international economic activity, an order largely dictated by the US. That is, the lack of competition, and the stability of the system, was not due to any fundamental change in the nature of capitalism, but rather to the dominant position of the US, its huge economic power, and its ability to organize the capitalist system. Thus the Breton-Woods monetary agreements led to the first period of stability that the monetary system had seen in decades. Similarly, with the GATT agreements

It was in this context that decolonization occurred after the war. Other factors of lesser importance were also involved, such as the economic collapse of the old colonialist powers, the increasing cost of maintaining the empires, and the declining economic importance of the colonies to the advanced countries.

One other factor must also be mentioned -- the ability of Stalinism to use the colonial question in its rise to power. In several countries the Stalinists were able to gain dominance of the national struggle, basing themselves on the peasantry, and were therefore able to turn those national struggles into anti-capitalist ones as well. Thus decolonization was viewed as preferable if it could reduce the Stalinists' strength and maintain the country within the capitalist orbit.

Of course, national independence does not in and of itself indicate the basence of imperialist relationships. Indeed, it was Lenin who first recognized this: "Finance capital is such a great, such a decisive, you might say, force in all economic and in all international relations, that it is capable of subjecting, and actually does subject, to itself even states enjoying the fullest political independence," (Imperialism, the Highest Stage of Capitalism).

Thus while the colonies received "national independence," their economies were still thoroughly enmeshed in capitalist relationships, thoroughly dependent on a world market controlled by the US and the other advanced countries.

Without the order and stability in the world market decolonization would have been a much less viable alternative than it has been, and much less peaceful. By and large, the Third World countries are still totally dependent on the world market for the sale of their primary products, mainly raw materials and agricultural products which are the main, if not the only source of foreign exchange. In confronting the world market, they confront a monolith dominated by the US and its multinational corporations. They were given little choice but to accept its terms.

Hence since the Second World War, prices for primary products have fallen relative to prices for other commodities, further worsening the relationships between the Third World and the advanced countries.

The only alternative to submitting to the dominance of the world market was either to opt out of the market all together, or to orient towards capitalism's rival in hopes of getting a better deal. The first alterna-

tive is not a real one for any country which hopes today to develop its economy. Hence many countries attempted the second, trying to make deals with Russia, developing a foreign policy of non-alignment, etc. This, of course, stopped short of revolution, and was basically an attempt to receive more favorable aid in order to promote economic development. Yet Russian imperialism had little interest in furthering capitalism in those countries either, and so little material change resulted from such tactics.

At times, of course, popular rebellions arose which threatened to destroy capitalism altogether, substituting for it a bureaucratic collectivist system. Such movements served to expose the sham of "national independence" and often forced imperialism to resort to its more primitive methods of control -- direct military intervention. And more often than not, "national independence" could only be continued through the use of military dictatorships which functioned as little more than puppet regimes bought and paid for by the US.

Thus after the Second World War, the old colonial master had been replaced by the native leaders who functioned much like foreign managers for the dominant multinational firms. The form of imperialism had changed, but the substance remained.

The Rise of Reformism

The end of the war saw the significant growth in the hold of the Social Democratic and Stalinist parties over the working class. Both were thoroughly reformist, at least in practice if not in ideology. While this was not entirely unexpected by revolutionaries, it was assumed that it would be fairly shortlived. They envisioned a new revolutionary upsurge which would bring with it the growth of real revolutionary parties throughout the world. The revolutionary upsurge never occurred, however, and those revolutionary organizations that existed were virtually whiped out. The result was that reformism held undivided sway over the working class.

While numerous factors are involved, the durability of reformism can be directly related to the post-war boom that capitalism experienced. Under this boom, the reformists were able to maintain the allegiance of the working class because of their ability to deliver at least some of the goods.

While unemployment was never done away with, it was kept within manageable limits, and never approached its pre-war levels. And while poverty was never eradicated, the real standard of living for most workers throughout the advanced countries grew in unprecedented proportions. Thus in the US average spendable weekly earnings for a worker with three dependents in 1967 prices had gone from \$72.55 in 1948 to \$102.41 in 1965, a rise of over 40%. In some other countries, living standards have at times risen even faster, though they started at a much lower level.

At the same time, the trade unions became the locus through which reforms were won. Each contract brought new improvements, in wages, health plans, pensions, etc. None of this was achieved without cost,

especially in the area of working conditions. Yet the reforms were real and led to a higher standard of living.

This led to increasing fragmentation of the working class. While the old divisions continued to exist, such as between races, sexes, the skilled and unskilled, etc., workers were now also divided along trade union lines, concerned only with their own union and their own contract. The solidarity which had characterized the labor movement before, and which had made possible its gains, no longer existed. Each trade union carried out its struggles alone, with little concern for what happened to other unions or to the unorganized workers. Class consciousness declined as this process continued.

During this period the revolutionary left did not only not grow, but was virtually eliminated from the labor movement. Needless to say, the nature of the post-war period was not a fruitful one for revolutionary action. Furthermore, government repression and harassment, especially in the US, made it much more difficult for revolutionary groups to function in any open manner. In spite of this, however, much of the blame for the destruction of the left must be attributed to the left itself. Most left groups were unprepared or unable to meet the challenge of a world which did not meet their pre-war preconceptions. The result was political confusion and betrayal, as some groups capitulated to capitalism, others to Stalinism, while others worshipped an orthodoxy which had very little to do with the world in which they found themselves. Hence by the late fifties the existence of an organized, revolutionary left had reached its lowest ebb in history.

The End of Stability

There were, of course, problems enough for capitalism during this period from the end of the war to the early 1960's. Hardly a year went by without military actions in some part of the world. Revolutions and social upheavals continued in the Third World and more area was lost by capitalism to its bureaucratic collectivist rival. Poverty remained a serious problem even in the advanced countries. Labor peace was still periodically shattered by strikes.

Yet there was peace and prosperity enough to lead superficial observers to proclaim the "end of ideology," to argue that capitalism had finally solved its problems, that the class struggle was a thing of the past, or that capitalism was now "depression proof."

Even while such words were being written the contradictions inherent in the system were at work. By the sixties they were beginning to shatter any sanguine views of capitalism as they destroyed the capitalist stability. One period of capitalism, so dependent upon the role of the US and of the permanent arms economy, was coming to an end.

The arms economy, which played such a dominant role in stabilizing capitalism, always contained built-in limitations. Precisely because arms spending was not merely an economic tool, its level could rise above the

needs of the system, creating inflationary pressures, or fall below the necessary level, causing a recession and a return of the boom-slump pattern.

To maintain its effectiveness over time, arms spending would have to increase as a percentage of GNP. Yet the dominant pressures have been just the opposite. Since arms spending represents a drain of the surplus value into non-productive industries, it reduces the amount of surplus available to productive industries and represents a reduction in the potential rate of profit.

This problem is aggravated by the fact that arms spending is not distributed equally internationally. Hence some countries have benefitted from the overall expansion of the system while depending on others for military protection. The result is that their economies have experienced faster rates of growth than those with larger defense budgets.

The result of these two factors has been a reduction in the total world expenditures on arms from 7.2% of GNP in 1955 to 4% in 1965. While the Vietnam War reversed this trend initially, it did so by further exacerbating the differences between the US and its competitors. With the end of the war the trend has again exerted itself, with the US aggressively trying to shift the defense burden to other economies, primarily through purchase of US goods and arms where possible.

While arms spending has declined, the arms race has continued. This has meant an increasing sophistication and specialization of weapons systems with their focus on missiles and mega-deaths. The result is that arms spending is much more capital intensive, and hence represents less of a prop to employment, absorbing less labor of a highly skilled sort. At the same time, the increasing specialization means that it is less productive of technological innovation of a kind that is beneficial to the civilian economy.

Furthermore, even without these limitations, the arms economy never represented a permanent solution to the falling rate of profit. While arms spending might reduce the rate of increase in the organic composition of capital, it could not stop it. Investment still occurred in the productive sectors, and over time it could be expected that the organic composition would rise. Furthermore, the technological spin-off, while initially raising productivity, and hence the rate of exploitation, tends to spiral through the system, resulting in a rise in the organic composition of capital overall. The combined effects of a rising organic composition of capital and a rising rate of exploitation occur in such proportions that over time the rate of profit must fall.

Thus while the PAE weakens the tendency of the rate of profit to fall, the tendency still exists and over time will manifest itself. When this is combined with the reduction in arms spending overall, the result is a return to the classic boom-slump pattern that we have today. By the late 1960's, capitalism was once again faced with its periodic dilemma of unprofitability and overproduction, in a word, stagnation.

Rates of profit are notoriously difficult to compute given capitalist accounting methods. Indeed, one study by some British accounting outfits attempted what it called "inflation accounting," which took into account the affects of price increases on a number of companies' assets. They discovered that in a number of cases this led to a sharp drop in profits -- sometimes even yielding a loss. Similarly, the St. Louis Federal Reserve Bank gave up trying to find a "true" rate of interest -- discounted for inflation -- when it came up with negative results.

In any event, the real problem is the relationship of the rate of profit to opportunities for profitable investment. Here there is clearly a developing capital shortage. Whatever the real rate of profit, it is becoming clear that it is not sufficient to generate the capital needed by industry. This had led Business Week to ask, "Can US industry find the money it needs?"

Further evidence of the squeeze on profits has been the development of the liquidity crisis. There has been a constant long term decline in corporate liquidity, from a ratio of 73.4% in 1956 to 19.3% in 1969. Not all of this was due to a squeeze on profits. Initially much of it was due to the more efficient use of money and capital. However, by the middle of the sixties the decline in liquidity had become a crisis resulting in the bankruptcy of the Penn Central and threatening numerous other giants, such as Chrysler and Lockheed.

With the maturing of the contradictions inherent in the permanent arms economy, its effect as a capital drain have been to further increase the pressure on the rate of profit. One result has been the tremendous inflationary pressures which have been released, as business finds raising prices to be the solution of least resistance when faced with a decline in profits.

Another result has been the increasing stagnation, indicated by the development of severe shortages throughout the economy. While oil and meat have been the most obvious examples, shortages occur in all sectors of the economy. One Business Week survey found shortages also in steel, cotton, paper, cement, plumbing equipment, bearings, motors and electronic components. Needless to say, the existence of shortages has given a further boost to the inflationary pressures in the society.

One of the other constraints on investment is the lack of markets for the expansion of output that would occur. While growth is still occurring in the world market, it is becoming clear that it is not sufficient to ensure stability to the system any more. Given the magnitude of investment that is involved, the major multinational corporations must be fairly certain of a market for their goods before they will commit themselves. Today one company or country can expand its markets increasingly only at the expense of its competitors. The uncertainty that is inherent in the scramble for markets that occurs is not conducive to massive investment to increase output. Indeed, in 1974 it is quite likely that the world market will actually shrink for the first time since WWII.

These problems are further exacerbated by the continuing growth of

monopoly and state intervention in the economy. While the weakness of market forces may have been responsible for the initial intervention of the state into the economy, the effect of such intervention is to further weaken those market forces. The dampening of the business cycle, one effect of the permanent arms economy, has eliminated one mechanism whereby inefficient capital was destroyed, devaluing the total capital and restoring profitability to the system.

Yet even when the government has attempted deflationary measures, the size of corporations has reached such an extent that it must back off from its program as soon as it begins to have some effect. For it fears the bankruptcy of these giants more than the inflationary pressures which are the only alternative. Indeed, the bankruptcy of some of these giants could quickly turn a recession into a depression.

Nor are these problems limited to any one country. Given the internationalization and interdependence of the world market, problems which may initiate in a particular country spread quickly throughout the system. Thus an inflationary upsurge in the US which may have been a result of Vietnam War spending quickly spreads throughout the world.

The End of US Hegemony

The development of the world economic crisis has gone hand in hand with the relative decline in the dominant position of the US. This decline has been due to the faster rates of growth in the economies of Europe and Japan.

While initially their faster rates of growth can be explained by the peculiar conditions due to the results of WWII, in the long run they are a result of the lower arms budgets. With lower arms budgets they have been able to devote more capital to development of their productive industries, achieving a faster rate of growth in productivity and in their economies overall.

Thus while the US economy was growing at a rate of about 3% a year, Japan was growing an average of over 10%, Germany 6-8%. These impressive growth statistics were matched in productivity gains. From 1960-72 productivity increased on the average 3.2% in the US, 10.4% in Japan, 5.9% in Germany and France, and overall 5.6% for the EEC (Monthly Labor Review, Nov., 1973, p. 14).

The result was a significant decline in the US position in world trade. In 1947 Western Europe held 34% of world trade, Japan 1% and the US and Canada combined 27%. By 1965 the US and Canada had declined to an 18% share, while Western Europe had 40%, and Japan 4.5% (Mandel, Europe vs. America, p. 14).

The declining position of the US, however, should not be overestimated. For while its competitors have grown faster, the US remains still the most awesome economic power the world has ever seen, and still dwarfs the economy of any other particular country. Indeed, Japan, whose economy is

second only to the US, still has a gross national product which is only roughly 1/3 that of the US.

Servan-Schreiber captured the extent of this continuing American colossus when he wrote, "American industry produces twice the goods and services of all European industry combined -- including both Britain and the Common Market -- and two and a half times more than the Soviet Union It produces a third of the total production of all other countries in the world. The Americans have achieved this with only 7 per cent of the surface of the globe and 6 per cent of its population," (American Challenge, p. 69).

Reinforcing the US position is the continuing dependence of its competitors on the American market. Thus prior to 1971, 30% of Japan's exports were to the US.

But while the US remained the dominant economic power in the world, the growth of its competitors did change the situation. For as their strength grew, and economic problems developed, it became increasingly difficult for them to accept a structure of international relationships based on US hegemony and organized so as to aid and maintain the US position. Since the result of many international agreements, such as the Breton Woods monetary agreement, was to enable the US to pass on its economic problems to other countries, the maintenance of those agreements became intolerable as the economic crisis matured in the late sixties. The result was increasing violations of the GATT agreements and the continuous international monetary crisis.

The Vietnam War and the End of the Old Order

It was in the context of the growing contradictions underlying the developing economic crisis of the latter sixties that the Vietnam War occurred. In many respects it was the straw which broke the camel's back.

The immediate effect of the Vietnam War was to significantly expand arms spending in the US, at the same time shifting it from the more specialized arms programs to the more traditional ones, which are of more benefit to civilian industry. The result was the war-engendered boom.

But as the war continued and its costs increased, the level of military spending went beyond what was necessary to stabilize the system, creating inflationary pressures and threatening profits. Taxes, interest rates and raw material costs rose as government demands on resources expanded to pay for the war.

By 1968 it was clear that the war was aggravating all the problems of capitalism, and significant opposition developed in the capitalist class to the government's war policies.

Part of their opposition was due to the international economic effects of the war. The increase of war spending represented a further capital drain at a time when such capital was needed by private industry to meet

the challenge of its growing competitors. Furthermore, it kept the US bogged down in a country of little strategic importance while its position was being eroded in other, more important, parts of the world.

The Vietnam War also greatly increased the outflow of dollars from the US and hence its balance of payments problems. The permanent arms economy has always been associated with an outflow of dollars, and for most of the last two decades the US has run a balance of payments deficit. Initially such an outflow was beneficial in that it assured a steady growth in the world's reserve currency, namely dollars. With the war, however, this flow increased beyond any acceptable level, and became instead a means whereby the US exported its inflation and forced other countries to underwrite part of the war's costs. When Europeans became no longer willing to pay the costs and build up ever larger holdings of dollars, the attacks on the monetary system began which led to its ultimate collapse.

Partly behind their actions was the fact that they viewed this as an American war. While initially they were probably glad that the US was fighting in Vietnam, none saw the outcome as fundamental to their interests and the US was only able to get token help from its Asian "allies." The war against Communism could no longer be used to cement the capitalist world behind American policies.

While there were numerous reasons for the American defeat in Vietnam, such as the nature of the war, the struggle put up by the Vietnamese people, and the actions of the anti-war movement, of primary importance was the decline of American imperialism. The American economy, both domestically and internationally, no longer had the strength to sustain such a prolonged war effort.

By the time Nixon was bringing American participation in the war to a close in 1972, the gold window had been slammed shut and the US had declared economic war against its competitors.

The Bankruptcy of National Solutions and the Growing Imperialist Conflict

Worldwide what is necessary is a rationalization of capital. Yet the ability of any nation state to carry out such a program is being undermined by the international context of the crisis.

The state, which has played such a large role in planning and organizing national economies is less able to do so today. Indeed, the free flow of money and material around the world has eroded much of the power that the states used to have. Thus it is almost impossible for any one state to control its own inflation without some worldwide control over it. Similarly, attempts to increase investment through low interest rates leads to an exodus of capital and balance of payments problems.

Furthermore, the need to rationalize capital internationally comes into conflict with the national organization of capital. The EEC represents one of the most ambitious efforts to rationalize and centralize

capital on a European basis so as to make it more competitive on the world market. Yet even today the strains of the crisis threaten to break up the EEC. For no national capital is willing to see itself rationalized out of existence by its more competitive rivals. Hence from the beginning protectionist measures were taken to protect French agriculture. Today the struggle is occurring over monetary policy.

In the same way in the US protectionist measures have been taken, primarily in the form of import quotas against Japanese products.

Even a significant increase in arms spending, especially in such countries as Japan, cannot alleviate the crisis. Given the contradictions in the arms economy today, more arms spending will only increase the overall pressures towards stagnation and inflation in the system overall.

Increasingly, each country will attempt to solve its problems internationally, at the expense of its competitors. Thus the anarchy inherent in international economic relations, so long subdued by American domination, is again exerting itself with each country fighting to defend and extend its interests in opposition to its capitalist rivals. The situation has not yet reached a point of all-out economic warfare. It is, however, the beginning of a new imperialist conflict for the redivision of the world.

At the same time each government steps up its attacks against the working class, hoping in this way to increase the competitiveness of their capital. Thus there is increasing use of wage controls, anti-labor legislation, etc.

One arena of the conflict today is the monetary negotiations, the real substance of which is a fight over the division of world trade. While the US is no longer able to dictate a settlement it is also clear that no agreement can be reached without the acceptance of the US. So far there has been a stalemate.

The increasing conflict has also destroyed any attempts at having a unified policy of the advanced world towards the Third World. The result is a greater flexibility for the former colonies and client states. This will probably mean a slight improvement in their position, especially with regard to prices for primary products and also an increase in inflation.

There are, however, limitations to what they can accomplish as Chile showed, and as the Arab states are painfully aware of. Indeed, the new situation is not a threat to the basic imperialist relationships though it does increase the bargaining power of the underdeveloped countries. At best they can change one imperialist power for another. Thus Peron hopes to kick out the US in favor of European and Japanese capital.

The recent Middle East crisis dramatically highlighted the centrifugal tendencies inherent in this period. It was, to begin with, one of the most reactionary, pro-Western client states of the US, Saudi Arabia, which initiated the current Arab oil embargo. Furthermore, the relative oil shortage has greatly increased the bargaining power of the OPEC countries and has led to the tremendous increase of oil prices.

In the past such actions would have been met with the unified response of world capitalist imperialism led by the US. Today, however, no unified response was forthcoming. Each country scrambled to protect itself. The centrifugal tendencies were so strong that they practically ripped apart the EEC. The plight of the Netherlands was ignored as each country tried to make separate deals to assure their own supplies.

By the end of the war NATO lay in ruins, joined on the trash heap by Kissinger's calls for a new Atlantic Charter.

At the same time the Middle East war pointed out the continuing importance of the conflict between capitalism and bureaucratic collectivism. The US and Russia remain the two dominant imperialist powers. The struggle between them continues. While this struggle can no longer lead to a united policy by the capitalist states, they cannot ignore it either.

Indeed, one of the factors which motivated Saudi Arabia was their fear of growing Russian influence in the Middle East. When the oil cutbacks were ended, it was partly due to concern that it was seriously hurting the capitalist system vis-a-vis bureaucratic collectivism.

Similarly, while most countries are pleased with the decline of American imperialism, most do not want any drastic pull-back by the US for fear of the chaos that might result from the power vacuum that would develop, and the opportunity that might provide to their other competitors.

The wreckage of this growing conflict is already considerable. Bretton Woods, GATT, NATO, SEATO, etc. have already fallen victim. Nor are there any solutions which are capable of restoring stability and prosperity to the system. A bandaid may enable the system to hobble on for a few years, but it can't stop the hemorrhaging which threatens it.

As the crisis intensifies, the development of trade wars and a worldwide depression becomes ever more imminent. It is precisely fears of such a development which has prevented governments from taking more decisive action already. Yet their options are continually being reduced. Hopes of being able to muddle through are being dashed by the continuing development of the crisis.

Capitalism today is stumbling towards that very depression which so many analysts had thought was impossible. And just as inevitable is the drift towards new world conflicts whose only outcome can be war.

Imperialism and War

On one of Kissinger's recent trips to Japan, the Japanese Foreign Minister reminded him that one of the factors behind their participation in WWII was the need to secure adequate sources of oil. It was an appropriate and timely reminder.

For the worldwide shortage in raw materials is nothing new to capitalism. As Lenin pointed out, "The more capitalism is developed, the

more strongly the shortage of raw materials is felt, the more intense the competition and the hunt for sources of raw materials throughout the whole world, the more desperate the struggle for the acquisition of colonies," (Imperialism).

This international struggle must inevitably lead to war. "The question is: what means other than war could there be under capitalism to overcome the disparity between the development of productive forces and the accumulation of capital on the one side, and the division of colonies and spheres of influence for finance capital on the other?"

The Workers' Party and many others believed that the Third World war would be a conflict between the world forces of capitalism and bureaucratic collectivism. Russia and the US remain the dominant imperialist powers in the world today, and a war between them is always possible, for the struggle between the two systems continues.

At the same time the development of increasing conflict within the two blocks has made the international situation much more complex. As the imperialist conflict within capitalism intensifies, a war between capitalist powers becomes just as likely.

As the threat of a war between Russia and the US receded, many felt that the existence of nuclear weapons made a new world war impossible. Thus it was argued that the level of destruction had been raised to such heights that it no longer could be considered by any country profitable to go to war.

Such views play little role in the drift towards war, however. No war is entered into on the basis of profits and costs, but because it represents the only alternative to economic subjugation. The existence of terrifying means of destruction have never served to prevent wars in the past; they only increase their destructiveness.

We are not today on the verge of a new world war. The seeds of such a war are being laid, however, in the new alliances that are being forged. The exact pace of such developments cannot be predicted, but war as the ultimate solution to capitalist contradictions remains as inherent to the system today as the crisis we are now entering.

Growing Class Struggle and Class Consciousness

The destabilization of the world capitalist economy has shaken class relations throughout the world. Many countries have already experienced mass upheavals.

The destabilization of class relationships flows from both the problems of the world economy and even more particularly from the measures taken by the ruling classes to alleviate or counteract these problems. In particular, the universal growth of direct state intervention in labor relations in an attempt to increase productivity and hold down wages. The worldwide inflationary wave sparked an international wage offensive

by the working class. The politically explosive events of France in 1968 and Italy in 1969-70 were both preceded by widespread strike waves, beginning around 1967, for higher wages. In virtually every nation, economic strike waves have become a major political issue. This is certainly the case throughout Europe and in the US and Canada. Already, in some cases, the political nature of these strike waves have produced political crises, in particular in France, Italy and Quebec, and more recently Britain. While this is not yet a general phenomenon, it does point to what the future holds in store.

One of the main effects of the crisis has been to shash the stable relationship of "business unionism." Reforms, no matter how minimal, become increasingly difficult to win and it is even a struggle to maintain those won in the past. The union bureaucracy vacillates, unsure of what policy to follow, and splits in it develop. Yet it remains thoroughly reformist and cowardly, and at all decisive moments will side with the state and the employer class. Many of the struggles have therefore been unofficial or illegal, the spontaneous actions of the rank and file militants.

The contours of the crisis are also providing the preconditions for overcoming the fragmentation in the working class. More and more the actions of employers and especially the state are viewed as attacks against the entire working class. The difficulty of winning isolated strikes forces workers to band together in order to take on the state.

None of this occurs evenly. There are setbacks, reversals and defeats. Yet even defeats, provided that they are not decisive ones, can strengthen the struggle if the working class is able to learn the lessons.

There is also considerable danger to the growing class struggle and class consciousness from the divisions that still exist. This is especially true of the racist, sexist and nationalist ideas that still permeate the working class. Racial conflicts are a threat in many countries, and nationalist attitudes have been quite important elements in the movement around the Burke-Hartke Bill in the US and in much of labor's opposition to the Common Market.

If the fragmentation is to be overcome and the dangers of racism, sexism and nationalism avoided, the struggle must become political. As Cliff has noted, "However militant a body of workers, unless this militancy is generalized into political action, it is bound to increase the gulf between workers in less fortunate positions . . . and workers in a strong position," (International Socialism #36; p. 18).

The period of more intense class struggle finds the working class organizationally unprepared. Its unions are bureaucratized, its traditional parties, the Social Democratic and Communist Parties, who long ago abandoned and betrayed any revolutionary socialist perspective, are increasingly unwilling and incapable of even a militant reformist fight within capitalism.

As a result, starting with the May 1968 French general strike, there

has grown up a layer of workers, who today are numbered in the tens of thousands, to the left of the Social Democratic and Communist Parties. For the first time the hold that these counter-revolutionary parties have on the working class has been shaken for a significant, if minority layer.

Whether or not the political organization of the working class develops along with the struggle will depend in large measure on how well the revolutionary groups are able to reach this leftward moving layer. For it is precisely this layer, to the left of the SP's and CP's, much of it sympathetic to the cause of revolutionary socialism, which provides the objective basis for the formation of independent revolutionary parties.

General International Tasks: A First Approximation

The nature of the current crisis and its consistent character in all the advanced industrial capitalist nations points to certain tasks that are common to revolutionary socialists in these nations. While we will not attempt to take up the tasks of revolutionary socialists in the less developed nations or in the Stalinist world, we believe that the centrality of the industrialized, capitalist countries to the world system and its crisis justifies posing some general tasks for the advanced countries.

Generally, revolutionary socialists in the industrial capitalist nations face a similar political situation: one of isolation from the masses of workers and only tentative (though important) penetration of the more advanced, active elements among the industrial workers. This initial penetration, of course, coexists with, and is deeply related to, the persistence of the reformist consciousness of the past 25 years. The process of developing a layer of revolutionary socialists among the advanced militants is part of the same process of overcoming remnants of that consciousness among the militants and generally combatting that reformist consciousness among the workers.

The undermining of that consciousness, as it relates to our tasks, is only possible on the basis of participating in and providing leadership for the struggles of the class. Whether we are speaking of the US, Quebec, France, Britain, Italy, Japan, or any other industrial country, the revolutionaries in fact are finding success precisely in so far as they are active leaders in today's struggles. If it is clearly a task of revolutionary socialists in the advanced nations to cohere in this period revolutionary workers' organizations -- a party where possible, organization dedicated to building a party where not -- it is equally true that this cannot be done unless the organized revolutionaries of today are present in the struggles of the working class. Today revolutionary socialists worthy of the name, from our point of view, are organized primarily in propaganda groups. The task for all in the period -- indeed, a precondition to entering the next -- is that these groups be transformed into genuine workers' organizations.

The IS has noted often in the past that the rank and file revolt so central to our perspective in the US is international in scope. We have pointed out that this revolt has an essentially universal character in

the advanced industrial countries, in spite of the different political levels of the revolt in various nations. It is a revolt, in the first instance, against the effects of a declining capitalist system on the living standards of the working class. It is also an increasingly open revolt against the actual policies of the traditional labor leaderships -- though not always a direct attack on their leaders per se. This international rank and file revolt is the movement, or potential movement, in which we expect the revolutionary workers' organizations and parties to be born, through a fusion between today's organized revolutionaries and the most advanced militants.

The outrageous role of the labor bureaucracy in nearly every country where wage restraints and productivity dealing has become common has forced the rank and file rebellion and the revolutionaries to see the union, not just the shop floor or industry, as a central arena for political struggle against the bureaucracy and their policies. In Britain, the shop stewards and militants have had to pay far more attention to internal union affairs than in the past. In Italy, the *Comitati Unitari de Base*, for a long time doggedly independent of the unions, have begun to fight within the unions' shop floor and local committees. In a number of other countries the rebellion has a more open political form within the unions.

While the ruling class is certainly attempting to integrate the unions and their bureaucracies into the state apparatus, they have been far from successful. Trotsky's predictions, made in his unfinished essay, "Trade Unions in the Epoch of Imperialist Decay," have by no means been fulfilled. Indeed, the resistance of the workers to statification and bureaucratization, even where and when their political consciousness has been extremely low, has been great enough to retain most of the forms of democracy and independence, and even a good deal of the content, (i.e., the real content possible under bourgeois democracy). It is not the question of union democracy in the abstract that has led the workers nearly everywhere to defend the unions from total bureaucratization and statification, but their elemental fight to defend their living and working standards.

As this struggle intensifies, the urge to democratize, that is, make more useful -- their unions is met by the equally intensified struggle by the employers and their states to achieve the opposite. Thus, increasingly the unions become a focus of political struggle, even where the current impulse toward struggle is economic and local in consciousness.

If the agitational idea of rank and file organization within the unions has an international character, so do most of the central grievances that have produced the rank and file rebellion. Inflation; speedup and productivity drives; unemployment; state intervention directed at controlling the unions -- all have been the major issues facing worker militants in the advanced industrial capitalist nations. As already noted, by demanding higher wages rather than demanding additionally that prices be controlled, wage restraints and state intervention abolished, etc. There are already some exceptions to this, but so far it remains the general pattern.

Thus the actual agitational work of revolutionaries has been limited,

generally, to pushing these partial responses to their limits. This is part of the task of developing the self-confidence of the class, as well as pushing today's struggles to their limits. It is a policy that genuine revolutionaries will have to continue for some time yet. At the same time, the universal nature of the issues and sources of rebellion make it possible for the revolutionaries to advance certain transitional demands -- even though these may have a largely propagandistic character for the moment. In particular, relevant forms of the sliding scale of wages and hours (COL, 30 for 40, etc.), workers' control of work speed and organization; work or full pay; open the books; nationalization of those industries unable to grant a decent wage and decent working conditions under workers' control; tax the corporations and banks for necessary social and public services; for international action against the multinationals; -- these are some of the most relevant.

These demands should be fought for and presented as additions to, or ways of achieving, the partial demands of today. Along with tactical, organizational, and analytical ideas, these demands are a part of the way we point to the need for broad, class-wide, struggle against the conditions of the crisis and attacks by the employers and the state. While never shirking from taking leadership and responsibilities for the partial and day-to-day struggles of the class, the revolutionaries should use every opportunity to point to the need for broader and more political struggle, even to win immediate demands or reforms.

It is in this way that we can work to build revolutionary workers' organizations and parties in each nation, and thus begin the task of reconstructing an international socialist party based in the world working class.

Towards a New International

Today no international exists. The problems in attempting to hot-house a Fourth International out of the conditions of fascism and war proved insurmountable. The claims of various groups to either be, or be rebuilding, the Fourth International is a mockery of the internal traditions they claim to be upholding. Such posturing is dangerous in that it leads to delusions of grandeur and hence to the avoidance of real problems.

At the same time, no national sections exist today which could serve as the basis for the formation of a new International. While the revolutionary movement grew considerably during the sixties in many countries, no organization exists today which can claim to represent the vanguard of the working class in its country. There can be no talk of a party that does not include the advanced minority of workers among its membership, and no talk of an International without such parties.

Yet this does not mean that today nothing can be done outside of building an organization in ones own country. Steps can be taken to build a real current of internationalism, a forerunner of any real International. Primarily this means the promotion of international confer-

ences where revolutionaries from various countries can meet for theoretical discussion and to pass on the lessons that have been learned. Where possible, such conferences should be used to forge real links between groups of workers in various countries. This is most relevant now in Europe, but will be of increasing importance elsewhere. And it goes without saying that all opportunities should be sought to promote international acts of solidarity among workers.

The creation of a new International represents the culmination of all our party-building efforts in local countries. The need for a new International is intimately connected to, and gives direction to, all our local work. Without the creation of such an International, the socialist revolution cannot be successful. With it, we can't be defeated.

NOTE: These amendments are in draft form. Their wording is subject to change and tightening. Votes were taken on their substance, not the details of formulations.

1. Replace first full paragraph, p.12, with the following:

The economic role of the arms economy, from the standpoint of the system as a whole, is to drain off capital and retard the growth in the organic composition of capital. To maintain its effectiveness over time, then, arms spending must increase as a percentage of GNP. Yet the dominant pressures, under conditions of prosperity (conditions which are made possible by the arms economy itself) are just the opposite. Since arms spending represents a drain of surplus value into non-productive industries, it reduces the amount of surplus available to productive industries and therefore - from the standpoint of the individual corporation - represents a reduction (through taxation) in the potential rate of profit.

MOTIVATION: This amendment was written because several NAC members noted that on p.3 Mike states that the arms economy prevents a reduction in the rate of profit, while on p.12 he states that it in fact reduces the "potential" rate of profit. In fact I believe both statements to be correct, but a slightly more explicit description seems necessary to resolve the apparent inconsistency. The next paragraph on p.12 of the document shows that the same contradiction in the PAE - its tendency to introduce stagnation through the same mechanism that maintains prosperity - exists between national economies as well.

DISPOSITION: The NAC will request MS to see if he feels this amendment is correct, and if he feels it necessary to write his own amendment to explain the question further.

2. Replace third full paragraph, p.7, with the following:

None of this in any way denies the importance of imperialism in the modern world. Indeed, the very existence of the PAE is based on imperialism. What is different about this period of imperialism is that the war economy itself has become the decisively important agency of regulation and stabilization in the advanced industrial countries, especially the U.S. This distinctive new feature of capitalist imperialism is closely related to the efforts to defend capitalism as a world system against its non-capitalist rivals.

The world conflict between capitalist imperialism and bureaucratic collectivism in the post-war world was superimposed on the earlier struggle among capitalist rivals for the division of the world. This struggle for domination among the capitalist powers for world domination, taking different forms at different points, has never stopped for a single moment. However, the rise of the U.S. to unchallenged supremacy among the capitalist powers for a whole historical period was based both on the economic superiority of the U.S. as the only major economy to survive the war intact, and on its unique ability to organize the struggle of the entire capitalist world against a Stalinist social system which was able to expand because of the tremendous weakening of both capitalism and the workers' movement in Europe. Thus the PAE, which stabilized the U.S. economy first and foremost, was the critical military and economic weapon of the capitalist world.

DISPOSITION: PASSED 5-0 (to be presented by the NAC to the NC)

AMENDMENTS TO MIKE STEWART DOCUMENT

BY Jack T.

1. Mike's statement (p. 6, last full paragraph) is a good one: "It would be more correct to say that whereas imperialism stabilized the system before through the mechanism of capital exports, today it does it through the massive military spending which is necessary to defend it." It overcomes the difficulties of Kidron's worst statements, that imperialism no longer exists. However, it is open to misinterpretation of being an endorsement of Magdoff's point of view. Magdoff says much the same as Mike, but with a thoroughly different content. His (Magdoff's) meaning is that what follows is that Lenin's analysis still stands.

What is needed is a clear, concise statement of the political implications of this stage of imperialism as opposed to the one of which Lenin spoke.

2. The section on the rise of reformism is incomplete. Mike pins its cause solely on capitalist prosperity. While there can be no doubt that capitalist prosperity is the basic reason for the rise of reformism (as Cliff documents so well in "The Economic Roots of Reformism", reprinted in "Readings in the Political Economy of Capitalism", No. 4 in The Socialist Experience series) simply to leave it there is inadequate.

In the first place prosperity was unevenly experienced: backward countries continued to feel real poverty the whole time. Yet their working class also became reformist and certainly ceased being in the vanguard of struggle. Of course some of this can be explained by the conservatism of the working class of the advanced countries--a sort of reversal of the dynamic of Permanent Revolution. In the latter the already advanced consciousness and organization of the working class of the advanced countries helps to stimulate a similar response in the working class of the backward countries without the latter having to experience generations of struggle to arrive at full consciousness as the former did. This certainly describes the experience of the Russian working class.

The above objection might be passed over were it not for the fact that the reformist consciousness of the working class of the advanced countries was, in most respects, more backward than that of the working class in the last period of prosperity and the reformism: pre-World War I. At that time revolutionary socialism was a significant tendency in the working class even though reformism was of greater significance (this varied of course from country to country.) In the period from which we are now emerging, as Mike puts it: "the revolutionary left did not only not grow, but was virtually eliminated from the labor movement." (p. 11, 2nd full para.) Nothing of the sort can be said to have been true of the period of the Second International.

How explain this difference? Simply by reference to prosperity? Nonsense. It is nonsense even if it is true that today's prosperity is greater than it ever was before (which it is).

The left suffered a tremendous political defeat in the post-World War II era, the greatest defeat ever suffered by the international working class. To explain it it is not enough to focus only on the newly-found prosperity of Western capitalism. That prosperity rearmed the capitalist system and

gave it a power of attraction, a power which was supplemented, especially in the United States, with harsh repression. We must also note the great demoralization produced by the working class by the degeneration of Stalinist Russia and by the betrayals of the revolutionary left, i.e. of the CPs.

The degeneration of Russia went far to kill the dream of socialism. If socialism meant Russia than it meant totalitarianism, the continuation of class society, of exploitation of man by man, of imperialism, of secret deals and double-dealing. If that was the case why bother trying to overthrow capitalism? Why not just accept it and try to get a reasonably good deal as possible from it? (Of course, such a position is tenable only if it is possible to get a reasonably good deal within the confines of capitalism. Prosperity, therefore, is necessary for reformism even under this argument. But acknowledging this does not remove the validity of the point.)

The betrayals of the revolutionary left could only reinforce the demoralization. The Third International was formed because of the betrayals of the Second International. These betrayals led the latter to salvage capitalism after World War I. After World War II, the CPs performed the same role for capitalism. This was especially so in France and Italy, but also elsewhere. They had been the most gung-ho for the war and the greatest opponents of militancy and class struggle, and had thus helped either to discredit the left among the workers or thoroughly to miseducate the latter.

Add the following amendment, following the sentence ending: "much of the blame for the destruction of the left must be attributed to the left itself." (P. 11, 2nd full para.)

First, the action of Stalinist Russia helped to discredit revolutionary socialism. If the overthrow of capitalism meant repeating totalitarianism, the continuation of class society, of exploitation of man by man, of imperialism, etc. If that was socialism (and Russia said it was, the /stalinist/ left said it was, the bourgeois ruling class said it was) then why bother? Second, the actions of the CPs prior to and during the war, when they subordinated the needs and interests of the working class to the needs of the Russian bureaucracy, only further discredited the left. (These acts included their proposing piece-rate pay, no overtime pay, a ban on strikes and other forms of class collaboration--all to help the war effort. Following the war they manacled the working class of Western Europe to the bourgeois governments, and so salvaged capitalism. Finally. . .(return to text).

NOTE: This amendment failed in its present form because the NAC felt it was misplaced. A similar amendment is to be written to precede this paragraph in the document.

PLEASE NOTE

Amendment number 3 appears at the end of this document, instead of here, where it logically belongs.

4. Add to "The American Economy, both domestically and internationally, no longer had the strength to sustain such a prolonged war effort. . . (P. 16, 3rd full para.):

"without requiring either an attack on the living standards of the working class or a deterioration of the competitive position of American capital or both. The political basis for getting workers to accept a decline in living standards did not exist, as it did in World War II and even in the Korean War. Any attempt to do so would have further isolated the government from the people. As to damaging American capital, it is not a consideration to capitalist politicians."

Change the sentence reading, "By the time Nixon was bringing American participation in the war to a close" to: "By the time Nixon was completing troop withdrawals in 1972. . ."

COMMENT: It is wrong to say the American economy is incapable of sustaining a war such as in Vietnam. It is capable of that and of much more. The question is, what are the consequences of sustaining it, and are they acceptable--largely a political question.

Amendment # 3. (out of sequence)

In the section, "The End of U.S. Hegemony", at the end of the second paragraph, add:

Furthermore, the law of combined and uneven development worked in their favor. As they developed their fixed capital investments, they were able to draw on the technological achievements developed in the American economy. Since their economy did not have to bear the burden or take the time to create these developments they were able rapidly to apply them without the lead time required in the United States. Thus, the gap in productivity between the United States economy and other advanced capitalist countries was quickly closed.