

# SOCIALIST REVIEW

NEITHER WASHINGTON NOR MOSCOW, BUT INTERNATIONAL SOCIALISM

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SIXPENCE

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## OUT WITH THE MEAN TORIES!

The Tories are showing their hand. And what a mean hand it is. Grabbing at job security and the security of a home, grasping at every penny spent on health, gouging a profit from the school lunch table, griping and clutching left, right and centre—at local government spending on social services, at unemployment payments to workers on short time, at the special benefits of pregnant women and children, at the very existence of Old Age Pensioners.

This has not been sprung on us without warning. Ever since they took over in 1951, they have pursued a policy of pressing the can more and more firmly in the hands of the workers. Let them carry it!

It started off with the abolition of the food subsidies. It continued with changes in purchase tax. It taxed the sick through increased Health Service payments. It went through successive hikes in the bank rate which hit working-class rents. It spread to hire-purchase where the worker was pinched just when he thought to buy something that wasn't bread and butter. Two rent Bills have been conceived and enacted by this policy, the last one containing provision for substantial rent increases in some five million working-class homes and the threat of an ever-increasing pool of families subject to an eviction order on the part of the private landlord.

And now, after the credit squeeze has shown its teeth in producing some of the three-quarter of a million unemployed that the financial press has been demanding for well on three years, the Tories have summoned the courage to attack our standards openly, or as openly as meanness can; school meals, children's milk, health insurance, are the latest targets in the campaign.

For the first time in years we have real unemployment, more workers looking for jobs than unfilled vacancies. In Birmingham there are three men for every unfilled post at the labour exchanges. In Coventry five.

For the first time in years the bosses are showing open defiance of trade union practice and throwing down the gauntlet for a showdown. Last year we heard the rumbles at Norton, BMC and Standards. This year the front has moved down to Dagenham—Fords and Briggs. In the next few months the front will be widened to wherever it suits the bosses best.

And don't think that they have initiated their attacks because they are feeling the pinch of declining standards. On the contrary, the number of millionaires has grown from 38 to 40 since 1945; surtax payers now number 281,575 or almost 120,000 more than ten years ago; £315 million came in as excess profits tax last year as compared with only £192 million in the last year of the Labour Government.

There is only one answer to the Tories' organized and vicious campaign against our standards. The answer that Gaitskell gave after the victory at North Lewisham is not enough; we need to do more than cry that the Tories "must now withdraw their Rents Bill"; the storms that stir the Members into division in the House of Commons are not the final answer.

In order to answer the Tories and their financial backers we must harass them where it really hurts—in industry. They attack from their positions of strength in the Government; let us counter attack where we are strong—in industry. Industrial militancy is the only way of driving the Tories out finally, of showing the electorate that the Tories cannot run the country with their bankrupt policy.

But constant harassment will need a change of ideas on the part of the leadership of the Labour Party and the trade unions. We cannot be guided by a cowardly policy of "let the Tories clear up their own mess before we form the Government." To clear their stables we need radical measures, a socialist programme of planning, full nationalization, the freeing of working class initiative through workers' control of industry, an independent socialist foreign policy.

These are the planks which can rally the Labour Movement to a campaign to sharpen its own weapons, its independent organizations. The sharper they become, the more successful our campaign to harass the Tories out of office and into the oblivion that a General Election now will bring them.

## A Socialist View of Tory Disarmament

By Owen Roberts

Six years ago it was tantamount to treason to suggest that Britain's arms burden was too heavy and should be cut. For advocating such a policy Nye Bevan and other Labour MP's were nearly turfed out of the Labour Party. Rank and file members who stood up in the meetings of their local party and suggested the same thing sent right-wing members into foam-flecked frenzy and were accused of organising "a party within the Party."

Now, however, things are different. Economic circumstances have pushed even right-wing Tories to the point where they are demanding cuts in arms spending in order to ease the taxation burden. The Government is expected to make some concessions to these demands—and an examination of the figures of arms pounds, shillings and pence will show why.

In the White Paper on defence last year the sum of almost £1,500 millions was earmarked for military expenditure. Another £45 millions was allocated for civil defence and a further £50 millions was expected in the form of military aid from the United States.

The £1,500 direct military spending represents about one-third of all the money collected by the Government in taxes or, in another way, about three-quarters of all the income tax collected.

### Middle-class squeeze

With many middle class Tories howling about "excessive taxation" and withholding support from Government candidates at Parliamentary by-elections, the Government has already made some efforts to prune its arms spending. Last year MacMillan announced reductions of about £45 millions as a first step (although the war in Egypt subsequently wiped nearly all of this saving out). More recently, the Government last month announced further minor cuts, the most important being the cancellation of aircraft contracts to the value of £10 millions.

These steps, however, are but the beginning. And in coming weeks it

can be expected that the Government—having made a deal with the Americans on the matter—will announce further, and bigger, cuts.

Those Socialists who have been agitating for such steps for many years will undoubtedly welcome this rather belated action of the Government. But, at this stage, it is necessary to utter a few serious words of warning.

### Not by arms alone . . .

Cuts in arms spending mean nothing unless they are accompanied by at least two other actions. The first is a change in foreign policy, thereby signifying that the reduction in arms expenditure is but a manifestation of a general change of attitude on the part of the Government. The second is a change in domestic policy which will enable the men, materials and productive capacity released by the reduction in arms expenditure to be absorbed into useful production for civilian use.

It is precisely these two very important factors which are noticeably absent from the Government's intentions at this moment. Foreign policy remains the same as always—junior partner in the American imperialist bloc ranged up against the rival imperialism of the Soviet bloc. Domestic policy, far from being able to take up the slack from a cut in arms output, continues to be restrictive and retards industrial development.

### Why the cuts?

The current desire to reduce arms spending, being unaccompanied by the two factors mentioned, springs entirely from other motives. The first is the Government's general desire to cut all forms of public spending in order to assist its credit squeeze policy and at the same time make taxation concessions to its disgruntled middle class supporters.

The second reason is that the development of weapons to the stage of supersonic guided missiles fitted

[continued on back page]

**NCLC  
FORUM**

Dora Scarlett will be speaking on the nature of the Hungarian Revolution at the Prince of Wales, Bishopsbridge Road, (opposite Paddington Goods Station), on Sunday, March 3rd. at 7 p.m.

# Not for us this 'new' SOCIALISM BY THE BACK DOOR

Writes Raymond Challinor

The right-wing leadership of the Labour Party, anxious to shed all nationalisation proposals from the party programme, have discovered a new gimmick. Hitherto they have had to counter the clamour for fresh measures of public ownership with talk about the time—as always—not being opportune and, if further pressed, by a rather shamefaced defence of "private enterprise" similar to those heard from members of the Carlton Club.

But now there is no need for them to behave like this . . . for they have their own new 28-carat theory, a theory that allows them to pose as socialists while in fact standing for a snug co-existence between the sectors of the economy at present nationalised and those in private hands.

The Party leader, Hugh Gaitskell, propounds this new theory in his pamphlet, *Recent Developments in British Socialist Thinking*. Others who have played an important part in the theory's formulation are Professor Arthur Lewis, of Manchester University, and Robin Marris, an ex-Treasury official.

## The 'new' theory

The main gist of the theory is that the next Labour Government should not seek to introduce further nationalisation measures. Instead they should try to expand the volume of public saving. With the money thus saved, it is proposed that the Government should finance the further development of the nationalised industries. This would mean that it would no longer be necessary for the various nationalised boards to go to the Stock Exchange, borrowing large sums from capitalist financiers at high rates of interest.

With what is left of the savings, the Government should make selective purchases of shares in private concerns. These government dabblings on the Stock Exchange would extend state influence in a haphazard fashion. The economy would begin to look like a patch-work quilt, with specks of state ownership scattered all over. In the initial phases it is likely that the Government would instruct Treasury officials, making the purchases on behalf of the state, to buy shares that would give them a minority interest in companies. This would leave the composition of the various boards of directors unchanged. However, as state purchases increased, the state would

begin to exercise an influence on the policy decision of private enterprise.

The most optimistic—and deluded—supporters of this scheme envisage that state ownership would gradually supplant private ownership without the political passion and economic upsets that are likely to accompany more direct methods of dispossessing the capitalist class.

## Stock-exchange Socialists

Insofar as this proposal is seriously considered as a means of changing the social order, it is highly significant that the reformist theoreticians of the British Labour Party should look to the Stock Exchange, the traditional centre of capitalist financial manipulations, as the means for our socialist liberation. Gone is the need for workers' organisation, strength and militancy. The responsibility for achieving the new social order will now rest with the pin-striped proletarians of Whitehall, who will battle for the people's interests on the floor of the Stock Exchange.

However, before these happy events can be brought about, a nasty problem must be solved: where is the money coming from? For, if the state is going to invest money in capitalist concerns, then net expenditure must be less than net income. Otherwise there will be no surplus.

How can this be done? An answer is given by Robin Marris, writing in last April's issue of that right-wing Labour journal, *Socialist Commentary*. He realises that, for there to be public investment on any significant scale, it is necessary to decrease public expenditure and/or increase public revenue. Therefore, Marris looks about, axe in hand, to find some likely victim with a bit of surplus cash.

## Nationalised industries to pay

His eyes first alight on the nationalised industries. Here the objective—by some strange coincidence the same as the Tories—is to make them self-supporting so that they will in future finance their investment projects from their own funds. To do this, he says, "they would need to increase their surpluses by a total of over £400 million, thus reducing the share of labour in the product from 80 per cent. to 65 per cent. Some of the Unions involved would no doubt have something to say about that since prices would have to be raised more than wages."

No doubt they would have something to say about such a "socialist" proposal—and with some justification. The former private owners of these industries allowed them to get into a semi-derelet condition. Each year they took out—and put nothing back in. Consequently, machinery became old, dilapidated and worn out. When the industries were nationalised by the Labour Government they were, in some cases, little better than scrap-heaps. Yet these former owners, far from being prosecuted for criminal neglect, were given large sums of compensation! And now, to cap it all, our new "socialist" thinkers plan to put the burden of modernisation of these industries on the shoulders of the workers, the same

people who bore the brunt of the bad conditions, poverty and unemployment of the inter-war years. It is the workers who must finance the nationalised industries by allowing prices to the consumer to rise and by receiving an even smaller amount of the wealth they produce . . . that is, if our new thinkers have their way.

After his encouraging start in the nationalised industries, Marris turns his attention to local authorities. "The are a scandal," he says, "since they annually save £300 million less than they invest." Nowhere does he consider the public services performed by local authorities and whether, in view of social welfare criteria, they should not necessarily be forced to pay their way. However, Marris finds there is little that can be "saved" by cuts in local authority expenditure—perhaps because he has been forestalled by Chancellors MacMillan and Thorneycroft.

## Taxes up and down

Marris's third proposal for creating a surplus—is through altering the tax structure. He considers that income tax should be lowered. It should partly be replaced by a capital gains tax and a special block levy on company profits. This, he hopes, should net a further £500 million. Then there is the inheritance tax. Often we hear wild squeals of anger about this tax from Tory back-benchers, but, as Marris points out, "at present it brings in rather under £200 million a year, which represents about one half per cent. of the total private property." Marris favours doubling this tax.

Adding up, the grand total from all Marris's various proposals will be about £1,200 million a year. This sum would be invested in private industry. And what effect would it have on the economy? Will it result in the magical transformation that some of the more sanguine supporters of Gaitskell's proposals expect?

## In ten years— $\frac{1}{4}$ per cent.

Marris calculates the effect in terms of the ratio of private property in Britain to the net annual income. While this is a rough-and-ready method—it leaves on one side the vital question of how the national income is divided—it does give some indication of what the relative wealth of property-owners is compared to that of the rest of the community. In 1938 the total property owned was four times the size of the national income. But by 1954 this had sunk to  $2\frac{1}{2}$  times. That is to say, the total value of all British property was £35,000 million while the total income before tax was £14,550 million.

As a result of Marris's programme—and these are Marris's own words—"after 10 years the ratio would have dropped no more than from  $2\frac{1}{2}$  to  $2\frac{1}{4}$ , which compares unfavourably with what happened by accident during the war."

In other words, after 10 years' hard effort all we can hope to achieve is a sixth of what "happened by accident" during the war. And to achieve this magnificent objective consumers are going to be enraged by having to pay more, the workers are going to be

## How's Business?

Crisis or not, big business had another good year in 1956. According to the reports of nearly 3,000 industrial companies received by the *Financial Times* during the year, trading profits rose by 9 per cent. This was not as much as in 1955, when they increased by 12 per cent., but it was still enough to push their trading profits up from £1,930 million to £2,100 million.

Firms in the iron and steel industry did particularly well, with an average increase in trading profits of 32 per cent. Shipping firms also did well with a 28 per cent. rise as did electrical and radio businesses with 16 per cent.

The automobile industry did not do so well; the credit squeeze and loss of overseas markets pruned trading profits back, with the result that they showed a fall of 4 per cent. compared with the previous year. Aircraft firms also had their trading profits squeezed. But, in spite of this, profits in these two industries were still sufficient to keep shareholders from starving. Dividend payments by 117 firms were stepped up by £1,323,000 to reach £14,418,000.

The worst-off section of industry, in so far as trading profits were concerned last year, was cotton textiles. It showed an average drop of 30 per cent. Entertainment, as might be expected, with the large-scale closure of cinemas and theatres, also slumped, and its trading profits were 11 per cent. down on the previous year.

Finally, to switch back to the *Financial Times* again, the 3,000 industrial companies reporting to it during 1956 paid out the record sum of £230 millions in dividends to their shareholders.

made hopping mad by receiving a smaller percentage of the wealth they produce, and the capitalists, feeling the burden of increased taxation, will exploit every grievance just and unjust alike to make the Labour Government even more unpopular and bring it down.

This Gaitskellite policy is, therefore, based upon the very shaky assumptions that has nothing to do with socialist policy which demands the complete nationalization of all the key industries as a pre-requisite for economic planning under workers' control.

## SELF-CRITICISM

Two unfortunate mistakes were made in last month's *Socialist Review*. In advertising the NCLC Socialist Forum which takes place on the first Sunday of every month at 7 p.m. we stated that the regular meeting place would be at the St. Marylebone Labour Party rooms. Those who wish to attend should come to the Prince of Wales, Bishopsbridge Road, opposite Paddington Goods Station.

Speaker this month, Doris Scarlett; subject—the Nature of the Hungarian Revolution.

The second error crept into Seymour Papert's article on Capitalism and European Integration. The figures given to compare Britain's trade with the Commonwealth and with the European Market countries are incorrect. About one-quarter of Britain's foreign trade is conducted with Europe; about one-half with the Sterling area countries. The discrepancy is not as large as appeared—by error—in the article.

All International Socialists should read the *World Socialist* bi-monthly of the International Society for Socialist Studies

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**FORUM**

The New Thinkers on the right of the Labour Movement are busily telling us that Capitalism has peacefully given way to the Welfare State; that the Welfare State will just as peacefully give over to a Socialist State. They inform us majestically that the cycle of boom and slump has been tamed. Scrap the Socialist programme, they say, it is outdated. On the other hand, the Non Thinkers at the top of the Communist Party point to Russia, blind themselves to the monstrosities perpetrated east of the Iron Curtain and call that Socialism. New Thinkers and Non Thinkers combine to discriminate the Labour Movement by misrepresenting and hiding.

# THE NATURE OF MODERN CAPITALISM

## One: State Capitalism

By Tony Cliff

We have received a number of critical letters from readers—two of the most important being from John McLaren, Glasgow and Ken Coates, Nottingham—dealing with problems raised by our contributor Tony Cliff in his use of the concept of State Capitalism in articles from this journal and especially in his book, "Stalinist Russia, A Marxist Analysis. Lack of space prevents us reproducing these letters in full, but the main points of disagreement seem to be the following:

1. The motor of capitalism is profit. Where is the profit motive in a State Capitalist society? Where is it to be found in Cliff's example of a State Capitalist country, Russia?
2. An important characteristic of capitalism is the concentration of economic power in the hands of individual property owners who have the right to transfer their power, for example, inheritance. This is not true of Russia.
3. Capitalism is a declining society and certainly cannot compare with Russia in its rate of economic growth. Doesn't the latter's rate of economic progress show that it is on a higher plane of social evolution, that is a workers' state?

Tony Cliff replies to his critics in this article. Rejoinders will be welcome.

Let us deal first with the profit motive under capitalism. What do Marxists mean when they say that profit is the basic motive of capitalist production? Do they mean the capitalists' consumption? If so, the present Western economy can hardly be called capitalist. Look at a few figures. In Britain in 1949 property incomes were only 11 per cent. of the net (after tax) income (Dudley Seers in *Bulletin of Oxford Institute of Statistics*, Vol. 12, No. 10); dividends alone were only 3 per cent. Stated differently, the real value of dividends fell by 49 per cent. between 1938 and 1949. If the motive power of capitalism is simply the consumption of the capitalists, the great Ford Corporation is unquestionably much less of a capitalist enterprise than is a small shop. The owner of the latter consumes probably 90 or 95 per cent. of his profit, while Ford consumes only a fraction of that.

Now compare these figures on dividends with the amount put into reserves by companies in Britain: in 1953 this amount was 4½ times larger than in 1938, or if the rise in prices

is taken into account, more than double. In other words we can say that the more capitalist the economy, the less important is the role of capitalist private consumption, the more is consumption in general subordinated to accumulation.

There is no doubt that Russia is an extreme case of the subordination of consumption to accumulation. This is shown quite clearly, among other things, in the targets of production of consumers' goods compared to capital goods in the different Five-Year Plans (as seen in the table):—

TARGETS OF PRODUCTION FOR THE END OF THE FIVE-YEAR PLANS

Some Means of Consumption	First	Second	Third	Fourth	Fifth
Cotton goods (million metres) .....	4.7	5.1	4.9	4.7	6.1
Woolen goods (million metres) .....	270	227	177	159	257
Linen (million metres) .....	500	600	385	—	—
Socks (million pairs) .....	—	725	—	580	—
Shoes (million pairs) .....	80	180	258	240	318
Soap (thousand tons) .....	—	1,000	925	870	—
Sugar (million tons) .....	2.6	2.5	3.5	2.4	4.3
Paper (thousand tons) .....	900	1,000	—	1,340	1,740
Vegetable oil (thousand tons) .....	1,100	750	850	880	1,372

  

Some Means of Production	First	Second	Third	Fourth	Fifth
Electric current (million kwh) .....	22	33	75	82	162.5
Coal (million tons) .....	75	152.5	243	250	372
Pig iron (million tons) .....	10	17.4	22	19.5	34.1
Steel (million tons) .....	10.4	17	28	25.4	44.2
Oil (million tons) .....	21.7	46.8	54	35.4	69.9

The motor of capitalism is not the consumption of the capitalism but the accumulation of capital. As Marx says: "Except as personified capital, the capitalist has no historical value, and no right to . . . historical existence . . . So far, therefore, as his actions are a mere function of capital—endowed as capital is, in his person, with consciousness and a will—his own private consumption is a robbery perpetrated on accumulation. . . Therefore, save, save, i.e., reconvert the greatest possible portion of surplus-value, or surplus-product into capital! Accumulation for accumulation's sake, production for production's sake. . ." (Marx, *Capital*, Vol. I, pp. 48-52).

It is not an accident that in the whole of Marx's *Capital* there is hardly a reference to the consumption of the capitalists. Unlike the "popular" agitation against capitalism (and also against the Russian regime) that makes such a lot of the luxuries of the capitalists (or the bureaucrats), Marxist revolutionary criticism of capitalism centres on exposing the contradictions in capital accumulation. I emphasize, *accumulation of capital*, not consumption of surplus value. To quote *Capital* again, the consumption of the capitalist is "robbery perpetrated on accumulation." If capitalists did not consume any of the surplus value the economy would not be less capitalist,

but more so. In other words, *capitalism trends towards capital accumulation without dividends.* (Of course, capitalism can never reach this state. Even in the biggest corporations the consumption of the capitalists will make a certain dent in the surplus value.)

Invariably one of the questions asked by those who argue that Russia is not capitalist is: Where are the dividends? But why don't they argue then that Britain today is much less capitalist than it was 100 years ago, that capitalism is, in fact, practically dead

here? After all, dividends at only three per cent. of the net national income constitutes a very small factor in the economy.

**The reasons**

Why is accumulation for accumulation's sake specific to capitalism? For two reasons: (1) the separation of the workers from the means of production; (2) the existence of competition between the capitalists. Without the separation of the workers from the means of production, the subordination of consumption to accumulation would be out of the question. (If the workers controlled the means of production, they would not condemn themselves and their families to misery in the interests of capital accumulation). Again, without competition between the capitalists, the subordination of consumption to accumulation would be inexplicable. If Ford only wanted to consume certain luxuries he could do so practically for ever without needing to accumulate or increase the wealth of his huge concern. But competition forces him to accumulate or else give way to, say, General Motors.

These two conditions are absolutely necessary for the subordination of consumption to accumulation. They both exist under capitalism and under

capitalism only. The separation of the toilers from the means of production, whether individual or state, is a modern phenomenon.

**Russian Reasons**

What makes the Russian bureaucracy accumulate? What makes Russia subordinate consumption to accumulation? There are two factors, one being the international division of labour. This factor, important today, will become more and more prominent in the future. The Russian economy, in which agriculture is stagnating while heavy industry is expanding tremendously need to enter into the world market more and more. In doing so, she will have to face the competition of American, German, Japanese and other capitalists. The rate of accumulation in Russia will then be determined by the rate of accumulation among her competitors. Originally, however, this pure economic factor has been relatively less important than the military factor.

There is no doubt that today in the West the permanent war economy enhances the impact of the military factor on the rate of accumulation. When half the surplus value (this is my own estimate) goes directly and indirectly into armaments there can be no other conclusion. If this is true of America or Germany, it is even more true of Russia. If not for the fact that she had in ten years to build a steel industry which other countries built over 30 or 40 years, the subordination of consumption to accumulation would not have been so extreme.

In Russia the workers have no control over the state, which "owns" the means of production. The workers are thus divorced from the means of production. Secondly, Russia competes (militarily and economically) with the Western capitalist countries. To this end consumption must be subordinated to accumulation. The motor of Russian economy is thus the accumulation of profit.

(continued next page)

Readers, we have set aside these centre pages for serious discussion and for contributions to Socialist theory. We believe that we are unique in this country in being able to offer a forum for serious socialists who are committed to neither Washington nor Moscow but to international Socialism. We believe that such people will not be frightened by the "heaviness" of the material in this section—our forum.

## FORUM

## State Capitalism — contd.

Now to the second point and individual property rights and economic power.

Does the individual capitalist in the West really hold decisive power?

Many of those who argue that Russia is a workers' state, paint a picture of present-day Western capitalism as it existed 100, 50, or 30 years ago. They appear to have slept for more than a generation at least. According to them private owners in the West have a power of decision over the basic pattern of production and distribution, which no single manager of a factory in Russia possesses. In Russia it is in the hands of the centralised state. What are the facts, however?

## Britain less capitalist?!

Look at Britain today. 25 per cent. of industry is state-owned; the state takes a third of the national income in taxation; half the annual capital investment is state investment. How then can anyone speak as if the autonomous decisions of the individual capitalist are decisive? When, for instance, the state imposes a high income tax on distributed profits and a very low one on undistributed profits it raises the ratio of accumulation to consumption. When it appears as the biggest single customer, especially in wartime, it makes a deep imprint on the production channels of the whole economy.

In the Nazi economy, the state was the direct purchaser of more than half the national product. It regulated raw material distribution, the labour market, capital investment, etc., etc.

Does this mean that the British economy today is less capitalist than 100 years ago because basic production and distribution decisions are in the hands of the state? Was the Nazi economy not capitalist because the basic production decisions were in the hands of the state? The protagonists of the theory of Russia as a workers' state would have to come to this absurd conclusion if they were consistent.

## Crystal gazing

Speaking theoretically, there is no doubt that if Western capitalism continued for another generation or two and the war economy became, inevitably, more and more important, it would progressively approach a position where all decisions on production and distribution were in the hands of the state. Private ownership would be very much curtailed, if not negated.

The state would be seen clearly as the embodiment of national capitalism without, however, being the simple representative of the individual capitalists.

## The factory manager

Then again let us look at the individual factory. The protagonists of Russia as a workers' state say: "In the individual factory there are no private owners to decide about production and distribution. While the state has general powers of decision in the West the private owner manages his factory or company as he wishes. The picture is totally different in Russia."

To some extent this is true. In the West there is some managerial power in the hands of the individual capitalist. But the tendency is against this.

In the 19th century the private owner was also the manager. He had an absolute power of decision. Since then more and more managerial decisions have fallen into the hands of salaried managers who are not share-owners. The shareowner has become more and more of a parasite and hardly takes any part in production or distribution decisions. Thus, for instance, in England in 1937 in the "medium large companies" (the average of industrial companies with a capital of £3 million or more) the boards of directors owned only 1½ per cent. of the issued capital (Sargent Florence, *The Logic of British and American Industry*, p. 209). Does this mean that the modern British corporation is less of a capitalist enterprise than the small manufacture of 100 or 150 years ago?

## In a nutshell

To sum up, modern Western capitalism has the following basic characteristics: (1) The transference of the basic production and distribution decision to the state; (2) The pushing aside of capitalist consumption (dividends) by capital accumulation and armaments; (3) The separation of management as a special function, and its transference into the hands of highly salaried people. These three characteristics, combined with the separation of the workers from the means of production, and competition between capitals agglomerations (in the main between blocs of capitals of different states) are the basic characteristics of modern Western capitalism. It is quite easy to see that the goal existing yet unattainable) of this development is a picture of the Russian economy.

Facts such as the existence or non-existence of the right of inheritance of property, the existence or non-existence of dividends, etc., are relatively unimportant and irrelevant compared with these broad similarities between the Russian and Western economies of today.

## The rate of growth

Now to the third argument—The rate of economic growth in Russia as compared with that of the West.

On the face of it, this is a strong argument. The trouble is that its protagonists would not hesitate to argue that Yugoslavia too is a workers' state notwithstanding her slow rate of growth. Between 1950 and 1953, while Russia's output of industry rose by 46 per cent., Czechoslovakia's by 52, Bulgaria's by 57, Poland's by 75, Rumania's by 76, Yugoslavia's rose by only 6 per cent. (At the same time West Germany's industrial output rose by 39 per cent., Austria's by 17, Belgium's by 12, etc.). Does this mean that Yugoslavia is not a workers' state, or that the argument about the rate of growth is to be used only when it fits the speaker's conclusions? Again, does the fact that Japan's rate of growth was three-quarters of Russia's during the whole period of the 20's and 30's and also during the last 6 or 7 years, mean that Japan is three-quarters of a workers' state or something similarly ridiculous.

The argument that Russia's rate of growth proves that Russia is a workers' state shows its hollowness when one tries to investigate why Russia's rate

of growth was as big as it was and, on the other hand, why Yugoslavia, which is much more liberal and does not subordinate consumption to accumulation to the same extreme extent, had a much lower rate of industrial growth.

## The great plough-back

Let us see what are the concrete factors causing the quick rate of industrial growth in Russia.

Firstly, capital accumulation made up a bigger portion of the national income than in the West. While in Britain in 1860-9, 16.6 per cent. of the national income was accumulated; 1900-10, 12.2 per cent.; in U.S.A., 1900-10, 14.3 per cent.; in Japan 1919-24, 21.9 per cent.; 1925-30, 19.8 per cent.; 1934-7, 21.9 per cent. (Colin Clark, *Conditions of Economic Progress*, London, 1940, p.406); in Russia it was planned to have a rate of 22.6 per cent., in the first year of the First Five-Year Plan, and 33.6 per cent. in the last year. (*The Five-Year Plan*, Russian, Moscow, 1930, Vol. II, part 2, p. 38). The actual figures were 22.6 per cent. and 24.2 per cent. (*The Second Five-Year Plan*, Russian, Moscow, 1934, Vol. I, p. 427).

## To house or not to . . .

Secondly, a much smaller portion of investments in the West went into industry and a much bigger one into other non-productive channels such as housing, than was the case in Russia. The share of housing in total capital investment in Russia was 9.2 per cent. during the First Five-Year Plan, 9.1 per cent. during the Second, and 8.2 per cent. (target) during the Third. For comparison, in the United States, it was 6 per cent. in 1880-1912; 24.6 per cent. in 1920-29, and 13.5 per cent. even during the 1930's to 40's which were largely years of depression. (N.M. Kaplan, "Capital Formation and Allocation," in A. Bergson, editor, *Soviet Economic Growth*, Evanston and White Plains, 1953, p. 61).

## Heavy vs. light

Thirdly, a much greater portion of the capital invested in industry in Russia went to heavy industry than was the case in the West. The production of a machine helps industrial growth much more than the production of shoes (of the same value) added, as the first adds to capital wealth while the second does not. Thus, Britain in 1851 the output of consumer goods was 4.7 times bigger than the output of producer goods. In 1924 the ratio was 1.5:1; in France the ratio was the same as in Britain; in Germany in 1925 it was 1.1:1; in the US in 1920 it was 0.8:1. In Russia, although it is very difficult to calculate from the official statistics, it seems to be 0.5:1). (Source for Russia: Cliff, *Stalinist Russia*, p. 23; for other countries, W.S. and E.S. Woytinsky, *World Population and Production*, New York, 1953, pp. 415-6).

Now if these are the main reasons for the great rate of growth of industrial output in Russia, what have they to do with Socialism? They have a lot to do with the exploitation of the working class: housing neglected, consumption cut to the bone, emphasis laid on heavy industry, etc., if British

workers were ready to reduce their standard of living as drastically, there is no doubt that the rate of accumulation and rate of growth would increase comparably.

## Some other reasons

There are of course other reasons for her quick rate of growth, but they are secondary. Being a late-comer, Russia could copy the last word in technique. (Similarly Japan went from the stage of manufacture straight to electrification without passing through the steam engine stage.) State ownership plus big enterprises encourages standardisation. (This also applies to a comparison between the US economy and Britain.)

Another factor is the fact that existing productive resources are fully used, and Russia did not suffer from the slump.

(I do not want to enter into the question of perspectives; I think it can be shown that the processes that lead to contradictions in the permanent war economy—subordination of means of consumption to means of destruction, the appearance of crises of underproduction, of disproportions between branches of the economy, lack of raw materials, etc., etc.—are equally applicable to Western capitalist countries and to the "Socialist" third of the world.)

## India and China

As a result of combined development, state capitalism shows itself extremely clearly as the normal form in the case of a number of backward countries. Take the case of India. No Marxist, I hope, will deny that India is a capitalist country. Yet look at its present Five-Year plan. According to the Plan 61 per cent. of net capital investment will be in the state sector of the economy, and only 39 per cent. will be in the private sector. Again, the emphasis is on investment in heavy industry: 83.7 per cent. of all net capital investment in industry will be devoted to capital goods industries. The result expected is a quick rise in industrial output. Steel output, for instance, is expected to rise by 231 per cent. as against the rise of 205 per cent. envisaged in China's present Five-Year Plan. Coal production is expected to rise by 58 per cent. as against 78 per cent. in China; electricity by 100 as against 118; cement by 202 as against 110. (Source for India: Government of India, *Second Five-Year Plan*, 1956; for China: Li Fu-chun, *Report on the First Five-Year Plan*, Peking, 1955). However because of the existence of trade-unions which to some extent defend workers' rights, and because the Indian peasantry is not going to be expropriated and its products syphoned into the state granary, in all probability the Indian Five-Year Plan will be achieved to a lesser extent than the Chinese.

Now read  
Stalinist Russia, a  
Marxist Analysis  
by  
Tony Cliff  
Obtainable from us (12/6)

# FORUM PROBLEMS OF CAPITALISM—contd.

## Two: Contemporary (British) Capitalism

By Seymour Papert

History has given a plum to reformism. For 12 years the major capitalist economies have maintained a high level of employment with a steadily if slowly rising standard of living. The situation is greedily seized upon by all who wish to divert the working class from the overthrow of capitalism. John Strachey's new book, *Contemporary Capitalism*, Gollarez, 1956, uses it as the basis for the most sophisticated justification to date of the British Labour Party's increasing tendency to push socialism (even reformist "socialism") into the background and present itself simply as an alternative government to the Tories.

Strachey turns out a lot of big guns to come to his miserable conclusion. After parading Ricardo, Marx and Keynes he assures us that the post-war prosperity and all the good things in life are the result of "Western Democracy." Modern governments (even under capitalism) possess the means to ensure prosperity; the need to face the electors will compel them to use these means. He considers that it would be as well to do away with capitalism (eventually, of course!) but for the reason that it is in the nature of capitalism to subvert the democratic institutions whose defence must, in the meantime, be the major objective of the "wage-earners" (the 90 per cent. of the population who receive only 50 per cent. of the national wealth).

We shall examine Strachey's economic arguments with our eye firmly fixed on this political conclusion and ignore those aspects which are irrelevant to it. Our position has two prongs.

### The argument

The first is directed against Strachey's contention that it is democratic pressure which has staved off a new Great Depression . . . with the implication that it would be foolish of workers not to subordinate their actions to the working of the Keynesian levers. I am not (for the moment) concerned with being a better prophet than Strachey on the question of whether there will be a depression or when; but it is important to see how flimsy the grounds are of his counsels of complacency.

The second prong is a defence of the methods and concepts of working class struggle—slump or no slump. Massive and protracted unemployment is not the only kind of crisis in capitalism, nor the only mainspring of proletarian action. It is true that full employment is a factor making for class complacency, but the periodic rise and fall of class militancy is a much more complicated process.

### Phantasy and fact

There is an ancient fable which illustrates some of the relevant features of both Marxian and Keynesian economics. It tells of a traveller who found himself in a strange and distant land where a great fair was in progress. The king, it appeared, had decreed that all business transactions had to be done on the last day of the year—wages for 52 weeks were paid and all the shopping for the coming year was done at the colourful stalls where the whole output of the past year was on display. At first the voyager thought this an excellent and efficient system, but he soon found that

everyone was disgruntled. A worker complained that he had made a hundred shoes during the year but that his wages would scarcely buy 50; at the same time his boss bemoaned the fact that while his factory had turned out a thousand pairs only 500 were sold. In the end the capitalists decided that as they had sold only half their stock they had enough over for the next fair so they closed the factories and fired the workers.

This picture of capitalism is not false: in fact it expressed the essence of the tendency of the real economy to run to depression and unemployment. But it is true only as a partial picture, an abstraction. Were capitalism exactly like it the economy would not function at all!

Clearly, in order to function the capitalists themselves must buy up the surplus. But why should they? Since they have more than enough stock there is no reason to instal new machinery or set up new factories. This would merely aggravate the situation.

This situation of a zero inducement to invest is not very far from being an exact model of capitalism at the depth of a depression. But booming capitalism must have features which provide for a positive inducement to invest . . . in plain language there must be a profit in the capitalists buying from one another.

### The Multiplier

To see under what conditions this might happen let's change the model a little. We shall suppose that the coat-makers found themselves sold out half way through the day and were unable to supply all the customers who came. As a result they decide to put up a great big new factory. To do this they have to run busily about buying nuts and bolts and bits of tin so that they pep up the business of the ironmongers. Meantime the butchers and bakers are licking their chops in anticipation of the money which all the workers hired by the coat makers will have to spend the next year. They might even decide to put up new factories in anticipation. . . .

Thus economic activity has a tendency to spread infectiously both in time and in space . . . prosperity in one sector sets off prosperity in another, activity this year triggers off activity next year. These effects (known in modern jargon as *The Multiplier*) can be quite considerable. The number of man hours which will be given employment by the secondary activity can be actually greater than the number involved in the original investment . . . and can be spread out over several years.

On the other hand it is obvious that every investment aggravates the problem of over-production—at the same time that it tends to close the gap between production and consumption by giving employment (directly and through the multiplier) it also widens the gap by displacing workers (e.g., automation) or simply by increasing the output.

### Marx and the face-lifters

Thus in capitalism there are conflicting, contradictory forces pushing the level of employment up and pulling it down. Where will the process even out, if at all? Marx thought that

it would alternate up and down—as it has done on the whole during the past 100 years. The professors of economics, on the other hand argued that there were automatic forces which would bring the whole system in the end to a state of full employment and keep it there. This was the official line until the Great Depression and Keynes (mainly the depression) forced official recognition of the tendency towards unemployment.

Since then a whole school of economic plastic surgeons has grown up inspired by the idea of pushing up the level of employment by artificial means. Essentially they propose that the government should play the role we gave to the coat makers by carrying out large scale investment projects whenever they seem necessary, or should encourage others to do this by lending them money, adjusting the rate of interest and applying a whole battery of similar tricks.

### Utopia or force

In theory there is no doubt that IF the government intervened SUFFICIENTLY it could permanently prevent unemployment. The question is whether in practise it would intervene quickly enough and radically enough.

The reason why it might (and probably will) be impossible for a government of the British-American type to do so should be graven in burning letters in the mind of every socialist: **because we live in a capitalist country.** Government interference in the economy means tramping on the corns of the capitalists. It means competing with this one, hampering that one and assisting another (to the outrage of all the rest). It means interfering with prices, possibly upsetting conditions of international trade (another country with more unemployment and lower wages will sooner or later be waiting to steal essential foreign markets).

Strachey is aware of these considerations and thus puts himself at a higher level of social analysis than the professors and politicians who "recommend" the adoption of Keynesian government spending without worrying their heads about the class forces involved. For them "reasonable arguments" are the currency of politics. Strachey poses against them the question: who has the power to force the state to undertake the necessary steps possibly against the protests of powerful capitalist interests?

### Toothless Democracy

This question is the highpoint of the book; the answer the beginning of the anti-climax. The force which, according to Strachey, is able to control the state power is . . . democracy. If only he had said the power of the working class he would belong to the tradition of militant socialism—even if he were mistaken. But instead he reflects the bureaucratic ideology of the Labour Party and Trade Union leadership for whom "class struggle" is situated not in the factory and in the streets but in Westminster and the board room where union negotiator meets managerial negotiator.

For Strachey democracy involves the most passive intervention of the people. The electorate is seen as a sort of Umpire which will disqualify any side which plays foul. The government will be forced to adopt the necessary economic measures **not** because

they are under pressure of direct demands (though even this is an insecure basis) **but** because no government dare risk unemployment! Of course there is an element of truth in this. Had his book been written a little later he might have used the antics of the Conservative Party as an illustration of his theme; while constantly talking of the need to have 700,000 unemployed the Tories are afraid to take serious steps to achieve this.

But massive intervention in the economy against the will and interests of the most powerful capitalists is another matter altogether. Under such conditions of strain the possibility is always very real that a government which quite genuinely wants to avoid a slump will nevertheless compromise or be too niggardly or too tardy in taking the necessary action.

The failure of all the predictions of slump and crisis in the post-war period force all of us to admit the possibility that the behaviour of capitalism in the coming period will differ from anything that we have yet seen. Nothing could be more foolish than for us to base our political outlook on the assumption that the nineteen fifties or nineteen sixties must be like the 'thirties. But Strachey outdoes all the official apologists of capitalism, all the professors and newspaper columnists, in his enthusiastic confidence in the future of capitalism. For a socialist this is sheer irresponsibility . . . though in Strachey it merely shows that he has assimilated the social outlook and position of the Labour bureaucracy.

### Strachey's wishful thinking

Nowhere does a word of caution slip past his lips. He exaggerates the rosiness of the contemporary picture: there is no mention in his book of the existence of considerable unemployment in the United States, no mention of conflict in the factories—the "strike" does not figure in his index. He exaggerates even more the extent of the democratic nature of government intervention during the past ten years—even becoming lyrical about the "new motives" which now lie behind investment.

On pp211-12 we read about how, as a result of democratic pressures, production is now being carried on "for what are, in the last analysis, non-profit making purposes." No examples are given, and no figures about how much of this "non-profit making" production is to be found . . . even if he counts the British nationalised industries (which would be outrageous!) he would still have America to account for. On page 207 he writes "such a government is saying to the entrepreneurs, in effect; whether or not you think it will be profitable for you to invest in that new steel works . . . either you or we or someone else must be induced or cajoled or forced into doing so—for otherwise we can't face the electors." But again no statistics are cited to show how many unprofitable steel mills are being built for electioneering purposes. One suspects not very many.

Enough of this; Strachey's dream world is not of real interest, but in order to drive home the main issue (the question of power) and to give another example of Strachey's disregard for logic, we shall take a look at

[continued on next page]

# FORUM

## Contemporary Capitalism - contd.

what he says about armament expenditure.

### The war economy

On pp239-246 he considers what he calls the "communist view" that it is armament expenditure which has stabilised the American economy. This idea is important not because we oppose on moral grounds the use of such dirty means to stabilize the economy, but because arms buying is in a special position. It is one of the few fields of government economic activity which do not interfere with the capitalists. Arms do not compete with other goods; they are produced by the most powerful capitalist groups; and they serve the international politics of imperialism.

Apart from these points, an arms race, once started, tends to develop a momentum which keeps it going at a forced pace so that there is none of the niggardly haggling which building houses, for example, would involve.

Strachey has to reject the armament explanation for two reasons: first it is hardly the result of democratic pressure; secondly, there is no guarantee that the "permanent war economy" will remain permanent. He argues against it by making the following remarkable series of points:

(1) **It is not true that the governments undertook their armament programmes in order to stimulate the economy.** This is, of course, utterly irrelevant. The purpose of the programme and its actual effects are two very different things. Perhaps the H-bomb was made to hunt rabbits for the President's table; it might nevertheless be true that it, and not "modern democracy," is responsible for the present stability.

(2) **The American economy was not in a state of depression in 1948 when the rearmament began.** Again irrelevant to whether in the eight years which have passed since 1948 the US

economy would have been as stable without arms manufacture and the ability this gives the central government to meddle. Three years after the war the multiplier effects of the war itself could still be a powerful factor—or even now for all we can say for certain.

(3) **"The Defence spending could be replaced by other forms of government spending . . . houses, roads, schools, etc., etc.," or the government "could probably effect the same purpose simply (!) by cutting down the tax on the small incomes." But this is exactly the question!! So in the end we simply have Strachey's word for it that all this will be possible. A good thing that English MP's are all gentlemen.**

Thus Strachey's attempt to put a kick into Keynes turns out to be based on little logic and few facts. He has not proved his case. It is uncertain how much of the post-war prosperity is due to Keynesian techniques and, in any case, it is doubtful whether those applications of Keynesian techniques which we have seen were fathered by "democratic pressures."

### Strachey 'debunks' Marx

A very large part of Strachey's book is devoted to the "exposure" of "the basic error" in Marx's reasoning: the belief that workers would be driven to revolt by the fact that under capitalism their wages can never rise above subsistence level and would constantly be pressed even lower. If Marx believed this, then, as Strachey points out at very great length, he was wrong. What has actually happened is that the **proportion** of the total production which goes to the workers in the form of wages remained constant (about 40 per cent.) from Marx's days until the last war and has risen slightly (since then (45 or 50 per cent.) During this period the **total amount produced** has increased much faster than the population so that the actual pile of goods

falling into the hands of the working class per head has grown considerably. This, says Strachey, is the cause of the breakdown of Marx's prediction of international socialist revolution . . . and, of course, is the result of democracy.

As history, this is absurdly bad: whatever the reason for the failure of proletarian revolution in the period between the two wars, it was not the prosperity and welfare of the working class! Strachey, it seems, has a short memory. Behind the fact that on the average workers received 40 per cent. of the social production lurks tremendous differences in time and place, ups and downs of the total output, mass misery and depression. Enough to mention that the percentage actually went up during the depression years!

### Class struggle goes on

Politically what is most important is Strachey's assumption that sharp conflicts depend on a low standard of living. This is simply false. The American worker will defend his car as fiercely as the French worker of the last century defended his loaf of bread. It is an obvious lesson from all revolutions (ranging from Russia to the incipient British revolution of 1926) that the most highly paid workers are capable of playing a leading role.

Strachey pays no attention at all to the increasing conflicts over factory conditions, workers control over speed, hiring and firing, etc. If the standard of wages is today higher than our grandfathers dreamed possible, there are slogans, too, of which they never dreamed.

Strachey takes no account of the possibilities and effects of "local crises" such as we have seen and are seeing in the car industry. The angry men at Norton's and at Ford's play no rôle in his analysis. But it is these angry men who embody the class struggle and not the statistics of percentages of national income. Strachey praises Marx for ignoring the sign over

the factory door "No Admission except on Business." Strachey himself may have been in a factory, but if he got beyond the director's office he had his eyes closed.

The guts of Marxism is not the pauperisation of the proletariat but the fact that society is made of classes: and as long as one class owns while another works, the conflict between them will continue, sometimes reaching militant heights, sometimes subsiding. And any government which is trying to rule a capitalist economy will, in the last analysis, have to take the side of property and profit for *under capitalism* a collapse of profits means a collapse of everything . . . the defence of profits appears as the defence of the national interest.

### Some recent history

At the time of the Suez crisis, *Le Monde*, the French equivalent of *The Times*, frequently congratulated itself on having a "socialist" prime Minister. Guy Mollet and Anthony Eden were forced into the same position by the same national economic needs. Mollet in opposition would have taken the stand which Gaitskell took; Gaitskell in power would have behaved like Mollet in power—as Attlee did (and Strachey) in the case of Malaya.

**He who drives a capitalist ship must steer a capitalist course.**

The political outlook of the Labour Party machine is to take over the reins of capitalist government. Its leadership see themselves as the new bureaucracy which will be able to regulate the mechanisms of the capitalist economy. Strachey will learn, when he is in the cabinet again, that there is such a thing as the class struggle, for his programme of governing a profit-making state will sooner or later bring him into conflict with the working class. But he has already prepared the way for the calls of NO STRIKES and NATIONAL CO-OPERATION. He has proved scientifically (has he not?) that the source of all good things is the British Parliament and that the working class had best devote its energies to voting from time to time and seeing that the big bad capitalists do not steal the freedom of the press.

## Three: Shadows in the US boom

By Gordon Haskell

In recent years British socialists have been repeatedly reminded of the "changing nature of capitalism." There has been a host of "new thinkers" who have told us that capitalism can be—indeed, has been—tamed and reformed into a well-behaved beast of burden whose only wish is to carry us gently into the coming world of socialism. The following article, digested from a piece by GORDON HASKELL in *LABOR ACTION*, the American socialist weekly, contains a lesson for British socialists. Not only does it highlight the instability of the American "economic miracle" but it puts on the spot the New Thinkers who believe that capitalism has lifted itself out of the realm of contradiction and into one where its laws of motion are ever upwards and onwards. It is particularly timely in Britain today.—Editor.

In his economic message to Congress at the beginning of the year, President Eisenhower warned of the continuing inflationary dangers threatening the economy. But when he presented the budget for the 1958 fiscal year he advocated the biggest peacetime budget in the nation's history. Now comes Leon H. Keyserling (*New York Times* magazine, February 3), former Chairman of the President's Council of Economic Advisors, to maintain that the budget is really much too small for the overall needs of the economy.

Keyserling points out that the federal budget will represent about 16 per cent. of the country's total national production, based on present estimates, during the year to which it applies. Although the armament outlays have been increased in mass, in fiscal 1958 they will represent 9.7 per cent. of total national production, while in 1953 they stood at 14.1 per cent. of

production. Similarly, budgetary outlays for economic and technical aid overseas have declined from 1.46 per cent. to 0.46 per cent. of the total national production, a decline of 40 per cent.

**In short, while appropriations for military purposes are still staggering, their function as props and boosters of the economy declines in importance as the total national production continues to grow up above them.**

This means that should an economic reversal be experienced, though they would still represent a floor below which economic activity could not fall, that floor would be uncomfortably low. The budget as a whole now stands at 16.1 per cent. of total national production, while in fiscal 1953 it was 20.8 per cent.

But Keyserling also looks at the economy as a whole and what he sees does not make him too happy.

Of course he is worried by a rate of

economic growth that does not seem to offer what is necessary for the better life of the country. But he is more concerned with the fact that the rate of growth of the Russian economy is so much greater that if the two countries continue at their present paces of development Russia would catch up with the US within a generation. The American economy has been growing, but not fast enough and, besides, it has been growing in a dangerously lop-sided manner.

On the first point he writes:

"During the seven-year period 1947-53, the total economy expanded at an average annual rate of about 4.7 per cent. in real terms (adjusting for price change); during 1953-56, the rate fell to about 2.6 per cent.; and from the fourth quarter of 1955 to the fourth quarter of 1956 the expansion was only about 2.5 per cent."

Even more immediately menacing than the slowing-down rate of growth, however, Keyserling finds the way in which the economy has been growing:

"During the 1953-56 period as a whole," he writes, "personal interest income has been advancing about 65 per cent. faster than wages, and dividend income has been advancing about 75 per cent. faster than wages. Corporate profits have been advancing almost 29 per cent. faster than the personal income of the people as a whole, and investment has grown much faster than consumption. From the fourth quarter of 1955 to the fourth quarter of 1956, while investment in plant and equipment grew about 10 per cent. in

real terms, consumption grew only about 2 per cent."

"Under these circumstances, it is a misreading of the situation to complain that wages have been advancing too fast, or to assert that this is the central cause of price inflation. While there is a real problem of unevenness in the wage structure—and of lifting low-income families relatively faster than others—consumer incomes, of which wages are the major portion, have been advancing much too slowly to maintain balance between investment and consumption at a full-employment rate of growth."

**A 10 per cent. growth in investment in plant and equipment, a 2 per cent. growth in consumption: that is a classic pattern of the tendency of capitalism to over-production in its boom phase.**

An inflationary price rise in certain economic sectors despite abundant supply and even over-supply of all lines of consumer goods, which is caused only by relative monopoly control of those sectors of the economy—that is also a classic symptom of the terminal phases of a boom.

It is a direct product of the attempt of the economic giants to maintain their rate of profit on the expanding mass of their investment in plant and equipment in the face of consumer buying power which cannot keep the pace.

What remedies does Keyserling propose to offset the ominous trends he sees?

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# COLOUR BAR IN BRITAIN

## The Socialist Answer

By C. Dallas

ONE OF THE PROBLEMS the British Labour movement faces is the question of the attitude to be adopted towards our colonial brothers who come to this country.

### Desperate poverty

In the first place, why do they come? Quite simply, hunger drives them from their own homes. Wages, when the native of a colony is lucky enough to find work, are barely enough to keep body and soul together £2-£3 a week on the sugar plantations in Jamaica, 25 shillings a week for cocoa workers in Ghana, a mere 7/9 a week for agricultural labourers in Kenya and 25/- for workers in Nairobi (if they are lucky enough to get permission to work there)). That is, when the worker is working.

But unemployment will probably see him penniless for a large part of the year. About 20 per cent. of the Jamaican population is unemployed. Others, like those on the sugar plantations, work only seasonally. Unemployment is chronic in all the colonies, and has no hope of disappearing as long as imperialism keeps its tight hold over the colonies, for the simple reason that it prevents the creation of industries in the colonies. The big British firms can't allow industrialization. It might lead to an all-round rise in wage levels; it would introduce a competitor in the market for what the imperialist companies consider their preserves. All that is built is railways and ports to whip the produce away from the workers who produce it, fine hotels, perhaps, for the European tourists, big houses for the colonial administrators, and, most important, magnificent prisons.

The colonial administrators, whose incomes are tens of times higher than those of the colonial people they rule, consider themselves miles above their

## SHADOWS IN THE BOOM

—continued

He is against the government's "hard money" policy; he is for a federal budget which would both overcome specific shortages (such as steel) and advance the rate of growth without increasing the inflationary pressures. He is for a Congressional investigation of prices (and hence profits) in line with a similar demand made by the labour movement, headed by the United Automobile Workers. But so long as the boom continues, support for such a proposal will hardly be forthcoming in Congress.

The other "proposals" Keyserling makes suggests two ways in which a capitalist government could break the bottlenecks. One would be to go into, say, the steel business itself, setting up in competition with the private industry. The other would be to give subsidies to the industry (either direct or through tax relief) so as to guarantee a high rate of profit on industries total investment. The first is outside the realms of political possibilities today, and the second would create more problems than it would solve.

The chief trouble is that the direction and planning to which Keyserling leans cannot be achieved within the limits of budgetary policy alone. It needs much greater control over the whole economy. Greater than capitalism—American or otherwise—can tolerate.

poor, probably illiterate, hungry and sick, subjects.

Companies like Tate and Lyle, that reap the super profits out of the cheap labour of the colonial peoples—the same Tate and Lyle that, if you remember, spent some of these profits conducting a vicious campaign against nationalisation—are only too happy to see this superiority complex immigrating into Britain in the first-class cabins of the crowded immigrant boats and spread its poison on arrival here. "Divide and rule" has been the guiding policy of imperialism in the colonies. How well will it flourish in Britain?

### Divide and rule

The Tories foster the idea lovingly. Witness the statement of a Tory MP, Hopkinson, quite early on in the West Indian immigration: "... the Government ... was contemplating a committee to consider whether it was advisable to control the entry into Britain of coloured holders of British passports." Note the emphasis on "coloured." There is an annual immigration from Ireland of 45,000, scores of thousands of Australians, New Zealanders, white South Africans and others, but no mention is made of restricting their movement (except, in isolated instances, for the Irish) only the coloured workers are singled out.

More recently (February 15, 1956) the Ministry of Labour said, quite uncritically, that "a few firms had felt it as well to maintain a balance between the number of white and coloured workers."

Industrial management heartily endorses these "divide and rule" policies. Witness this shameful statement from the personnel officer of a large engineering firm (June, 1956): "For the time being at least there should be some restrictions imposed upon the number of non-Europeans and for that matter Irishmen, too seeking work here. It is pretty evident that before the year is out there will be quite a lot of our own people looking for work. Naturally, they will feel that they have a greater right to work than a West Indian or an Irishman, and in any case most managements will sooner employ a local man who nine times out of ten has some industrial experience."

In Lancashire employment exchanges are marking some firms NC (No Colour) because they refuse to take coloured workers.

### Policemen and landlords

A *Birmingham Mail* (November 10, 1956) headline ran: "Maternity Wards Full—Coloured Influx Blamed."

The greatest insult to coloured immigrants in Birmingham was the appointment as Liaison Officer for Coloured People in the town a former detective inspector in the Kenya police! Just the man to keep race relations sufficiently in friction to be useful if the bosses should need it as a hammer blow against the workers.

The poison has seeped well down to the middle class. As very few coloured workers qualify for council housing for lack of residential or other qualifications, they have to rely almost entirely on private landlords who exact exorbitant rents for grossly inferior accommodation.

*Birmingham Mail* (September 17, 1955) reported the case of 34 West Indians who were evacuated from one house due to fire. Each of them was

Nearly all the facts in this article were obtained from the Movement for Colonial Freedom, whom I wish to thank.

paying one guinea per week to live and sleep, some four in one room, with no fire precaution. A Social Worker in Birmingham found cases of three married couples in one room, in some houses 40 to 50 people. The same person reported a case in which one landlord collected £500 a week from 12 houses. It is quite common for landlords to charge vastly different rents for white and coloured people for exactly the same accommodation. In spite of this exploitation, however, a *News Chronicle* (June 6, 1956) correspondent reported that only about 1 landlady in 5 would take coloured lodgers—about 1 in 6 admitted to strong colour prejudice. While the majority said they had no colour bar themselves but thought neighbours would object.

### A spotty record

One would have hoped that the working class would have stood out solidly against this effort by their very own exploiters to split their ranks. Unfortunately it cannot be said that its ranks are firmly closed on this issue. Trade unionists may remember the disgraceful strike of West Bromley bus crews in 1955 over the employment of one single coloured worker (an Indian). In the same year the Transport and General Workers Union in Nottingham threatened to strike if coloured conductors were promoted to be drivers before every white conductor had been given the chance. (They were later won over to a different viewpoint). Unrest among Birmingham transport workers led to a plebiscite on the employment of coloured workers. (The majority were against discrimination, but the TGWU did impose a 10 per cent. restriction on coloured labour in city transport.) At a conference of officials from leading unions in December 1954 a prominent Midland trade union official proposed that in case of unemployment, coloured workers should go first and in promotion white workers should have preference. (No seconder could be found.)

### A militant lead

From the last fact it is clear that an attitude of discrimination is by no means universal in the trade unions. Many unions, after discussing the question, have passed resolutions against any discrimination by race, colour or creed with regard to employment promotion and firing (if redundancy occurs).

**Birmingham City Council in April 1955 passed a unanimous resolution that all Corporation posts, including town clerkship, should be open to any creed and colour. The Birmingham Trades Council resolved by an overwhelming majority to oppose the restriction of immigration (February, 1956).**

Typical of many statements is that of a shop stewards' committee of a large metal works. On the suggestion of the management to employ coloured labour, the committee replied: "We have no colour bar like some misguided organizations. All workers are on equal terms and provided our coloured friends join the appropriate trade unions, work for the rate for the job and obey the rules, they will receive the same consideration as anyone else."

Whatever other factors enter into colour discrimination—a primitive and ignorant antagonism to foreigners of

any sort, small town parochialism, a white superiority complex, among others—undoubtedly the main factor among workers is their fear for their jobs, the feeling taken up and fostered most carefully by the bosses. This extends not only to coloured labour but to that of any immigrant community. Witness the attitude of the miners to Italian labour, and now—after wordy support for their magnificent struggle against Russian oppression, to the Hungarians.

A complicating factor with coloured immigrants—unlike the Italians and Hungarians—is that they have not got strong roots in trade union organisation. According to a Gallup poll taken in 1955, 30 per cent. of West Indians employed in Britain were in trade unions. For the whole coloured population the figure is probably slightly under this.

In this respect, instead of decrying the fact, militant workers should first of all feel a strong sense of solidarity with their colonial brothers, who are constantly and with great self-sacrifice trying to form or strengthen the trade unions in their home countries, under the greatest pressure of Imperialism.

Almost invariably the most militant trade unionists are clapped into goal and held there without ever coming to trial, for instance, 200 trade unionists in Singapore last October, 63 Sugar Estate Workers picketers in St. Vincent in the West Indies, all the top officials of the Cyprus Workers Confederation and a group of Cypriot-Turk trade unionists, a number of trade union leaders in Northern Rhodesia, nearly all leaders in Kenya, and so on. Trade unions are frequently banned, for instance in Southern Rhodesia, except for a railway union. Strikes are even more frequently banned, for instance, for the African Mineworkers' Union in Northern Rhodesia, for all African workers in Southern Rhodesia, for all Cypriot unions, etc. Police interference and many other means are used to suppress trade union activity and activities.

### The socialist answer

**Draw the colonial workers who are unorganised into the trade union ranks, and with the antagonism to exploitation that they drew in with their mother's milk in their home countries they will readily and quickly prove to be loyal members of their unions. The AEU in Birmingham did well by issuing a leaflet directed to coloured immigrants pointing out the advantages of belonging to the union, and in the Standard and BMC strikes the coloured workers proved their loyalty quite as well as the other workers, in some cases coming out 100 per cent. where the rest of the shop was not solid.**

**If there should be large-scale unemployment, a few thousand coloured workers would not make the slightest difference to the prevailing misery. In the early 'thirties there were no coloured workers to speak of in Britain. Unemployment then embraced three million British workers.**

Today, except for a few patches, there is full employment, with 22 million at work. There are 150,000 coloured immigrants in Britain, that is, one in 333 of the population or one in 146 of the workers. (Incidentally, the annual emigration from Britain is 60—100,000 every year, which more than makes up for the immigration.) In full employment, if the working class is united, extra organised workers can only add to working class strength.

To sum up, if coloured workers are made welcome, persuaded of the advantages of trade unionism, which is easily done, are given equal conditions of promotion, get the rate for the job and are treated equally in case of redundancy, they cannot but strengthen the working class struggle by helping to put up a united front to the bosses' attempts to divide and rule.

§§ **CASSIA'S** §§  
 §§ **CALUMNY** §§  
 §§ **COLUMN** §§

THE WAR has been over for nearly twelve years now and the recent spate of published biographies, diaries and documents are giving ordinary people an insight, for the first time, on some of the things which happened behind the scenes. And they reveal, in spite of all the high-minded and patriotic sounding speeches, that many politicians had their tongues firmly in their cheeks.

The juiciest piece of information recently produced is contained in the seventh volume of *Documents on German Foreign Policy 1918-1945*, published by the Stationery Office and consisting of captured German documents. This volume covers the period at the outbreak of the war and consequently contains some information on Nazi-Soviet relations in 1939.

One incident, if none other, reveals the lengths to which the rulers of the Kremlin were prepared to go to help Hitler. On September 1, 1939, the Luftwaffe asked the Soviet authorities to provide navigational assistance to their bombers by allowing the Minsk Broadcasting Station to send out agreed signals.

To this request Moscow replied: "The Minsk Broadcasting Station will introduce as often as possible the word 'Minsk' during the course of its programme which could be extended by two hours for this purpose. . . . The Soviet Government would prefer to omit the addition of a call-sign so as to avoid attracting attention."

In this way the Russian Government aided the Luftwaffe bombers in their passage of death across Poland. And all the while the Stalinists in Britain were standing on their heads in an endeavour to justify the Nazi-Soviet collaboration on the grounds that it was necessary in order to "safeguard peace" in Europe!

ANOTHER TIT-BIT for political gossip writers came along last month with the publication of the private diaries of Lord Alanbrooke with their comments on the character and behaviour of Sir Winston Churchill.

Churchill, complains Alanbrooke, daily interfered in military matters; much to the annoyance of Alanbrooke who was Chief of the Imperial General Staff from 1941 to the end of the war. "He is," wrote Alanbrooke of Churchill in 1943, "quite the most difficult man to work with that I have ever struck."

This is not the first criticism to be made of Churchill by his old military men of the war. In 1951 Viscount Cunningham, Naval chief in the Mediterranean area until he was made First Sea Lord and Chief of Naval Staff in 1943, published his personal record of the war under the title *A Sailor's Odyssey*. It contained some biting criticism of Churchill which, possibly because of inefficient public relations work by his publishers, did not provoke such widespread comment as have the recent diaries of Alanbrooke.

Writing of what he called the "prodding messages" with Churchill bombarded him, Cunningham said: "This constant advice, not to say interference, in how to run our business from those who seemed unaware of the facts of the situation did not help." Churchill himself, needless to say,

[continued at foot of next column]

## Tory Disarmament —

continued from front page

with hydrogen war-heads has narrowed down the range of military equipment. In future the programme of arms production will be much more selective and efficient. And those right-wing Labour Members of Parliament who have criticised the arms programme only on the basis that the country was not getting "value for money" will no longer have any valid reasons for continuing on that line of argument.

### The threat of unemployment

This situation raises serious problems for the working class. The most important of which, at this juncture, is the possibility of a fairly rapid climb in the number of unemployed as arms production falls off. This will apply in particular to those industries most directly concerned with arms production.

In the metals, engineering and vehicles group of industries, for instance, something like 15 per cent. of the total production is accounted for by military orders. Some of this work is carried out at Government owned ordnance factories, other at private firms on Government contract. All of them will feel the effect of arms cuts—and in fact they are already doing so.

In the past two years or so the labour force at the 24 Government ordnance factories throughout the country has been reduced by about an eighth by a policy of redundancy and non-filling of jobs as they fall vacant through workers leaving. But, with some 40,000 workers now employed, in these factories, big sacking are on the way because of the arms cuts announced so far.

At Woolwich Arsenal about 300 workers are to get the sack in the next few months. At the Dalmeir Factory in Glasgow another 900 are to go because of a cut in tank production. A further 900 are under notice at three plants in Blackburn, Wigan and Birtley. The most conservative estimate is that ten per cent., about 4,000 of the ordnance factory workers will be out of a job by the end of the year. But other estimates put it at double these figures.

Private aircraft firms have the same story. From the Hawker Aircraft factories at Blackpool and Langley some 4,500 workers will be fired following the withdrawal from production of the Hawker Hunter. Three other aircraft companies—Blackburn,

has other ideas on the matter. Writing after the war he claimed that the key change in Britain's mobilisation of its resources for war came in 1940 when he became Prime Minister and took over the "supervision and direction of the Chiefs of Staff Committee" as Minister of Defence "with undefined powers."

This meant, in Churchill's own words, "for the first time the Chiefs of Staffs Committee assumed its due and proper place in direct daily contact with the executive head of the Government, and in accord with him had full control over the conduct of the war and the armed forces."

The "executive head of the Government" was, of course, Churchill himself. And the criticism he is now collecting is faintly reminiscent of that levelled at Stalin only twelve months ago by his old war-time military commanders. Except that no-one has yet claimed that Churchill planned military operations with the aid of a schoolboy's atlas purchased in Woolworths!

Armstrong Whitworth and Gloster—have announced that workers will be made redundant. All told some 6,000 men have been told in the past month or so that they will be sacked in the future because of cuts in military aircraft production.

Looking at the situation in the aircraft industry the *Financial Times* last month said that there could be up to 100,000 workers in the industry "displaced" during the next 18 months owing to the cutting back of Government orders. Overall, it said, the reduction of defence orders "could well throw between 50,000 and 100,000 people out of work this year." And to this must be added any National Servicemen pushed into the labour pool by possible cuts in conscription.

If such a condition is realised, and the general opinion in trade union circles is that it will be, the already worsened situation in the industrial field will be further aggravated.

When the Ministry of Labour made its last check on unemployment, in mid-January, there were 382,000 workers out of a job. This was the highest figure for three years and an increase of 85,700 over the month previous. During the same period the number of unfilled vacancies fell by 23,000 to 256,000. Thus there were 72,000 more people looking for work than there were jobs available.

In such a situation the prospects of the men displaced from arms production finding other work is not at all healthy. The number out of work must inevitably rise—and the level to which it rises depends upon the degree to which the Government pursues its credit squeeze policy. But the pressure of any increase however small, in the number of unemployed will make it tougher for workers seeking pay increases. The total outcome will be an increase in the tendency, already apparent, for a standstill or decline in working class living standards.

### Socialist answer

None of this means, of course, that Socialists should cease to demand drastic cuts in arms expenditure. But what it does mean is that they must explain how the inherent contradictions of a capitalist economy can only solve one problem by creating another. In this case the problem to be solved by cutting arms is the high level of taxation, and the problem created is the inability to absorb the productive resources thus released into civilian use.

What Socialists must do is to link their demand for cuts in arms spending with wider demands for a planned economy in which all the productive capacity of industry is used to the full. This is a demand which a Tory Government is incapable of fulfilling, and thus the demand for a general election and the installation of a Labour Government pursuing a firm Socialist policy must be pressed. Initially this demand must be pressed within the Labour Party and trade unions in order to shift those in leading positions who are reluctant to take power at this juncture because they realise that, should they do so, circumstances will dictate that they use Socialist measures if they wish to make any serious attempt to solve the problems now confronting Britain.

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## WHAT WE STAND FOR

*The Socialist Review stands for international socialist democracy. It opposes the exploitive system of both Washington and Moscow—the two rival imperialist forces which now dominate the world—and seeks to advance the ideas of a Third Camp which conducts a relentless struggle against both class societies.*

*It believes that—in the struggle against the reactionary policies of the Tories, against the power of the capitalist class & for the transformation of British society into one founded upon Socialism—a Labour Government must be brought to power on the basis of the following programme:*

- The complete nationalisation of heavy industry, the banks, insurance and the land, with compensation payments based on a means test. Renationalisation of all denationalised industries without compensation. The nationalised industries to form an integral part of an overall economic plan and not to be used in the interests of private profit.

- Workers' control in all nationalised industries i.e., a majority of workers' representatives on all national and area boards, subject to frequent election, immediate recall and receiving the average skilled wage ruling in the industry.

- The inclusion of workers' representatives on the boards of all private firms employing more than 20 people. These representatives to have free access to all documents.

- The establishment of workers' committees in all concerns to control hiring, firing and working conditions.

- The establishment of the principle of work or full maintenance.

- The extension of the social services by the payment of adequate pensions, linked to a realistic cost-of-living index, the abolition of all payments for the National Health Service and the development of an industrial health service.

- The expansion of the housing programme by granting interest free loans to local authorities and the right to requisition privately held land.

- Free State education up to 18. Abolition of fee paying schools. For comprehensive schools and adequate maintenance grants—without a means test—for all university students.

- Opposition to all forms of racial discrimination. Equal rights and trade union protection to all workers whatever their country of origin. Freedom of migration for all workers to and from Britain.

- Freedom to all colonies. The offer of technical and economic assistance to the people of the underdeveloped countries.

- The abolition of conscription and the withdrawal of all British troops from overseas.

- A Socialist foreign policy independent of both Washington and Moscow