

WORKERS INTERNATIONAL NEWS

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also

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EDITORIAL NOTES

BRITAIN'S DOLLAR CRISIS

WITH Morrison's "frills" and Cripps' "targets", we now have a complete picture of the measures proposed by the Labour Government to overcome the crisis in the balance of trade and the balance of payments which confronts the British nation. More correctly, we should say we have almost a complete picture; for no picture is complete today unadorned by Ernest Bevin, the Foreign Secretary.

We are assured by Cripps that his target programme is based on the assumption that there will be no further dollar loan in the period under survey. "When we have no more dollars we shall buy no more dollar goods," he told the press after his speech to the industrialists, and added, "It's just as simple as that." But Ernest Bevin's recent pronouncements are not without meaning. His demand for a share in the Fort Knox gold, his statement to the TUC that "we will not be dependent on the East or the West", his kite flying for a Commonwealth customs bloc against the USA, have no meaning except as diplomatic pressure moves in a backstage bargaining for a new "interim" loan.

WALL STREET AND EUROPE The Marshall Plan for large-scale aid in restoring the worn-out capital equipment of stricken Europe is a long-term project. It can contribute little or nothing to overcoming the immediate distress which faces the old Continent. The immediate crisis can be alleviated only by an interim measure. Hence the feverish activities behind the scenes, the open discussions of new dollar allocations, and the excursions to Europe of American politicians and businessmen.

Just what place Britain occupies in the dollar race is not too clear. The American ruling class has divided interests and divided approaches to the question. It is far from homogeneous even in its conceptions of its own interests, and even when convinced of the necessity to make loans, is always prepared to drive the hardest possible bargain.

"Tribune" of September 12th, claims:

"Mr. William Clayton, the State Department's Under-Secretary, has informed Washington that France and Italy need immediate aid if they are to be saved from imminent collapse and Communism, and that Britain would require at least £250,000,000 in dollars to tide her over the period between now and next spring, when the Marshall plan can begin to operate. Mr. Clayton estimated that this gap would remain even after all the cuts announced by Mr. Attlee, and all the increases in the export programme announced this week by Sir Stafford Cripps have been put into operation -- in so far as these can show immediate results.

Washington has been "informed". But it is a pretty grim outlook so far as it concerns the living standards of the British masses, in the period immediately ahead. For it is stark reality that the living standards here will be determined in large degree during the next few months and years by the dollar loans which the US imperialists are prepared to make and which in turn, are determined mainly by two factors: the interests of American imperialism to bolster European capitalism against the working class and against Stalinist Russia; and the necessity for the American imperialists to

export their surplus production, which the internal market of America and the Western Hemisphere cannot purchase.

**ONLY US LOAN CAN MAINTAIN
PRESENT STANDARDS**

The resolution adopted by the National Congress of the Revolutionary Communist Party at the beginning of August, reads in part as follows:

"Out of the needs of sheer self preservation, there has been an enormous disinvestment of British capital in foreign lands. Either Britain must now produce sufficient goods to pay for imports previously paid for by invisible exports, and in addition produce sufficient to pay off some of the debts owed abroad, or the disproportion in the economic relations with the rest of the world, especially the dollar countries, will rapidly result in conditions of crisis.

"The present adverse balance of trade hangs like the sword of Damocles over the economic and social life of the country, threatening economic catastrophe with the resulting savage cuts in the standards of the population. Were these standards based directly on the present relations of exports and imports, it is clear that they would fall considerably. Only the loan from America maintains the present standards and thus the elements of stability, giving British imperialism a breathing space to readjust her industrial machine in her critical hour.

"The difficulties of British imperialism, plus the rising prices in America are exhausting the loan at a more rapid pace than the capitalists and Labour leaders anticipated. For strategic, economic and political reasons, the American imperialists fear the convulsions that would follow a drastic fall in the standards of life in Britain which an abrupt ending of the loan would bring. In order to bind Britain still closer to American imperialism, a new loan on favourable terms is being discussed."

At the time of writing the above we were of the opinion that between the exhaustion of the first US Loan and the granting of the next, there would be no time lapse. In this we were wrong for the following reasons. We overestimated the far-sightedness of the American capitalist class. Since they are not homogeneous and big sections are extremely short-sighted, their reaction to the need to bolster British capitalism by a new loan is not characterised by a sense of urgency. At the same time, because the credit the masses give to the Labour Government is very great, the American imperialists do not see in cutting to a certain extent the standard of life of the British masses as a result of the exhaustion of the dollar reserves, very threatening consequences. At the same time, the American imperialists are trying to drive the best bargain by pressing for the abolition of imperial preference, steel nationalisation, etc.

Some hard bargaining is, without doubt, taking place behind the scenes. The most visible examples are Britain's threat to withdraw the troops from Greece and Germany, and the sudden Bevin-Cripps predilection for a Commonwealth customs union.

**MASSES WILL BEAR
THE BURDENS**

The toiling masses, as always, will bear the burden of the cuts in the living standards occasioned by the drying up of dollars and the

crisis of underproduction from which Britain is suffering at present. Since the termination of the war (1945) the tendency has been for an all-round upward trend in living standards. The tendency of wage movements has been continuously upward. Other concessions such as the forty hour and five day week, and holidays with pay have been granted in many industries. The struggles waged by the workers in this period have been of an offensive character. By means of heavy subsidies, price rises have been kept within bounds and the rationing system has made it possible for the masses to obtain their allocations of basic foodstuffs at prices which made it possible for the basic strata of the population to purchase essentials such as milk and fats which they were not able to afford in the days of mass unemployment before the war.

The swift upward trend of the economy, which is now above pre-war levels of production, the manpower shortage, the sellers market - in labour power as in all other commodities - the increasing strength and pressure of the workers, and the subsidies in the form of dollar loans from America and Canada have made possible the slight rise in living standards and the reforms, meagre though they have been, reforms nevertheless, gained by the British masses since the coming to power of the Labour Government.

With the ending of the dollar loan the situation is changed. Whilst the tempo of production will not slacken, the types and allocation of goods produced and received in return for exported commodities, will undergo a considerable revision.

The proposals of the Labour leaders to meet this situation have nothing in common with socialism. They prepare not only to halt rising living standards but to impose definite cuts, particularly so far as foodstuffs and housing are concerned. The import cuts designed to save £228 million a year aim at cutting food imports by at least £144,000,000. A further £11,000,000 is to be saved on films and £5,000,000 on unspecified consumer goods. All this effects the daily necessities and primary means of relaxation of the workers. The pinpricks against the wealthier sections of the community such as the ending of the basic petrol ration and the cut in foreign travel are almost without meaning. For the most part the ruling class have in any case the means to evade these minor restrictions.

Whilst industry and agriculture will continue to be starved of manpower, over a million of the youth are to remain in the armed forces to guard the foreign preserves of the British ruling class. From a military budget estimated at no less than £900,000,000 for the coming year, only £20,000,000 is to be cut from overseas expenditure, while the food bill of the working class will be hacked by probably £150,000,000.

And the cuts already announced are only "provisional." The estimated debit balance on foreign trade for the ensuing year is some £600 million. This means, as Cripps pointed out, "assuming the continuance of the present price level for imports, we still have to make up £372,000,000 or rather more than £30,000,000 a month by increased exports."

How do the Labour leaders propose to guide the country towards this goal? To exhort the workers to work harder for less pay; to divert production of commodities for home consumption to export; and to cut capital

expenditure, which includes the housing programme and the building of hospitals and schools.

That is the real meaning for the masses of the Cripps proposals. It has already been announced that the Coal Board is to continue with its programme of capitalisation. Simultaneously with the Cripps statement came an announcement of new steel capitalisation projects in Cleveland. Generating machinery is already a top priority. Where are the cuts in capital expenditure to come from? It means the transport system will continue to be under terrific strain. Similarly, the working conditions and safety levels in the light industries will remain at a low level. And as already stated, cuts will be imposed in building and civil engineering including a worsening of the already bad housing conditions and educational and hospital facilities.

Attempts will be made by the ruling class, with the connivance of the Labour leaders, to cut away hard-won rights and conditions of the workers. to "overcome the crisis." Cripps has already warned: "Anything which restricts our capacity to produce must be got rid of with all speed." He does not, of course, speak of the restrictive practices, of the profits and privileges of the ruling class, but only of "certain customary or agreed conditions of employment." Whilst direction of labour is applied to the masses, the industrialists have only sermons directed at them; pious exhortations that the targets can only be achieved "if each one of us puts the interest of our country first and his personal interest a bad second."

No real measures are to be taken against the capitalists. Not even the application of the classical reformist panacea, the capital levy; not even an attempt to extricate the millions of pounds stored up in cash all over the country by the capitalist black marketeers. These illicit gains, which constitute an inflationary pressure on the economy already overburdened by the legitimized plunder of the capitalist class, could be wiped out overnight by calling in the currency. And no-one would suffer but the big scale racketeers. Instead, the sanctimonious President of the Board of Trade lectures these vultures thus:

"With more exports we shall experience at least temporarily a contraction of supplies of consumer goods on the home market, and this will favour the expansion of the black market. I do beg that everyone will review their own ideas on this matter, and will decide that they must not only abstain themselves from dealings in those markets but they must help by giving information as to persons who continue to deal in them."

And underlying his new-found faith in the integrity of the British capitalist class, whom he so faithfully serves, Sir Stafford concluded:

"There are things of infinitely more value than any material rewards that we can gain by high profits or wages and conditions which the nation cannot for the time being afford. Honesty of purpose, justice between man and man, sympathy and understanding in difficult times, the comradeship of united action in adversity, all these are a thousand times worth while and point the way to action that will save our country and assure its influence and power in the world of the future."

What is it to have a conveniently short memory! Had Cripps, carried

away by his eloquence, slipped into reminiscences of his beliefs of ten or twelve years ago, he would probably have repeated some words of his Socialist League days far more apposite and commendable: "I am more certain than ever that within capitalism there is no hope of social justice. A progressive government which refused to abandon capitalism would merely precipitate a fresh crisis which would lead to its suppression by a parliamentary or extra-Parliamentary fascist regime."
(The Choice for Britain - page 5)

Sir Stafford Cripps, the Minister, easily forgets the words of Stafford Crapps, the "rebel" of the Socialist League. Let us remind him of ^{his} attitude as a "rebel" which impelled him to write: "Of all the sentiments which move masses the pseudo-patriotic or nationalist one is still the most potent. Linked to an appeal to the 'best instincts' of human nature -- a call for sacrifice for the common good -- it drives out all reason. Millions of workers rally to the standards of their enemies, victims of a colossal fraud."

What is needed are not sentimental pseudo-patriotic appeals for the "common good," but a clean break on the part of the leaders of the working class with the capitalist class. What is needed is a socialist economic plan - a call to action which will drive the capitalist class with its profits out of the economy; a programme which takes into account not only the interest of the producers; which has as its central feature the taking over without compensation of all the basic industries and means of production and their operation under workers' control. By these means alone will it be possible to drive the economy forward and ensure that it serves the interests of the workers.

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A comparison between the Second and the Third Labour Governments

IT is now more than two years since the Labour Party came to power. Developments inside the Labour Party and movement, the mood and attitude of the working class to the Government in the present period can be better understood by a comparison between the Second and the Third Labour Governments and the economic and political conditions in which they functioned, especially in the first two years. Despite cuts announced as a result of the dollar crisis, these cannot be expected to have immediate results in a fundamental transformation of the attitude of the working class, following the reforms granted by the Government in its first period of functioning in a period of "full employment" and shortage of labour.

The Second Labour Government functioned in a period of slump and mass unemployment, of offensive on the part of the employers against the standards of the working class, which rapidly led to a crystallisation within the Labour Party in the development of a left wing. The Third Labour Government came to power at a time of economic revival and full employment and the employers have difficulty in withstanding the offensive of the working class. This has necessarily delayed the inevitable differentiation within the Labour Party and the crystallisation of the left wing.

THE ECONOMIC BACKGROUND TO THE SECOND LABOUR GOVERNMENT The whole life and activity of the working class and their attitude towards the Second Labour Government was coloured by the economic background of mass unemployment and world slump. Precisely because of this, the Labour Party came to power with tremendous enthusiasm from the basic section of the workers, who had high hopes that Labour would introduce extensive reforms, above all, abolish unemployment and alleviate the lot of the unemployed.

Unemployment was the main issue on which the Labour Government succeeded in rallying basic sections of the working class. In the election manifesto, "LABOUR AND THE NATION", the Labour leaders boasted: "We can conquer unemployment." In their election propaganda, the Labour leaders promised, apart from the provision of work, that the unemployed be treated in the traditional manner demanded by the Labour movement: "Our palliative measures for dealing with unemployment are simple. We claim full and complete maintenance for those who cannot find work." (Declaration by George Lansbury in election propaganda in 1929).

For the relief of unemployment, the Lord Privy Seal, J.H. Thomas, announced that £6,500,000 would be made available for railway development, and £43,000,000 on road development and bridges over 5 or 6 years! This was greeted with ironical approval by the Tories, who jeered and baited the Labour leaders for their timidity.

Churchill greeted with malicious enjoyment, the King's Speech at the opening session of the Labour parliament, as he gave Tory approval to the proposed measures, but deplored them as mere palliatives: "I am glad to see old parliamentarians whom I have known for a quarter of a century, who have played so distinguished a part in our proceedings, having at last their turn and their share in the responsibilities of Government, and testing what are called by those who have not long experienced them 'the sweets of office.' I also look forward to having the Financial Secretary to the Treasury deliver to us a clear exposition of the gold standard and the solid advantages which it will

confer upon the country; and generally to defend orthodox views upon financial matters. No doubt the Financial Secretary to the Treasury will be able to do this when his education by the treasury officials, the Bank of England, and the high financial authorities of the City of London has been completed..."

"The creation of the Socialist Party has been an astonishing thing. I have seen it grow in the course of 30 years from a handful to the largest Party in the House of Commons... They have ranged great masses of the British people under false and foreign conceived standards... They have built it up (power) by fomenting class hatred and organising industrial strife. They have dabbled in subversive agitation. They have pandered to rancorous appetites which they know they can never satisfy. It is now their fate, it is indeed their punishment, to have to disappoint those who have believed in them and have believed what they have said, and to discard or explain away the doctrines by which they have risen to great power... As long as His Majesty's ministers are content to administer and by administering, to fortify the capitalist system of civilisation on which we have grown great, and on which the United States is growing greater, there is no reason why they should not enjoy, although they are a substantial minority in the country, a lengthy tenure of office."

He went on to explain that the moment the Labour Government adopted "Socialist" measures (i.e. nationalisation measures), they would be swept immediately from office by their opponents.

But the Labour leaders did not even attempt to introduce such legislation, using the excuse of their minority position in Parliament. Instead of introducing a bill on nationalisation, being defeated and then going to the country on the issue, the Labour leaders were only too glad to use the excuse to do nothing.

As a relief for unemployment, the Government announced it would assist the rationalisation of the iron and steel trades, of cotton, the mines and the railways. Unemployment in iron, steel, transport and cotton were the sore spots.

At the same time, Thomas announced a brutal programme of emigration to the Dominions and the Empire, and the migration from the areas of the heaviest unemployment to other areas by direction from the Labour Exchanges. "Durham, Northumberland, Lanark, and places like South Wales have got this great mass of unemployed and, as far as one can see, there is no hope of dealing with those people unless we get them out of those districts."

Commenting on Thomas' speech, Lloyd George said: "It seemed to meet with the whole-hearted approval of the late Chancellor of the Exchequer; (Churchill) at any rate, he could not conceal the satisfaction it gave him, and he assured the Lord Privy Seal that on the whole the schemes which had been sketched out would receive the support of the Conservative Party. I assume that the outline given will give satisfaction to hon. Members opposite. I am not quite sure that the unemployed will be equally pleased."

On the proposals for mining rationalisation and marketing, and concessions to the miners on hours, Lloyd George jeered:

"I do not say they are betraying the miners, because they cannot carry out nationalisation. They are going to carry what they can, and I think it right, but I am bound to point out that they are proposing to do now what they rejected in 1919."

During the course of the discussion, one of the Tory spokesmen dealing with the helplessness of the Government in face of the situation, said: "In this atmosphere, we all practically avow that unemployment depends upon forces that this House cannot control."

(Lord H.Cecil, 3 July 1929. (Hansard col.162).)

In commenting on Labour's programme, the Tories openly proclaimed that the task of the Labour Government was to preserve capitalism intact. Robert Boothby in a speech reflecting the tone of the Tories, said:

"It may be one of fate's little ironies that the principal task confronting the present so-called Socialist administration should be to make great Britain safe for the capitalist, although we all know that it has been one of the most cherished ambitions of the Prime Minister and the Chancellor of the Exchequer. All I would say is that I really think they can afford to be a little bold, to tackle the question a little more vigorously, without doing any very serious damage to the economic structure which they have abused for the last 30 years and which, they are now so pathetically anxious to preserve intact." (4th July, 1929).

Despite the victory of Labour at the polls, the Tories and the Liberals still had tremendous confidence in their class and their ability to handle the working class, especially their leaders.

The programme of the Labour Government of 1929 was on orthodox capitalist lines. It was one, moreover, which could not be dressed up in palatable form as far as the more conscious elements in the working class were concerned.

In addition, the Labour Government came to power at a time of economic world crisis, which steadily deepened during their term of office.

In 1929, the production of coal reached 257,907,000 tons; steel 9,636,000 tons; railway freights handled amounted to 57,559,000 tons and the number of passengers on the railways was about 869,000. In the succeeding years, production dropped steeply, till in 1931 coal mined was 219,459,000 tons; railway freights handled 47,552,000 tons, and railway passengers carried numbered 848,000. Meanwhile, Britain's trade with foreign nations dropped catastrophically.

Just before the Labour Government took office, the number of unemployed was 1,165,000 in May 1929. This was 9.7% of the insured workers. By February 1930, this had increased to 1,582,000, over 13% of the insured workers. And if all those who were deprived of benefit; or in receipt of assistance were added, the total would have been 2 million youths and adults. In the basic trades, there were 13.2% unemployed in the mines, 22.7% in steel smelting, 24.6% in shipbuilding, 24.2% in cotton, 21.1% in woollen and worsted, and 18.3% in the building industry.

Under the conditions of world slump and crisis, the bourgeoisie wished to utilise the mass unemployment in order to drive down the standard of living of the working class. Throughout the period of the Labour Government, the emphasis was on the intensification of labour and the cutting down of wages. The miners, the railwaymen, the cotton and woollen workers, and others, suffered cuts. Hand in hand with the rising number of unemployed, went the intensified attacks of the employers. And the Labour Government went hand in hand with the employers in the attacks on the unemployed and the employed workers.

Then, as today, the Labour Government waged a similar campaign for "increased production", but at lower rates of pay and at a time when, it had become clear to the advanced workers the capitalist system had resulted in the crisis of "over-production." The Government was demanding sacrifices from the workers. In the fake conferences of the Trade Union officials and the employers called by the Labour Government, "sacrifices" was the main theme of the government spokesmen. Thomas announced to the House of Commons on April 4th, 1930, in regard to these meetings: "The House will be pleased to know that I have found no difficulty there, but that on the contrary, there was a frank recognition on both sides that changes and sacrifices would have to be made in order to pull the country through."

This campaign was being waged at a time when the 90,000 capitalist super-tax payers were deriving as revenue from the production of the workers, the staggering sum of £550 millions a year.

THE POLITICAL REFLECTION WITHIN THE LABOUR PARTY

Right from the beginning of the Second Labour Government, pressure began to be exerted by the left-wingers under the influence of the

crisis and in response to the mood of the membership in the country. Maxton, speaking for the "Clyde Bloc" immediately began to reflect the disillusionment of the advanced elements within the Labour movement.

"Frankly I would be dishonest to my right hon friends if I did not express very plainly my complete dissatisfaction with the King's Speech, and with the speech of the right hon. Gentleman the Lord Privy Seal in detailing one particular part of the King's Speech...

"I hope the legislation arising out of the King's Speech will not be as much whittled down, compared with the King's Speech, as the King's speech was whittled down from "Labour and the Nation," or there will not be very much left for us...

"About one week before the late Parliament dissolved, the right hon. Gentleman who is now the Home Secretary described the administration of the Employment Exchanges in their dealings with unemployed men as 'administrative persecution', I think. As far as I know, the methods of administering Employment Exchanges today is exactly the same as it was when that statement was made. Now that ought to stop. It is an administrative matter... There are 2,000 people packed into our great Poor House in Glasgow - now - with a Labour Government in office; told that they must either go into the Poor House, in which case their wives and children will be maintained, or they will be taken up for cruelty to children and put into gaol..."

The I.L.P., traditionally the organisation of the most advanced of the Labour workers, reflected immediately the growing ferment within the ranks of the working class.

Right from the start of the Labour Government, they raised a running fire of criticism, particularly on the issue of unemployment. The world situation was such as to encourage the growth of revolutionary aspirations and ideas among the working class. The complete incapacity of reformism to fulfil its promises of moving towards a socialist system by gradual measures through parliament, was demonstrated in action to the advanced workers. Far from granting even mild reforms, the Labour leaders were compelled to launch attacks upon the standards of the workers. Naturally, this provoked dissatisfaction, and under pressure of these events, the I.L.P. began to swing left and to express the groping movement of the advanced workers in the direction of communism.

Nevertheless, among the mass of the workers, particularly the unorganised and backward sections, the first result of the growing unemployment, of the wage cuts, was to compare the result of five years of Tory Government with their deteriorated position under the Labour Government. As a consequence, we had the paradox that while the advanced workers were swinging left, the backward elements within the working class and middle class were swinging right towards the capitalist parties. Even in Labour strongholds, the vote of the Labour Party was falling, while that of the Tories and Liberals actually increased over their 1929 figures.

The ultra-left tactics of the Stalinists tended to alienate the workers from the Communist Party, except among the ranks of the most desperate sections, above all the unemployed where they gained considerable basis.

In the municipal elections a like situation was reached. The Labour vote dropped, a section abstained, and bigger sections went over to the capitalist parties.

While this peculiar and temporary process was taking place within the broad masses, the trade union and labour workers were disheartened and embittered, even though remaining loyal to the Labour Government as a minority government, the eyes of the more advanced strata within the Labour Party were opened. The left wing members grew bitter, their criticism of the Labour leaders more extreme; and this development among the rank and file pushed the I.L.P. further to the left. Under the pressure of events, the I.L.P. leadership swung also to the left.

The I.L.P. as an organised opposition, led the struggle in the Labour movement. However, despite the broad support and tradition, the number the I.L.P. succeeded in attracting was never at any time large, in proportion to the numbers of the organised workers generally. The mass of the Labour workers belonged to the Labour Party passively as individual members, or through their affiliation in the unions. The dues-paying membership of the I.L.P. in 1909 was 28,000; in 1914 it fell to 20,000, and in 1920 in the first post-war wave, it reached its highest point at 37,000. At the time of disaffiliation from the Labour Party, the I.L.P. had under 12,000 dues-paying members.

During the 1931 crisis, the bourgeoisie began a furious offensive against the Labour Government. They demanded economy cuts in the standards of the state employees, and a further reduction in the low standards of the unemployed. The Labour Party tops conspired with the capitalist class in order to prepare the way for a coalition government.

But the General Council of the T.U.C., expressing the pressure of the organised workers, came out against the economy cuts, and the I.L.P., which nominally had a great section of the Labour M.P.'s within its ranks, conducted a campaign against the acceptance of the recommendations of the Royal Commission which had been set up by the Labour Government to review the situation.

The T.U.C. leaders demanded that the Labour leaders should rather resign than accept the economy cuts and make themselves responsible for an attack on the standards of the unemployed. Thus, the opposition of the masses to the reactionary measures of the Labour Government were reflected by the Trade Unions, which outwardly played the part of a semi-opposition to "their" Government, and tried to act as a safety valve to the opposition of the masses.

As a result of the feeble policy of the Labour Government, its vicious role in assisting the employers in attacking the standards of the workers, the growth of the crisis, the enormous rise in unemployment to the greatest height experienced in history, the masses became disillusioned.

The lack of a mass revolutionary alternative, the traditions of Britain, the peculiar electoral system, led the bourgeoisie, skilfully utilising the desertion of the top upper crust of the Labour Party, to panic the masses and crushingly defeat the Labour Party in the General Election of 1931.

The I.L.P. supported the Labour Party at the General Election. But these events could not but lead to tremendous repercussions within its ranks. Despite the centrist vacillations of the leadership, the rank and file became more and more imbued with a hostility towards reformism, and drove the leadership forward. In 1932, after the fall of the Labour Government, the I.L.P. Conference decided by 241 votes to 142, to disaffiliate from the Labour Party. Because of its failure to transform itself into a Marxist Party, the ILP was doomed to vegetate with the political changes in the years that followed.

Thus, the Second Labour Government, in its two and a half years of office, functioned continually in the shadow of crisis, wage cuts, and unemployment. On this background, the measures adopted by the Labour Government characterised by orthodox capitalist timidity, had no power of attraction for the masses, especially the advanced strata. As a consequence, there developed a tremendous left ferment within the ranks of the Labour Party, which reflected itself in the move of the I.L.P. in a revolutionary direction, resulting in the transformation of the I.L.P. from a left reformist into a centrist current.

In such an atmosphere, the clashes between the reformist leadership and the rank and file led to a differentiation within the reformist organisation. A leftward development of the working class always finds its reflection in a period such as this, in the formation of centrist and left reformist currents and tendencies within the mass labour movement.

TWO YEARS OF THE THIRD
LABOUR GOVERNMENT

The background of the Third Labour Government both economically and politically, is strikingly different to that of the previous Labour Government. As a result, there has been a much slower tempo of developments.

From unchallenged supremacy for four or five decades, British imperialism has dropped to the level of a second rate power. Her industrial supremacy has been largely undermined through technical backwardness in the basic industries of the country. The two world wars, especially the last, have enfeebled her hold on the Empire and former satellites in the sterling bloc, which Britain had established after 1931 in the endeavour to shelter from the competition of, above all, American imperialism.

A large part of the accumulated wealth which Britain piled up in the past centuries has been dissipated and lost during the war. Britain's invisible exports have as a result, declined drastically. The unfavourable balance of trade payments still remains, and must remain. A great part of the investments and income which the City of London made on loans, commissions and insurance, has fallen into the hands of New York. Thus, the perspective of British imperialism is bleak indeed, faced as it is with the imperative need to re-equip its basic industries by huge capital expenditure, and simultaneously increase its exports above pre-war.

In contrast with the earlier confidence in their mission and their hold over the Empire, the British bourgeoisie of 1945 had lost complete confidence in themselves in face of the collapse of their world position. They were paralysed and saw no perspective for their class. The decay of the capitalist system and the obvious necessity for drastic measures, emboldened the petty bourgeois leadership of the Labour Party. This, coupled with the radicalisation of the masses, imbued the Labour leaders with a greater confidence. They had a "plan": the rationalisation and modernisation of the basic industries which the individual capitalists and trusts had brought to the brink of utter ruin. They saw as the cure for the ailing basic industries of British imperialism, nationalisation under the control of the capitalist state. They thought their programme of state capitalism, which they put forward as socialism, could reorganise British capitalism and save it from collapse.

The nationalisation measures of the Labour Government, unprecedented under capitalism before the outbreak of the last war (though paralleled by similar developments on the continent of Europe) provoked only the mildest opposition from the bourgeoisie. To have nationalised even the mining industry in 1929, would have provoked a movement among the bourgeoisie which would not have stopped short of the most violent reprisals and conspiracy. The opposition would have gathered around the House of Lords and the Monarchy, which remain reserve weapons in the hands of the ruling class, and which they would have used to block such a measure - even if the Labour leaders had had the overwhelming majority in the House of Commons. But today, apart from minor changes which they have introduced to demonstrate the powers they possess, the Lords have allowed these measures of nationalisation to go through without attempting to operate their right of veto, and the King has signed the nationalisation bills. Only in the case of steel was any real opposition offered by the capitalists, before which the Labour leaders retreated somewhat, - although they have announced that steel nationalisation will be proceeded with.

Far from challenging these nationalisation measures, which in the eyes of the workers are the beginnings of the transition to socialism, the most repre-

sentative Tories have announced that they will not undo the nationalisations that have taken place if they are returned to power in the future. The nationalisations put into operation so far will be beneficial to the capitalist class and as such, the Tories are prepared to accept them.

The shattering defeat which was inflicted on the Tories in the general election has forced them to bide their time. Only now are they beginning to recover from the effects of their defeat. Utilising the discontent of the masses and of the backward strata of the workers, the conservative representatives of British imperialism are beginning to recover their confidence and look towards the future with the perspective of being returned to power.

BACKGROUND OF ECONOMIC UPSWING AND "FULL EMPLOYMENT"

The Third Labour Government came to power in a period of economic upswing in contrast to the experience of the Second Labour Government which was elected in the midst

of world-wide over-production, crisis, stagnation of production, and mass unemployment. The tremendous destruction caused by the war and the world wide famine in capital and consumer goods created a sellers market. Even America is not able to supply the internal and world markets with the goods which are in demand. The products of British industry find a ready market and have created the conditions for an economic boom. The American loan gave the Labour Government the possibility of maintaining the balance of payments and thus the elements of stability in its economy for the first two critical post-war years. Without it, the standard of living of the workers would immediately have dropped to catastrophic levels. But the loan, while it lasted, cushioned the shock and even afforded the Labour Government the possibility of introducing improvements in the standards of living of the working class. Under the pressure of the workers, the Labour leaders introduced a series of reforms. The workers adopted a sympathetic attitude towards the Government and have been prepared to wait and see, rather than launch into a series of great industrial strikes and struggles. All this has led to a different tempo of development from the corresponding period of the Second Labour Government.

The overall production in the first two years of the present government has been 10 to 20 per cent higher than pre-war. In fact, overall production has reached record heights. Far from being faced with the problem of mass unemployment, there has been a chronic shortage of labour. Unemployment is well below the margin of the industrial reserve army. The number of unemployed in August 1947 was less than 300,000. Compared to the figures of the past, this is negligible, and has served to strengthen the illusions in the minds of the Labour supporters that the Labour leaders are seriously coping with the unemployment problem.

The economic upswing constitutes a favourable period for the workers to exert pressure on the employers for wage increases and improved conditions. Especially does this hold good for the highly organised workers, who constitute the backbone of the support for the Labour Government. In the first two years, the wages of over ten million workers were increased on the average by nearly £1 per week. At the same time, six million had their hours reduced on the average by three hours a week without reduction in pay. Even after the breaking of the dollar crisis 840,000 workers received increased wages totalling £340,000, and 250,000 had their hours reduced on the average by $\frac{3}{4}$ hours per week.

These gains were somewhat offset by the rise in prices. But they have made a profound impression on the consciousness of the British workers.

The nationalisation measures, the existence of full employment, the reforms and semi-reforms in the social services, have resulted in an entirely different mood to that which existed in 1929-31. In the eyes of the overwhelming majority of the Labour workers, the Labour leaders have attempted to carry out the programme on which they were elected.

The Second Labour Government, in the midst of a slump, slashed viciously at the standards of the masses all along the line. The existence of the boom, coupled with US aid, gives the present Government the possibility of bending under the pressure of the workers. Mass unemployment and the existence of the industrial reserve army acted as a leaden weight on the feet of the British workers during the Second Labour Government. The present condition of full employment creates favourable conditions to resist attacks. With US aid cushioning the blows at British capitalism, the bourgeoisie can still retreat in the face of a strong offensive on the part of the working class.

POLITICAL REFLECTION INSIDE
THE LABOUR PARTY

Given these conditions, the British workers, while willing to struggle on the industrial field, have extended and are prepared to extend considerable credit and political

loyalty to the Government.

The striking difference between the position in 1929-31 and the present, is that in the former case, powerful opposition developed within the Labour Party on home affairs, which assumed terrible urgency in the lives of the workers. In the previous Labour Government, the foreign policy was based on pacifist demagogy and was largely endorsed by the "lefts." What feeble ^{today} opposition has developed in the Labour Party and Parliamentary Labour Party has been on the issue of foreign policy. But the opposition on foreign policy collapsed because of the weakness of British imperialism which resulted in the forced withdrawal from India, partly from Egypt, and now the government declaration regarding its preparedness to withdraw from Palestine. Moreover, an opposition, while it is confined in the main to foreign affairs, cannot hope to attract the support of the broad masses away from the right wing. Thus, the right wing Labour leaders have been able, owing to Britain's weakness, to pose as "liberators" of the colonial peoples with a "socialist" foreign policy as against the blatantly imperialist policy of Churchill and the previous Tory governments, and even the previous Labour Government.

The policy of the Government on home affairs has been largely endorsed by the so-called opposition. - A striking contrast to the situation in the Labour Party in the previous Government. An instructive episode was the difference in attitude of the late James Maxton of the I.L.P., who welcomed enthusiastically the programme of the Third Labour Government and its suggested legislation.

The collapse of the "lefts" at the past two conferences of the Labour Party since the formation of the Labour Government, especially the miserable and ignominious defeat at the last one, was not at all accidental but rooted in the objective developments of events. In contrast to the previous Labour Governments, far from the lefts gaining in support, the present period has been marked even during the dollar crisis, by a strengthening of the right wing leadership in the LP. It reflects the mass consciousness in the past two years. It is a law of development within the mass organisations of the working class, that left reformist or centrist currents develop on the basis of deep-seated opposition to the right wing leadership on the part of the rank

and file. Currents of opposition within the labour movement will not flourish without mass backing. The "leaders" are pushed from below by the pressure of the rank and file. It is thus that the processes in the country reflect themselves through the opportunist leaders inside parliament and within the mass movement. Where deep-seated processes of differentiation have not taken place, the "opposition" can only make the feeblest of gestures.

This mood of "wait and see" has had peculiar results inside and out of the LP. The masses are going through the experience without, up to the present time, directly participating in the life of the LP. In the last period the reflection of the economic and political situation has been a general political lull which has affected not only the LP, but all left wing organisations. The circulation of the left wing Labour press has dropped considerably. The rump of the ILP, incapable of withstanding the lack of political life in the workers' movement, is fast disintegrating. The Communist Party has suffered heavy losses since Labour came to power. While losing support in the political field, they have however, entrenched their positions in the Trade Unions where they are preparing points of support for a surge forward in the period that lies ahead.

An important element in the stability of the Labour Government has been the fact that the Stalinists have consistently attempted to sabotage any movement of the workers in the direction of struggle, and have rendered powerful support to the Labour leadership. Had the C.P. come out in a full-scale campaign against the Labour Government on a "left" programme, encouraging instead of sabotaging strike struggles, the difficulties of the Government would have been immeasurably increased.

After the first honeymoon period, the Labour leaders have been compelled to call a halt as a result of the drying up of the American loan at an unprecedented speed. They thought it would carry them through until 1950. After two years of reforms and semi-reforms, they are now introducing counter-reforms. With the ending of immediate American aid, resulting in the "gap" until the Marshall Plan is put into effect, the Labour leaders have embarked on a plan of "austerity." They have begun to make cuts in the consumption of the masses. Beginning with the middle class, whose standards are affected by the basic ration cut in petrol and the restrictions on travel abroad, there has come the cut of 14 per cent. in the meat ration, and a reduction in clothing, household and other consumption goods, which also affect the working class. At the same time, these are announced as only the first of more cuts to come. Freezing of wages, slashes in subsidies, longer hours, have been among the suggestions of the Tories and their representatives. However, under the pressure of the Trade Unions, the Labour leaders have retreated on the wage freeze, and while longer hours are being introduced, they are to be worked at overtime pay. A general intensification of labour is demanded of the working class.

But these attacks, coming as they do on the background of reforms introduced in the first two years, will not provoke immediate repercussions among the workers on a similar scale in the corresponding previous period. The reaction of the workers will first be seen on the industrial field, with a political reflection only at a later stage. This was clearly seen in Grimethorpe, where the miners evinced a bitter hatred for the capitalist Coal Board, but at the same time expressed their unshaken faith and confidence in the Labour Government. In two by-elections held soon after the crisis cuts were announced, Labour retained its seats, even in so marginal constituency as Edgely.

It is the US imperialists' appreciation that Labour can "hold the line" in forcing sacrifices from the workers without serious immediate repercussions,

that has led them to the decision that Italy and France will be given immediate aid in the interim period, and that Britain can wait. They gave Britain the biggest loan that any European nation has hitherto received, because Britain was their most important base in Europe. They know that there is no likelihood of an immediate turn of the masses against the Labour Government. If the pressure of the working class becomes strong, the reserves of Britain will have to be used and then America will come to her assistance.

As a result of the cuts, the struggles on the industrial field will be intensified. Any attempt to make far-reaching and serious inroads into the standards of the masses will be followed by a series of strike struggles which will shake the Labour Government. But it is precisely the recognition of this factor which stays the hand of the Labour leaders. In the last two years, the moment the workers took to militant struggle (dockers, transport, miners) important concessions were granted. In the period of counter-concessions, the moment the workers show evidence of strong militant resistance, the Labour Government and the employers will be compelled to retreat. The relationship of class forces in a period of economic boom and full employment, plus the foreshadowed loan, makes it more expensive to provoke a widening series of strike struggles, than temporarily to retreat, exert further pressure on the workers, and then, if necessary, retreat again.

While the Marshall Plan will further enslave the Western European countries - including Britain - and tie these countries to the needs and orientation of Wall Street, it will at the same time tend to balance the economies of these countries in such a way as to ensure a rising curve of economic development in the next few years. In Britain, this will result in relatively stable economic and political relations. Sections of the workers will inevitably come into collision with the Labour Government on many questions. If further sacrifices are demanded from the workers large scale industrial struggles will result. Opposition to the leadership will spread inside the Labour Party itself. But no great break-away can be expected during this period.

Reformism is deeply rooted in the ranks of the British working class. Before any large-scale turn from Labour to more radical politics can be visualised, the Labour Party's policy must be fully experienced by the working class. The total incapacity of the Third Labour Government to transform society and create stable economic conditions for the mass of the population will be most fully exposed in the period of the next world-wide slump of capitalism. The basis of reformism will be shattered. The Labour Party will be rent from top to bottom. The workers, especially the most militant and courageous, will seek radical and revolutionary solutions, whilst the capitalist class will really begin to subsidise and organise the fascist movement in preparation for a deadly reckoning with the working class.

All the illusions of the Labour leaders will come up against the stark reality of declining capitalism - above all, the collapse of British imperialism. The economic base for reformism will have the ground cut away from beneath it. America, faced with her own crisis of over-production and slump, will not be able to continue to bolster up British capitalism. The complete inadequacy of reformism, even to give lasting reforms, will be revealed. In the upheavals that impend epoch, with the active participation of the Revolutionary Communist Party in the mass struggles, the ideas of the Fourth International will find a mass response among the British working class.

THE UNITED STATES IN WORLD ECONOMY: THE BASIS OF THE MARSHALL PLAN

..... T. Cliff

This is the first of three articles on the role of the United States in world economy. The second will deal with the problem of Europe's economic-political situation and its effects on U.S. economic policy.

The third will deal with the conflict between Russia and the United States and the strategy of U.S. imperialism in its preparations for the inevitable war with Russia if capitalism is not overthrown.

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In the nineteenth century, United States economy was subordinate to European capitalism. With her population swelled by the absorption of tens of millions of ruined peasants, artisans, unemployed workers, etc, who migrated from Europe, she became the biggest market for European, in the main British, industry. She also developed into the biggest field for capital investment and was an important source of cheap raw materials and foodstuffs. Endowed with unbounded natural wealth, unhampered by feudal impediments to the development of the productive forces, and with the masses enjoying a relatively high standard of life which compelled the American capitalists from the beginning to base themselves on a developed technique, America could readily absorb all the European labour power, commodities and capital that streamed towards her shores.

The same factors, however, also explain why, in the space of a few decades, her colonial character disappeared and she transformed herself into the mightiest imperialist economy. Already in the 1880's, the United States produced the greatest volume of industrial products of all industrial countries. In 1914, she produced 35 per cent of world industrial production, while the whole of Europe produced 53 per cent.

The greatest changes in the relations between U.S. and world economy took place during the first world war when Europe's industrial production declined by a third, and United States production rose by about a quarter. From a debtor country she became a creditor country, second only to the United Kingdom. The end of the first world war saw America supplying more and more than 40 per cent of world industrial products.

The increasing weight of United States capitalism in world economy was even more clearly revealed in the 1922-29 boom, in which American loans played a role of prime importance. In 1929, United States national income in terms of dollars was as big as that of the United Kingdom, Germany, France, Japan, Canada, and another 18 countries together. (This evaluation should really be modified by taking into account the fact that U.S. prices were higher than in the rest of the world in general, and this would somewhat diminish the relative magnitude of her national income.) In the years 1919-29 the United States tied world economy to herself through the loans she gave to other countries, which were far greater than those given by Britain, France, Holland, and the other imperialist countries together. But even more clearly than in

the stabilisation of the 20's did the subordination of world economy to that of the United States reveal itself in the crisis and depression of the 30's. The crash in Wall Street was a major shock to world capitalism.

During the second world war, the shift in the relation of forces followed the same tendency as before and was much more accelerated. While European production declined, United States production rose by more than 50 per cent. While in Europe towns were devastated, in the United States 24 new towns arose. Millions of workers migrated to new regions whose economic importance increased. Thus, for instance, the district of Los Angeles which before the war was mainly agricultural and contained only a small number of light industries - films, cosmetics, furniture, etc, - became an important centre of heavy industry. This district alone annually produced double the number of aeroplanes than the whole of Germany produced, and four times the number that Japan did. The new shipyards of California in one year built more ships than the rest of the world together. We can safely say that United States production today accounts for at least two thirds of world industrial production.

In the nineteenth century, to understand the development of the United States, one had to begin with an analysis of world economy; today, to understand the development of world economy one must begin by analysing the economy of the United States. Let us, therefore, first examine the internal contradictions in American economy at the end of the second world war.

THE INTERNAL CONTRADICTIONS IN U.S. ECONOMY AT THE END OF WORLD WAR II -

During the second world war, U.S. production rose more than 50 per cent (1939-44) - an enormous disproportion between the rise in production and the rise in consumption. This means that the rate of accumulation increases relatively to consumption and to wages, and consequently that the process of increasing disproportion between production and consumption is cumulatively accelerated. The fact that the equilibrium of United States economy did not break down despite the great lag of consumption behind production, can be explained in only one way: that the war consumed the major portion of the surplus value produced by the workers, so that there was neither a quick accumulation of real capital nor a crisis of overproduction. The war cost the United States 336,000,000,000 dollars. Even if we allow for the rise in prices during the war, this is a colossal sum when we bear in mind that all the capital equipment of the United States in 1938 (railways, factories, public utilities, business buildings, farm equipment, etc) amounted in value to 133,000,000,000 dollars, we can see that if not for the war, this 50 per cent rise in production accompanied by the tardy rise in civil consumption would have resulted in a catastrophic economic crash.

The contradictions in the United States economy that remained latent because of the war will more and more come into prominence. Had towns, railways and industries been destroyed during the war, then for a certain period their reconstruction would have absorbed a large part of the industrial production of America. This did not happen, and more than this, the wear and tear of machinery, buildings, etc, was more than covered by new investments during the war. This does not mean that the wear and tear in every industry and every individual enterprise was covered by the new investments. As a matter of fact, as far as peace-time industries are concerned, not only did new investments not cover the wear and tear, but they were 4,100,000,000 dollars less for the

whole period of 1939-44. Thus, many industries and many enterprises were at the end of the war in need of millions worth of investments in order to make good wear and tear.

A similar effect is produced by shifts in the centres of industry. During the war much of the weight of the economy moved to new centres: Texas, the North Western Region near the Pacific, and California rose to industrial importance, while the North Eastern Region and the states around the Great Lakes relatively declined. With the end of the war, the reverse process is to some extent taking place. This too, involves large new investments of capital.

The tremendous pent-up purchasing power for consumption goods in America, and primarily durable goods such as cars, refrigerators, etc, is also a notable factor which prevented the contradiction between production and the markets from breaking out in a crisis immediately after the war, or even a few months later. We must not, of course, exaggerate this pent-up purchasing power. During the war, the consumption of everything in the United States rose except for cars and metal household goods. Even as far as cars are concerned, purchases during the war were as much as about half of pre-war purchases. In other words, to make up for the six years of war a production equivalent to three peace-time years is needed, if we are to assume that the American people will recover all the cars lost during the war. In 1941, a peak year of car production, the total price of the cars produced was 3,700 million dollars; for three years this would be about 11,000 million dollars. This is indeed a large amount; but compared with the war production of, for example, aeroplanes (even allowing for the rise in prices), it is not so great. Thus, in one year alone, 1943, the value of aeroplanes produced in the U.S. amounted to 20,000 million dollars.

But all these factors -- the necessity to cover wear and tear of industry, the shift from war to peace production, changes in the location of the centres of industry, the pent-up purchasing power of the people -- can postpone the catastrophic outbreak of the contradictions between U.S. productive capacity and the internal market for but a few years at most. Seeing that the national income of the US today is by far the greatest that history has seen, and the rate of accumulation also very high (in 1946 16.5 per cent of the national income went to private capital formations as against 12.1 per cent in 1929), the US must within, at most, a few years be faced with the most gigantic over-production of commodities, capital and labour power. In 1944 the Government Committee for Economic Development estimated that if US production declined to the level of 1940 there would be 15 million unemployed. This year or next, with the high rate of accumulation and the rise in productivity of labour, a decline in production to the pre-war level would throw a much bigger army of unemployed onto the streets than the 1944 estimate.

One means adopted to ease these contradictions is the big military budget. But although the military budget for the year 1946-47 was 12,000 million dollars, even this large sum is but a palliative and unable to bridge the gap between productive capacity and the internal market. US capitalism therefore seeks other means.

U.S. FOREIGN TRADE AND LOANS

Foreign trade will enter as one of the main factors in the attempt to ease the contradictions of US capitalism. But here the US will immediately be faced with an obstacle in that she has to a much lesser extent than British, German or French capitalism, been dependent on foreign trade. Thus, while the volume of US industrial production in 1929 was about 4 times greater than that of Britain, her foreign trade was only 6 per cent greater than that of Britain. Till the second world war, foreign trade made up only about 5 to 8 per cent of US production.

There are still other difficulties the US is faced with in an attempt to expand imports. British capitalism, which has developed her industry and neglected her agriculture, exports finished industrial goods, and imports raw materials and foodstuffs. American capitalism, on the other hand, developed its agriculture side by side with industry. The US exports not only industrial goods but also agricultural goods -- cotton, wheat, pork, fruit, etc. She needs to import very few things: rubber, silk, coffee, sugar, woodpulp, copper, tin, and a few other, in the main tropical, products. The difficulty in increasing American exports lies primarily in her unwillingness correspondingly to increase her imports. Her very high customs duties reflect this.

A country can have a favourable balance of trade for a long period of time in only one of three conditions: 1) that it covers the difference between the export of goods and services and its import of gold; 2) that it covers the difference by paying interest on capital borrowed from abroad; and 3) that it exports capital.

In view of the fact that the US at the beginning of the war already had three-quarters of the world's gold, the first condition cannot apply to her. To continue to draw the gold to the US from other countries will not solve any problem, but on the contrary will cause grave currency crises in other countries of the world which will have serious repercussions in the US itself.

The second condition does not apply to the US because she is not a debtor country but a creditor country.

The US must therefore fall back on the third condition -- export of capital -- and in this way attempt to harmonise her necessity for increased exports and inability correspondingly to increase her imports with Europe's crying need for imports and inability to export. This proves to be the only way she can postpone the explosion of her inner contradictions.

Besides the direct economic interest of US capitalism, her social interests in bolstering up world capitalism also motivate her course in the same direction.

The US was compelled to adopt a similar policy in the years after the first world war until 1929. In the years 1919-29 American exports amounted to 58,176 million dollars while her imports amounted to 43,539 million. The surplus of exports over imports was 14,647 million dollars. In the same years the export of capital from US was about 11,000 million dollars. According to an estimate by the US Department of Commerce, the import of goods and services to US in 1922-29 made up 83 per cent of all the dollar payments of the US. The rest was covered by goods and services.

After the second world war the role of American loans will be much greater. In the first quarter of 1947 the annual rate of export from US was 20,000 million dollars. At the same time, the import was only 8,000 million dollars. In addition to this, the US bought foreign assets to the value of 4,000 million dollars. Thus, the export was 8,000 million dollars greater than the import of commodities and the buying of foreign assets. It would be impossible to continue with such a favourable balance of payments for any length of time unless an annual loan averaging 8,000 million dollars were given to cover the difference. This figure corresponded approximately to American estimates that the Marshall Plan would give a loan to Europe of 6,000 million dollars annually for 5 years.

Thus, about a third of US exports will not be covered by imports to the US or goods or services, but by an export of capital. This is much greater than the rate which prevailed in the years 1922-29.

THE CUMULATIVE EFFECTS OF FOREIGN TRADE ON US ECONOMY

American exports on the basis of the US loan, will amount on the average to 15 or 20,000 million dollars a year, i.e., about 5 per cent of the national product.

One might conclude from this seemingly small figure that the exports cannot have a big influence on the economic situation in America as a whole. Such a conclusion is entirely erroneous. The cumulative effect of an export of 5 per cent of the national product can be far greater than appears from the small figure alone. Let us shortly outline the reasons for this.

Firstly, if the whole economy exports 5 per cent of its products, it does not mean that every branch of the economy exports only this percentage. Many of the branches are based mainly on export, or are to a large extent based on them.

Secondly, the industries which produce for export contribute to the economic activity of those industries that work for them, such as industries supplying machinery for the export industry, food and clothing for workers in the export industries, etc.

Thirdly, in large scale enterprises where the overhead costs are very big, an addition of even 5 per cent to the sales of the enterprise can yield an increase of much more than this to the profits of the enterprise. It may even make the difference between a profit and a loss. This 5 per cent export can thus fundamentally influence the rate of profit, and as profits are the motive power of capitalist economy, it has the power of influencing the entire economic activity of the country.

Fourthly, the capital exported relieves the pressure in the capital market and in this way, directly and indirectly, operates against the tendency of the decline of the rate of profit.

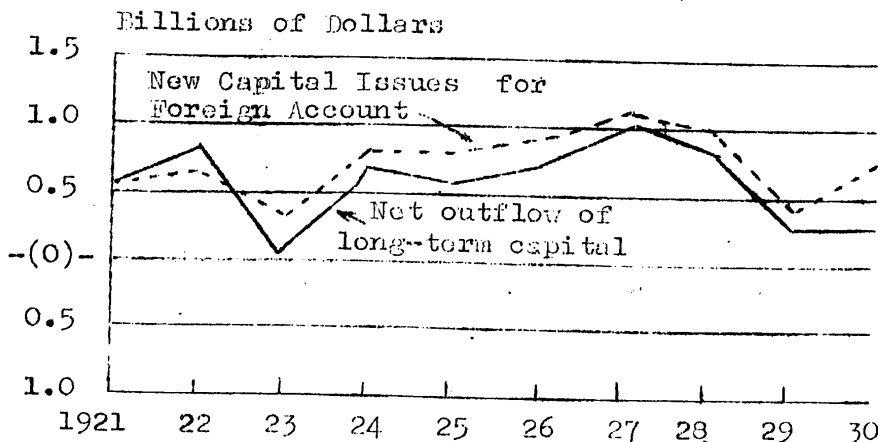
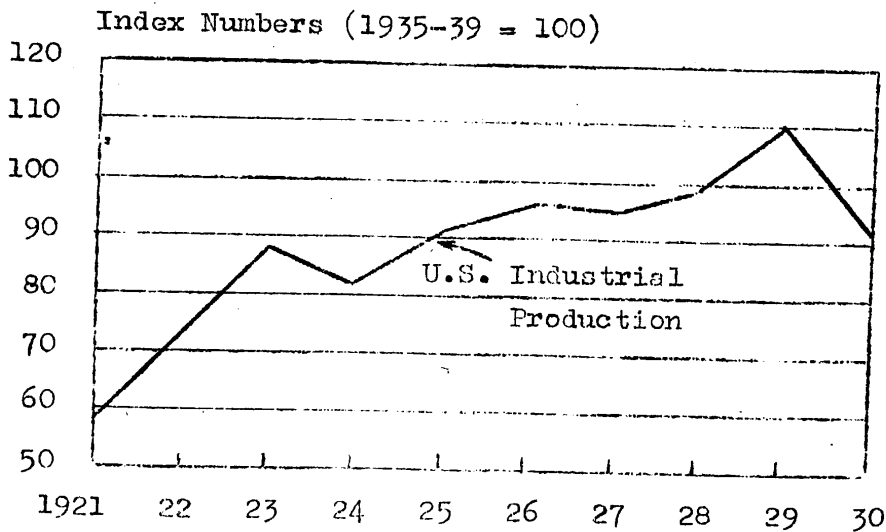
For these reasons the export of 5 per cent of the national product may mean the difference between slump or boom in America. This will become clear if we look back to the historical precedent of the American loans in the year 1922-29. Although at that time only about 8.6 per cent of the aggregate expansion of the national income was expended on increased purchases of foreign goods and services; and although the increase in the United States receipts from the sale of goods and services accounted for only about 9.2 per cent of the rise in the total national income from 1922-29; nevertheless, foreign trade and the export

of capital played a most important role in the American boom.

AMERICAN LOANS AND THE ECONOMIC SITUATION IN THE U.S.

It would be wrong to conclude from this that while the export of capital complements the existence of a boom in the US, it does not at the same time contradict it. Historical experience teaches

us an important lesson. In the boom of 1922-29 there was in general a tendency for American exports of capital to increase, but this increase was not of an even tempo. While on the whole, increased production was accompanied by an increased export of capital, the fluctuations in production were contradictory to the fluctuation in the export of capital. Thus the years 1924 and 1927, which showed a small stoppage in the rise of industrial production at the same time showed the biggest jumps in the export of capital. To understand this contradictory movement is of prime importance for our comprehension of the nature of the relations between American capitalism and world economy. It is clearly illustrated by the following graph:



If not for the boom in America and Europe, the tremendous exports of capital could not have taken place. Conversely, if not for the US loans, the boom of 1922-29 would not have spurted forward and reached the level it did. This is where the boom and the exports correspond. But at the same time, the factor that drove the Americans to give loans, was a stoppage or partial stoppage of the boom. So long as the US capitalist can sell his commodities for good profits in the US market, so long as he can invest his capital and receive a high rate of profit on it, he does not worry about European markets and loans to European countries.

A precondition for big US loans to Europe is the existence of conditions of boom in America as well as in Europe and in world economy. If the economic conditions of the world and those of Europe were in such a state that an American loan of a million dollars would allow Europe to produce much more than an additional million dollars' worth of goods, at a time that the world market was shrinking compared with world production, the US capitalists would not have considered granting any loans. The main worry of the American capitalists in a slump would be how to limit the dangerous unemployment in America, and this they would try to do by undercutting their European competitors, even if it meant throwing the burden of unemployment on Europe. For the American capitalists, in such conditions, to assist in building up the European productive apparatus by granting loans, would be sheer folly.

The US loans are the legitimate daughters of the world boom. But so long as the boom affords the US capitalists handsome profits in the home market, the need to expand exports, expressed in the granting of loans, does not press so urgently upon them. Finally, we may say that the Marshall Plan, or any other series of US loans to Europe, is the outcome of the combination of two factors: the world boom and the increasing conflict between American productive forces and the inner market. These two are the direct economic factors. But besides them, and of major importance, is the socio-political factor which presses upon American capitalism to grant loans to Europe. It must bolster up European capitalism against the assault of the working class and fortify it as an American base for the third world war.

Of course, the American ruling class is not homogeneous. The more farsighted section is convinced of the necessity of granting loans to Europe before it becomes a direct economic necessity for US capitalism. Other sections will be driven to this conclusion under the pressure of the increasing economic difficulties of American capitalism itself. Even the direct economic pressure driving towards the granting of the loan will be reflected differently among the different sections of the American capitalist class: those who own export industries will see it in a different light to those whose market is mainly at home, etc.

AMERICA'S FAVOURABLE BALANCE OF TRADE AS AN
IMPEDIMENT TO EXTRACTING DIVIDENDS AND INTEREST
ON EXPORTED CAPITAL

When a country exports goods, it receives the equivalent in money. The importing country derives this money from its exports. The export of

capital, however, shows a different relationship. Here the country exporting capital puts a certain quantity of commodities at the disposal of the importing country without immediately receiving the equivalent in exchange. Only after the loan is realised, does the debtor country begin to pay the interest

and instalments on the loan. When a country exports capital, therefore, her balance of trade is favourable, while that of the importing country is adverse. This position becomes reversed when the debtor country begins repaying the interest on the loan and the refund. To receive a loan, and pay back the interest on a former one, or to give a loan and receive the interest on former ones, can obviously take place at one and the same time. With an even flow of capital from a country, the amount of interest returning must progressively increase, so that the difference between the annual export of capital and the annual import of interest, decreases. A time comes when the annual interest becomes larger than the annual export of capital; in other words, that the import of goods and services becomes larger than the export of goods and services. This can be postponed only by a progressive increase in the quantity of the capital exported.

The United States, as we have said, is not only the greatest creditor in the world, but also itself the greatest producer of industrial and agricultural products. In what form then, can the United States take the interest and dividends on her capital exports?

The US balance of trade is favourable and with production rising, will continue to be so. The vast majority of American loans will be given to Europe which has for decades, taken as a whole, had an adverse balance of trade. Thus, if the interest on the loans is to be paid and the loans themselves to be repaid, Europe must sell to America in order to get dollars, a process that would give Europe a favourable balance of trade. Since the European countries are mainly industrial, this would require a tremendous increase in their export of industrial goods.

We can see in what a dilemma this would place the US. If she, (or any country which has a surplus of dollars) imported goods from Europe, the profits of the American industrialists would be trespassed upon; if she did not import goods from Europe she would not receive her loans back or the interest on them, even though she may become the owner of certain enterprises in the debtor country.

There is an historical precedent of this in Germany's financial transactions with America after the first world war. In the same years, 1924-32, as she paid reparations amounting to 9.8 milliard marks, she imported capital from abroad amounting to 25 milliard marks. This meant that the American, British and other capitalists who gave loans to Germany not only lost their loans but in reality took even their reparations not from the German national income, but from the very loans they granted. (As far as France was concerned, she received the reparations from Germany out of the American and British loans.) It was not that the American and other capitalists were unwilling to force out both the reparations and the interest on the new loans; it was impossible, and they had to accept it as such.

The boom years that followed the war, which encouraged America's export of capital to Europe, inspired every American capitalist who had given a loan with the hope that he would retrieve not only the interest, but also the loan itself. What really happened in these years was that one American capitalist received his interest on his capital exported to Europe out of a new loan given by another American capitalist. This fact was covered by the general anaerobic prevailing in the money market. But with the subsiding of the stream of dollar loans in 1928 and its virtual cessation in 1930, the true

situation became clearer. Now the debtors could not pay back their debts. This was not only a result of the economic crisis and the slump but also an important contributor to it.

In the years 1919-30, the export of capital from the United States amounted to 11,600,000,000 dollars. The aftermath of the second world war will see a great augmentation of this figure. But with their past experience behind them, the private American capitalists will doubtless be fully conscious of the very meagre prospects of receiving the interest on their loans and the repayment of the loans themselves. From this point of view it is clear that the United States Government will be compelled to intervene in the interests of the capitalist class as a whole, and to take upon itself the main burden of granting loans that are manifestly irredeemable.

THE DOUBLE CHARACTER OF THE AMERICAN LOANS

The American loans after the second world war have a peculiar character.

The general picture is that if a capitalist gives the Government a loan of a million pounds, it can use the money for various purposes. If it serves to build railways, the interest on the loan is derived from the profits on the real capital, in this case, the railways. But if the money is used, let us say, to buy a warship, no interest is derived, as a warship is not real capital. The individual capitalist, however, still receives his interest from the government, even if the warship sinks, and so it makes no difference to him whether his loan serves the government to build a railway or a warship. All he is interested in is that the bonds in his possession are claims on a certain amount of value. To the capitalist class as a whole, however, there is a big difference between the two sorts of capital, real and fictitious, as the only source of surplus value is the real capital. And, other things being equal, the larger and fictitious capital, relative to the real capital, the lower is the rate of profit.

An American government loan, let us say, to France, which is used either to buy new locomotives, machines for industry, etc, or food and other means of consumption which make it possible for the French workers to produce corresponding amounts of surplus value, is for France an addition of real capital. For the American capitalist class, however, there is no difference between this money and those other millions spent during the war on the production of warships: both do not return them any dollar profits, and the interest on them which the government pays to its bond-holders of necessity comes out of the surplus value produced by American workers. From the standpoint of Europe, the American loan is an addition of real capital: from the standpoint of the United States capitalists, it is only an addition of fictitious capital.

The American loans to Europe are a combination of two contradictory phenomena; the one peculiar to the capitalist boom, the other to a "war boom". In a capitalist boom there is an accelerated accumulation of real capital accompanied by an accumulation of fictitious capital. During a "war boom" the accumulation of fictitious capital receives a tremendous spurt while the accumulation of real capital is retarded, or even transformed into its opposite, i.e., that wear and tear and destruction assume larger proportions than new investments. These two phenomena are expressed in the American loans thus: that from the standpoint of the United States, the amount given as a loan is extracted from the surplus value produced in the United States, and to that extent it negates the accumulation of real capital in the US. Because of the contradictions of world capitalism in the world market, it is not excluded that such a "bloodletting"

will indirectly encourage the accumulation of capital in America. From the standpoint of European capitalism, the loan is directly and indirectly an addition to the real capital, and as such contributes to the conditions necessary for a real boom.

This double character of the American loans explains their contradictory influence. The fact that during a war, fictitious capital relatively increases, does not mean that the post-war economy is headed for a crisis; on the contrary, the conditions this increase brings about - a lack of means of production and means of consumption, under-supplied markets, etc - are precisely the prerequisites of a boom. Now, if the American loans were simply an addition to the fictitious capital, their immediate effect would be accelerated economic activity and therefore a rise in profits in America. In the final analysis, with a turn in the economic cycle towards crisis and depression, the large amount of fictitious capital would have been an added burden on the declining rate of profit. But actually in the long run, the loans will have an even worse effect on the economic situation of the United States, as they will serve not to produce warships which yield no profits, nor new American railways, but to construct French or English factories which (while never able to transfer part of their profits in the form of interest to the United States,) will sooner or later appear as competitors on the world market.

To grant these loans may thus seem an illogical step for American capitalism to take. But it is the result of the increasing conflict between the productive forces and the capitalist relations of production, a conflict expressed in the overwhelming wealth of United States capitalism and in the relative decline of Europe as against America.

THE ROLE OF DOLLAR IMPERIALISM

The expansion of American imperialism differs in many fundamental points from the expansion of all its imperialistic predecessors. Let us compare American imperialism with British imperialism.

Britain conquered the majority of her colonies at a time when capitalism was progressive, and still struggling against declining feudalism. American imperialism steps on the stage of history at a time when capitalism is writhing in the throes of its death agony; and its struggle is to bolster up the declining capitalist system.

British imperialism derived a higher rate of profit from its investments in the colonies than was yielded in the "mother" country. US capitalism is so rich that it cannot absorb any considerable portion of the surplus value produced outside its borders into its economy.

The Empire gave Britain a cheap source of raw materials. America can produce herself most raw materials more cheaply than any other country.

Britain's colonies served her as vantage points where she could market her goods with the minimum danger of being ousted by other capitalist countries; the colonial markets were monopoly markets for her. American capitalism is so technically advanced that it does not need any vantage points in order to stand its ground in competition on the world market.

Britain subjugated pre-capitalist countries where the conditions for national movements had not yet been brought into being. It was the historical function of British imperialism to bring the national movements into being.

Dollar imperialism has, from this point of view, come at a time not at all advantageous to empire builders, as the capitalist system is tottering on shaky foundations and the national liberatory desires of the colonial peoples have created strong movements to back them up. A new US empire would, therefore, have but meagre prospects of long-term stability on a solid basis.

These factors eliminate American capitalism's need to acquire a colonial empire under its direct military and administrative control, as British capitalism did in the nineteenth century. It is enough that American imperialism, with its tremendous economic and financial power, has military bases in different parts of the world, for her to be assured of world domination.

In the old traditional empires a certain division of labour was created between the "mother" country and the colonies, the former supplying mainly industrial goods, the latter mainly raw materials and food-stuffs. Had German imperialism been victorious in the war, it could have replaced Britain in her empire by establishing a new world division of labour. United States capitalism is not ready, indeed cannot, do this, as it would mean her having to buy cotton from Egypt and India, wheat and meat from Australia, etc. The most she can undertake to do is to oust British imperialism from particular positions in the Empire. Her hegemony in the world expresses itself not in the complete abolition of the British and other traditional empires, but in their subordination to the dollar.

Whereas British imperialism "organised" a quarter of the world, United States imperialism strives to "organise" the whole world. The centralisation of capital is so developed that not only does big capital swallow up small capital, but big capitalist countries transform the small ones into their satellites. But this tendency towards centralisation is accompanied by the opposite tendency. In an attempt to lay a basis for her international rule, American capitalism is compelled to rebuild the different national capitalisms in Europe and Japan as allies against the world revolution and the only power threatening her world domination, Russia.

The dollar loans to Europe will directly and indirectly accelerate the re-establishment of a division of labour inside Europe, and between Europe and the rest of the world. But as they accelerate the drift of the world towards crisis and slump, in the final analysis, they will serve to intensify the competition, the life and death struggle between the national capitalisms of Europe and between Europe and the United States. Dollar imperialism is incapable of realising a real unity of Europe. This can be achieved only by the overthrow of capitalism.

The British Empire was one of the main stabilising elements of capitalism in the nineteenth century. Dollar imperialism, taking advantage of the belatedness of the revolution due to the betrayal of the reformist and Stalinist parties and the great weakness of the parties of the Fourth International, will achieve a partial stabilisation, but in doing so will prepare the greatest revolutionary convulsions the world has ever seen.

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