

**REVOLUTIONARY
COMMUNIST
PAPERS**

No 3

50p

**The Recession:
Capitalist Offensive
and the Working Class**

Theoretical Journal of the Revolutionary Communist Tendency

Theoretical Journal of the Revolutionary Communist Tendency

REVOLUTIONARY COMMUNIST PAPERS

Number Three July 1978

Contents

Editorial	1
 The Recession: Capitalist Offensive and the Working Class <i>Tony Allen, Gareth Evans, Mike Freeman and Kate Marshall</i>	
I Impressions of the crisis	4
II The unfolding of the crisis in Britain and the capitalist strategy	8
III State socialism and the class struggle	23

SUBSCRIBE TO REVOLUTIONARY COMMUNIST PAPERS

Subscription for four issues:

UK £2.50	UK Library £4.00
Overseas £3.00	Overseas Library £6.50
Air Mail £4.50	

Issue Number Three:

UK £0.50 (plus 15p postage)
Overseas £0.75 (plus 20p postage)

Make cheques, postal orders and international money
orders payable to RCT Association, and send to BM RCT,
London, WC1V 6XX.

Published by Junius Publications Ltd
Typeset by Red Lion Setters (TU), London WC1
Printed by Interlink Longraph Ltd (TU), London EC1
© World Copyright Junius Publications Ltd
ISSN 0309-4634

Editorial

It is never too early to prepare for war. Cynical apologists for capitalism ideologically disarm workers; they weaken the labour movement in preparation for the full fury of the bourgeois assault. Marxists have different obligations. Our task is to delineate the dominant tendencies at work in society, to lay bare the contradictory development of capital and to put forward a strategy that advances the independent interests of the proletariat.

The crisis has shattered norms and institutions established by capitalism during the post-war boom. The disintegration of a carefully nurtured world monetary system and the collapse of time-honoured trade agreements demonstrate the inability of capital to master its contradictions, as the crisis of profitability forces the ruthless logic of competition upon every capitalist. A Marxist analysis of capital accumulation shows that competition leads inexorably towards war. The outstanding feature of the capitalist world economy is that it cannot raise profitability sufficiently to maintain accumulation within the confines of the nation state. Capital — whether British, German or Japanese — is forced to appropriate extra profits from abroad in order to continue its expansion. The increasing rivalries between imperialist powers result from the attempts of each national capital to restore profitable production at the expense of its competitors. Leading to further attacks on the profit opportunities of other nations, the intensification of these rivalries can have only a bloody conclusion.

There is every sign that the bourgeoisie knows what is at stake. International cartel agreements and diplomatic arrangements are desperate steps to avert a trade war. But these measures can only modify the tendencies towards protectionism. West Germany's attempts to help its less fortunate brethren 'in return for the renunciation of trade protectionist measures by its European Community partners' provide nothing more than a truce in a conflict that grows more frenzied day by day.¹ Paper agreements cannot overcome the laws of capitalist competition: the strongest and most efficient capitals cannot afford to take a charitable view towards their competitors. Survival demands the destruction of competitors.²

Imperialist rivalries have unleashed a wave of reaction throughout the advanced capitalist world. 'Buy American', 'Buy French', 'Buy British' shout the ruling classes as they advance their interests with the rhetoric of nationalism.³ Until

now the bourgeoisie has been successful in drawing the working class under the national flag. Calls for import controls signify the strength of bourgeois politics in the labour movement. Sections of the British working class look to the British state to defend their interests — to defend British industry. Recently members of Britain's biggest union, the Transport and General Workers (TGWU), have mounted a campaign to prevent Japanese trucks from being imported into this country. The TGWU district secretary for Bridgewater and Taunton stated:

'We had a special district meeting to consider this further threat to jobs posed by the Japanese. We decided to set an example and refuse to handle them in any way. . . .

By making our position absolutely clear at this earliest possible stage we hope to stop them doing the same with trucks as they have done with cars — selling them at the expense of British workers' jobs.'⁴

This nationalist response to the crisis illustrates the ideological disarray of the working class movement. The prevalent bourgeois view of the crisis leads to the acceptance of a bourgeois solution.

The analysis of the crisis contained in this issue of *Revolutionary Communist Papers* provides a materialist explanation of the working class response to the recession; it gives the political basis for combatting bourgeois views in labour movement. This is a task that is long overdue. Every day the labour ideologists of the bourgeoisie seek to win the working class to a capitalist strategy. In a popular guise, economic nationalism is presented as the way out for the working class. The Left Alternative Strategy of the Labour left and the Communist Party of Great Britain (CPGB) is advanced as a socialist solution and import controls are put forward as a workers' answer to unemployment. The CPGB even attempts to argue that import controls are truly internationalist. After admitting that controls on the import of textiles will 'save domestic jobs at the expense of foreign workers', CPGB ideologue Bob Rowthorn cynically argues:

'On this question the left has a clear internationalist duty. The exploitation of the Third World has provided much of the material wealth upon which western industrialisation and prosperity is based. These countries desperately need export markets in the West, and it would be hypocrisy to sympathise with their plight whilst keeping their products out of our markets. In the long-run Britain should move from producing labour intensive products, which the Third World can produce cheaply, into high technology areas in which we have an advantage.'⁵

1 See *Financial Times*, 18 May 1978, p1.

2 Imperial Chemical Industries (ICI) opposes the establishment of a cartel among plastics producers as such an arrangement would force it to share the losses of its competitors. ICI is therefore committed to free trade — free trade in the plastics industries means the destruction of the less efficient producers. Mr John Harvey-Jones, deputy chairman of ICI noted: 'I am determined that as far as we can we should try to operate in a normal, economically disciplined way. If two more years show that no producer will go to the wall, because no government will let it, then we must face up to the fact that the market economy does not work. But we must try everything else first.' *Financial Times*, 18 May 1978, p5.

3 At the national conference of the post office workers union (UPW) Chancellor Dennis Healey declared: If everybody uses the money they get [from the recent Government tax cuts, Ed] to buy goods made in Britain, then that money will create jobs. If they use it to buy goods made in other countries they will not create jobs in Britain but in Japan, Germany, France and Italy. Our slogan this year has got to be: Buy British, sell British and make British best.' He naturally went on in the best British tradition to ask the unions to 'show common sense in pay bargaining'. *The Times*, 22 May 1978, p1.

4 *The Times*, 12 May 1978, p22.

5 Bob Rowthorn, 'The Alternative Economic Strategy Part 3: Import Controls', *Comment*, 13 May 1978, p159.

A hundred years ago bourgeois apologists justified colonial trade in the same way: Jamaicans had a natural advantage in producing rum and bananas and Britain had an advantage in producing manufactured goods. The people of Africa and Asia will be glad when they are told that in 'the long-run' they can have Britain's declining industries thanks to their 'cheap labour'.

The analysis contained in the journal explains why reformists can peddle vulgar bourgeois theory in the language of Marxism. As a result of the past defeats of the working class there has been a major regression in proletarian theory. The major reformist ideology of the labour movement is *State Socialism*. State socialists serve to reconcile the working class to capitalism by fostering the illusion that the bourgeois state can be the central instrument for defending the interests of the working class. They aim not to smash the bourgeois state, but to use it to abolish capitalism gradually by reforms.

The increased intervention of the state in the economy necessitated by capital accumulation is seen by state socialists as proof of the possibility of abolishing the anarchy of production through state reforms. Hilferding, one of the leading revisionists of the Second International, provided a more coherent formulation of state socialism than its contemporary exponents. Arguing that blind competition can be overcome by an 'organised capitalism', he stated

'In fact organised capitalism is essentially the *replacement of the capitalist principle of free competition by the socialist principle of planned production*. This planned economy... offers the possibility of *conscious direction by society*, which means nothing less than the direction by the only organisation of society which is conscious and possesses the power of coercion — the state.'

Two years later this 'organised capitalism' gave way to the Great Depression which culminated in the Second Imperialist World War. This experience has still not been consciously assimilated by the workers' movement: since the Second World War there has been no revolutionary alternative to state socialism in the European labour movement. As our analysis shows the post-war boom and the development of the capitalist 'mixed economy' has further reinforced the view that the bourgeois state can encroach on capitalist interests.

The Left Alternative Strategy is the state socialist strategy for Britain today. It looks to the state to regenerate British industry, to increase the purchasing power of the working class, and to control exports of capital and the import of commodities. The Left Alternative Strategy tries to reconcile the interests of the working class with those of capital by means of a programme for reviving the British economy that emphasises a redistribution of wealth and social reforms; it is nothing more than a utopian version of the Social Contract. The weight of these ideas among trade union activists means that even the most militant sections of the working class cannot combat the Social Contract.

Many on the left have deluded themselves with the belief that the Social Contract can be fought by trade union militancy.⁷ Our analysis of the experience of working class struggle over the last four years shows that *it is impossible to fight the Social Contract without challenging reformism*. At this stage the struggle for the political independence of the working class — its emancipation from the ideological influence of other classes — is of paramount importance.

The Left seeks to oppose the wage control embodied in the Social Contract with free collective bargaining. Although revolutionary communists support the demand for free collective bargaining, this demand in itself does not provide a way forward for the working class. The central issue is the identification of the labour movement with the British state. As long as the working class accepts responsibility for solving the capitalist crisis, free collective bargaining will mean that it succumbs to capitalist rationality.

The trade unions' loyalty to the Labour Party ensures

that wage claims will be moderated in the interest of the nation. Transport and General Workers Union leader Moss Evans qualifies his calls for an end to wage restraint: 'We have never believed that wages in isolation are responsible for the problems of inflation. If we return to free collective bargaining unfettered by norms or percentages, then we have always recognised the need for responsibility'.⁸ It is this recognition of 'responsibility' that provides the ideological basis for a Social Contract.

Our analysis shows that opposition to the Social Contract is continuously undermined by reformism. Reformism accepts the premises of a social contract if not the precise terms of the present one. The absence of any serious opposition to the Social Contract is reflected politically in the absence of any alternative to the Labour Party. Even the most uncompromising critics of the Social Contract retain some faith in the Labour Party — they plead with the Government to abide conference decisions and manifesto commitments, they seek to shift it leftwards and they demand that the Labour left's 'fight'.

RCP No 3 provides the basis for an entirely different political orientation. In today's conditions revolutionaries must directly challenge the Labour Party. When every struggle of the working class is undermined by its commitment to maintain a Labour Government in office, fraternal criticisms, just like denunciations, are insufficient. The struggle against reformism cannot be carried out simply on the level of ideas — it must take on a clear organisational form: the class struggle requires an organisation that gives shape to the independent interests of the working class. This is the only route to winning advanced workers to a class conscious understanding of the proletariat as a whole.

The analysis of the crisis and the assessment of the class struggle in the past decade begin a discussion of vital importance for the future development of the workers' movement. A debate on this experience is long overdue. The Revolutionary Communist Tendency welcomes serious contributions on the issues raised in this journal. Discussion and clarification will be vital if the battle lines for the struggles ahead are to be drawn.

The work of the RCT has undergone a major expansion this year. We believe that we have achieved important gains in terms of programmatic elaboration. The inability of the so-called Trotskyist movement to develop revolutionary theory in the post-war period has serious implications. A central lesson of this experience is the need for an uncompromising struggle for a revolutionary programme adequate to today's conditions. For the RCT the development of proletarian science is the only way in which the struggles of the labour movement can be assimilated into a conscious experience for the class as a whole.

Our work on reformism will be further developed with the publication of a propaganda pamphlet on the Labour Party. This pamphlet will outline a position based on a Marxist analysis of reformism in the post-war period. The next issue of *RCP* will initiate a discussion on the bourgeois state — a question whose importance cannot be overestimated. An understanding of the changing forms of state intervention, the 'welfare state' and revisionist theories of the state is crucial for the coming struggles of the working class.

In parallel with the political development of the RCT grows the problem of financial constraints. To publish Marxist theory, to arm the working class ideologically — this is more urgent than ever before. Next year we plan to launch a new venture — the publication of a regular review. The aim of this review is to provide up to date analyses of important questions facing the working class. Unlike the newspapers of the radical left it will not simply describe strikes and issue lists of abstract demands; it will undertake a Marxist analysis of

the period. For the RCT, this review will provide a means of training a revolutionary vanguard in the working class. We ask our readers to help us realise these plans: contribute generously to our fund drive and take out a subscription to the journal.

The political importance of the last issue of *RCP* has been vividly confirmed by recent events. British imperialism is forced to intensify its repression of the Irish people in order to maintain capitalist relations in Ireland. The recent wave of arrests of Republican sympathisers, the attempts to shut down *Republican News* and the military assault on a Belfast football supporters club testify to the determination of imperialism to solve the Irish problem with armed force.

The British left maintains its wall of silence on Ireland. The radical left still feeds off the staple of anti-Nazism. Page after page of the radical left press tells us that the National Front is really venomous. In order to clinch the argument pages are filled with pictures of NF leaders in uniforms bearing fascist insignia. Little is said and less is done about the fact that 300 Irish prisoners of war are held naked in solitary confinement in the H-Block at Long Kesh. The systematic brutalisation of these prisoners is an issue the left chooses to ignore. As we argued in the last issue of *RCP*, the building of an anti-imperialist movement against Britain's domination of Ireland is of direct importance to the defence of the independent interests of the working class in this country. To that end we urge all our readers to attend the demonstration called in support of Irish political prisoners. This demonstration will be held on 9 July 1978.

The recently established Irish caucus of the RCT will carry out anti-imperialist work in the labour movement. Those interested in participating in the work of establishing the basis for an anti-imperialist movement around the two demands 'Self Determination for the Irish People' and 'Troops Out Now' should contact us.

The RCT will be holding a dayschool in London on 5 August 1978. The aim of this dayschool is to provide our readers with a forum for thoroughly clarifying the issues raised in *RCP* Nos. 2 and 3. Those who want to participate in this important discussion should write for further information.

Finally readers who have begun to appreciate the importance of building a revolutionary organisation on the basis of Marxism and would like more information about the activities of the RCT should write to the address provided.

31 May 1978

If you want further information about the Revolutionary Communist Tendency and its activities please write to:

Revolutionary Communist Tendency
BM RCT, London WC1V 6XX.

£2000 FUND DRIVE

To produce and distribute our propaganda regularly we must have financial support from our readers. We need £2000 for new publications and equipment. Please help us to raise this money by taking up the following offers:

1. Donate £10 or more to receive four issues of Revolutionary Communist Papers plus all Revolutionary Communist Pamphlets published in the next 12 months
2. Donate £2 or more to receive the series of Revolutionary Communist Pamphlets published in the next 12 months

We ask all those who support our work to give us regular donations, whatever the amount, and send them to:

BM RCT London WC1V 6XX

- 6 R Hilferding, *Organisierter Kapitalismus — Die Aufgaben der Sozialdemokratie in der Republik* (Organised Capitalism — The Tasks of Social Democracy in the Republic), Speech at 1927 Congress of the SPD in Kiel, reprint, van Eversdijck, s'Gravenhage, 1973, p6.
- 7 The radical left organisations, the Socialist Workers Party (SWP) the International Marxist Group (IMG) etc are unable even to understand the political character of the working class response to the Social Contract. Thus in an interview of Bob Wright, the unsuccessful Broad Left candidate for the AUEW presidential election, the IMG interviewer asked about the Leyland toolmakers strike: 'Don't you think that the failure to support this action against the Social Contract has weakened the general fight against it?' Wright replied: 'I only wish it were true that the toolmakers fought the Social Contract. The statement they made at the beginning was: We are not opposing the Social Contract. We are not opposing Government policy.' See *Socialist Challenge*, 11 May 1978. It took Wright to explain to the IMG that the Leyland toolmakers strike had nothing to do with challenging the Social Contract.
- 8 *Evening Standard*, 17 April 1978.

The Recession:

Capitalist Offensive and the Working Class

I IMPRESSIONS OF THE CRISIS

The spring of 1978 found the British Prime Minister in optimistic mood. Callaghan stated that the April budget would be the first step towards the industrial West's 'collective action' for economic recovery. He proudly announced that the July summit meeting in Bonn would discuss his plan for 'concerted and mutually supportive action.'¹ Yet, only two months before, Callaghan seemed more concerned to restore Britain's competitive position:

'... we can by no means rest on our 1977 achievements... we need further export success and further import substitution... I am calling for a campaign to buy British...'²

'Export success' and 'import substitution' are the euphemisms of a bourgeoisie engaged in the first skirmishes of a trade war. The plea to buy British shows just how serious hostilities have become. The 'concerted and mutually supportive action' Callaghan talks of merely gives a 'statesmanlike' form to the same aggressive nationalism: Callaghan wants to persuade those countries with trade surpluses to increase demand—to reflate—so that Britain can expand its export markets.

The difficulties of attempting to orchestrate world capital have become very clear. In 1977 the OECD countries favoured the 'locomotive' theory of recovery: Germany and Japan should reflate to pull the USA and the rest of the world out of the international recession.³ When it became obvious that Germany and Japan were in no position to do this, the 'convoy' theory was proposed—until it was realised that a convoy moves at the pace of the slowest ship. Renamed the Concerted Reflationary Action Programme, the convoy theory is living up to its new acronym. Each nation, despite itself, is looking to its own.

Many of the largest advanced capitalist economies are already taking steps to protect themselves. The US Government is considering proposals for a reference price system to reduce steel imports, aimed in part at British 'dumping'.⁴ The EEC Commission has already imposed measures to keep imports out: these have had the effect of enabling the British Steel Corporation and other EEC producers to raise prices of mild steel in Britain by 25 per cent.⁵ Canada has followed the EEC's example by imposing restrictions on its steel imports.⁶

What is true for steel is true for other major industries. Over the last four years selective import controls have been imposed on certain products such as textiles. Today less selectivity is being applied. The EEC has placed an extraordinary 20 per cent tariff on Japanese ball bearings and is

demanding that Japan reduce its shipbuilding capacity by 50 per cent; the British government has told its defence ministry to buy its ships from British yards.⁷ Wynne Godley, until recently a senior economist at the treasury, has been arguing for the past year that a country with a balance of payments deficit which it cannot finance has no alternative but to impose import restrictions.

Protectionism not only takes the form of friction between developed capitalist countries in their trading relations: it is also expressed as fear of cheap exports from backward capitalist countries. Commenting on the euphoria surrounding Britain's acquisition of a large power station order from Hong Kong, the chairman of the Textile Industry Support Campaign urged

'Let us put the 2000 jobs so created in perspective. Over the last ten years Hong Kong has played a key role in the loss of 300 000 UK textile workers' jobs by swamping our own market with absurdly priced goods.'⁸

In the columns of *The Times* old chimeras are re-emerging:

'Unless British productivity can be increased by at least the world average rate, we have no chance—with or without protection—of maintaining our living standards now that a billion people who are prepared to work for less than £5 a day are claiming their rightful place in the sun.'⁹

These views are echoed by the official labour movement.

Trade union leaders agree with the bourgeoisie that the interests of the working class are identical with the needs of the nation. The Trades Union Congress (TUC) complains that British capitalists betray the national interest by their attempts at finding an international solution. At the 1977 TUC David Basnett, General Secretary of the municipal workers union (GMWU) was reported as saying that

'the seeds of the immediate crisis had been planted internationally. But international action had failed to solve it. "The need is for national action. We want that action now."¹⁰

For the TUC that action is import controls. They can be

'a vital element to the economic planning of a country and as such can have important beneficial effects for world trade generally.'¹¹

'Economic planning' comes down to determining the level of import penetration in each sector of British industry (with the help of the National Economic Development Office) so as to decide the level of tariffs necessary to keep out cheap imports.

Opposition to the TUC's chauvinist attempts to defend

British jobs at the expense of workers abroad has so far been very limited. Union leaders representing the 3000 car workers threatened by redundancy at British Leyland's Triumph plant in Speke have proved quite prepared to 'make an 11th-hour attempt to persuade Leyland management to find alternative uses for the plant, including the transfer of the Allegro from Belgium'.¹² The Communist Party of Great Britain (CPGB) has already placed itself on a war footing. Central to its 'Left Alternative Strategy' are selective import controls and controls on the export of capital. It would, of course, 'be premature to specify at this stage' the type of imports to be restricted, but the basic idea is eminently practical:

'A dramatic demonstration that control is technically feasible is given by the experience of World War II. . . . These general controls, the physical limitations, and the overriding objective of winning the war involved a (distorted) system of planning on the basis of use values (and including export controls) and the fact that import controls worked smoothly as a part of this mechanism is significant.'¹³

For the CPGB it is one of the merits of its policies that they can be 'a valuable weapon in negotiations between nation states'.¹⁴ It represents the struggle between imperialist states for control of the world market as a form of socialist planning.

There is nothing peculiarly British about the pre-occupations of the CPGB. Its co-thinkers in the AFL-CIO, the American TUC, recently adopted a programme of demands aimed at curbing both import penetration and investment by US corporations abroad. President George Meany commented:

'If all our manufacturing continues to move overseas we are going to be reduced to shining each other's shoes.'¹⁵

George Meany's record as a red-baiter does not stop him from making his own plea for a (distorted) system of planning.

The spokesmen of the official labour movement give voice to the trend towards protectionism and imperialist rivalry in the world economy. After noting that protectionist measures have reached a level not seen for more than a generation, the annual report of the General Agreement on Tariffs and Trade (GATT) warned:

'What is essential is that governments continue to hold fast and to contain what is recognised by all to be a very difficult and dangerous situation.'¹⁶

More than a generation ago another 'very difficult and dangerous situation' provided scope for the implementation of the CPGB's protectionist programme. Millions of workers died as a result.

The bourgeoisie is well aware of the speed with which the crisis is taking on an openly political form. Today the political rift between the United States and West Germany is understood to be a potential threat to the Atlantic Alliance. An editorial in *The Times* comments:

'The United States cannot expect Germany to follow economic policies which it deems to be against the interest of economic and political stability. Against that, the Germans and the rest of us must understand that the world is poised on the brink of a damaging and headlong plunge into unthinking protectionism. If that process is not to run out of control, there is more need than ever for effective cooperation and understanding within the major industrial countries.'¹⁷

The different emphases of the bourgeoisie, the official labour movement and various 'left' alternatives arise from different subjective experiences of the crisis. The bourgeoisie is primarily concerned with the survival of British capital in a shrinking world market and casts worried glances back to the protectionism of the inter-war period. The labour movement is preoccupied with the reality of mass unemployment and searches for ways to save declining industries from extinction. Both call for no return to the thirties.¹⁸

Today no one denies that there is a world crisis. In this the bourgeoisie and the labour movement are agreed — the only debate is over the road to national salvation. Since the early 1960s successive Labour governments have devised a variety of national plans to help Britain out of its difficulties. Labour's current industrial strategy is intended to overcome the various disproportions existing within British industry and to strengthen the balance of payments by increasing productivity and hence exports. The official labour movement approves of this sort of government planning; indeed it puts forward its own schemes for extending state intervention through further planning agreements and controls on the movement of capital. It wants the revenue from North Sea oil to be used, through the National Enterprise Board, to finance investment in industry. A measure of the TUC's faith in the Government's economic planning is its encouragement of 'moderation' in union wage demands. It has made quite clear that it is prepared to accept 'modest money wage increases'.¹⁹

Even the most strident backbench critics of the anarchy of capitalism look to a Government plan to solve the crisis. For Eric Heffer the solution lies in more consistent planning:

'The truth is that unemployment is endemic in the private enterprise economic system. . . . We now have to go beyond intervention and fully plan the nation's resources.'²⁰

The technical and managerial employees union (ASTMS) is more sanguine about the 'private enterprise economic system' than gloomy Heffer. Unemployment is simply the result of unfortunate policies.

'It is created by a series of political and economic decisions each of which can be reversed or altered.'²¹

But whether the anarchy of production arises from the actions of misguided individuals or from blind economic forces, all are agreed on the remedy of a national plan. Indeed for the GMWU even unemployment can be planned. It calls for early retirement and increased part-time and shift working.²² In this

- 1 *The Times*, 10 April 1978, p1.
- 2 *The Times*, 16 February 1978, p15.
- 3 *Financial Times*, 10 March 1978, p1.
- 4 *The Times*, 3 December 1977, p17.
- 5 *Financial Times*, 14 February 1978, p8.
- 6 *Financial Times*, 22 February 1978, p5.
- 7 *Le Monde*, 9 February 1978.
- 8 *Financial Times*, 24 January 1978, p17.
- 9 *The Times*, 12 December 1977, p14.
- 10 *Tribune*, 7 October 1977, p1.
- 11 *TUC Economic Review*, 1977, p30.
- 12 *The Times*, 10 April 1978, p18.
- 13 CPGB, *Economic Bulletin*, Autumn 1977, p26.
- 14 *Ibid.*
- 15 *Financial Times*, 22 February 1978, p5.
- 16 *Financial Times*, 28 April 1978, p6.
- 17 *The Times*, 14 February 1978, p15.
- 18 Walter Eltis, for instance, argues that if Britain 'is to avoid the beggar-my-neighbour policies which did so little good in the 1930s . . . it must persuade countries with economic power to act together.' He argues that a *national* Keynesian — that is, protectionist — strategy would make weak economies such as Britain 'either destroy their currencies through repeated deficit financed booms which destroy the exchange-rate, or produce rubbish behind the protection of tariff walls and import quotas which is unmarketable against the competitive products of others.' *Lloyds Bank Review*, No 122, October 1976, p8.
- 19 *TUC Economic Review*, 1978.
- 20 *The Times*, 12 December 1977, p14.
- 21 ASTMS, *Economic Review*, emergency edition on unemployment, September 1976, p1.
- 22 GMWU, *Unemployment, the Economy and the North Sea Oil Revenue*, February 1978, p12. It has yet to come up with an answer to Employment Secretary Albert Booth's objection that such measures would make industry less competitive by raising costs. See *Financial Times*, 22 February 1978, p1.

way sacrifices can be spread more rationally over the working class. The local government workers union (NALGO) is equally intent on planning capital's reserve army of labour. To help share out the work still available in the capitalist crisis, NALGO suggests 'a general move towards a 35-hour week, elimination of excessive overtime and earlier retirement'.²³

The CPGB also takes a sensible and realistic attitude to the need for rational planning of the nation's resources. It chides the left for having given 'insufficient weight to inherent problems of inefficiency of domestic investment'²⁴ and urges serious consideration of 'problems of inferior design and high manning ratios... at the micro level'.²⁵ Not only does it call for a British solution to the crisis, but it wants to lend a hand with implementing it 'at the micro level' where it can participate in raising what it calls, the 'low intensity of labour'²⁶ — just as it did in the Second World War. Thanks to the crisis these socialists have at last discovered their true calling: to beat the capitalists at their own game.

Since the militant struggles of the early 1970s the radical left has been waiting for a working class fightback. Mellowed by years of disappointment, it has become more sober in its expectations and preaches the responsibilities of socialists. In a rare moment of self-criticism it announces:

'Those of us fighting for a socialist Britain must realise that the mere mouthing of correct slogans or demands is not sufficient. We have to go beyond these and offer a socialist alternative in the real sense of the word.'²⁷

The 'real sense of the word', however, turns out to be... a national plan to beat the crisis. The IMG's central agitational demand is for nationalisation in the context of a plan. With the self-parody at which it has become so adept, *Socialist Challenge* announces that nationalisation alone is not enough:

'But it cannot stop there nor should we imagine that the additional phrase "under workers' control" solves all the problems. We have to insist that the existing nationalised industries are not run as state capitalist firms, designed to aid the profitability of the private sector. There must be inter-sectoral planning. Thus in Tyneside and Clydeside it is obvious that the nationalisation of North Sea Oil could be linked to creating jobs in the shipyards.'²⁸

Not for much longer will the CPGB be able to upbraid the 'ultra-left' for lack of realism. The IMG's 'inter-sectoral planning' — no doubt 'a (distorted) system of planning on the basis of use values' — shows commendable concern with the problem of establishing equilibrium in a market economy. The radical left turns its back on reality and on the objective interests of the working class.

Under the cover of its electoral front the IMG makes promises which even left-reformism would find hard to beat. In a leaflet for the Lambeth by-election Socialist Unity proclaimed:

'We will fight for the building of decent houses at rents and prices that people can afford. We would renovate run-down properties with 100% grants to householders...'²⁹

In case anyone should wonder whether such a programme were possible in these days of capitalist crisis, the IMG has worked out detailed financial plans:

'WHERE WOULD THE MONEY COME FROM?

- * Take over the assets of the bankers and insurance companies
- * Abolish all arms expenditure
- * Stop all payments to the former owners of nationalised industries.'³⁰

A sensible package from the IMG — but lacking the verve and attention to detail of an organisation such as the Socialist Workers Party. During the 1977 Firemen's Strike the SWP came out with 'four easy ways to pay the firemen':

1. CANCEL THE PAYMENT TO HAWKER SIDDELEY FOR THEIR BANKRUPT AIRCRAFT BUSINESS.
2. CONFISCATE THE DIVIDENDS OF THE FOUR BIG

INSURANCE COMPANIES WITH PROFIT FROM FIRE COVER.

3. TAKE BACK THE PERKS WHICH LABOUR CHANCELLOR DENIS HEALEY GAVE TO THE RICH IN OCTOBER.
4. CANCEL LAST WEEK'S GOVERNMENT STOCK ISSUE — AND THE INTEREST.'³¹

'It can be done' chant the radical left groups in chorus — as their investigations into new sources of finance, new plans to beat the crisis, replace the struggle for socialism.

The bourgeoisie cannot comprehend the recession. Crisis is understood simply in its external manifestations. The consequences of the crisis — inflation, rising state expenditure, disproportion, lack of demand — are used to explain the crisis itself. As the forms of the crisis change so do the explanations. These are no more than a series of empirical responses to changing circumstances.

Workers always get the blame for the ills of capitalism. As British industry declined on the world market in the 1960s, the working class was reproached for not pulling its weight. The British tea-break became a stock joke and the popular press carried frequent stories about car workers playing cards behind packing cases. But when inflation began to accelerate in the late 1960s the story changed. While still the epitome of sloth, the British worker had developed the even more deadly sin of greed. 'Wage rises cause inflation', cried the bourgeoisie — and even its most radical critics could not disagree.³²

In academic circles debate raged as to whether inflation was caused by 'wage push' or 'demand pull'. To the politicians, however, the outcome did not really matter since in either case the answer was more unemployment. Determined to curb working class pretensions, the bourgeoisie abandoned Keynesian full employment policies and set about expanding the reserve army of labour. Its aim was to force down wages — other prices would follow.

When unemployment rose to over a million and inflation continued to soar another culprit had to be found. Oil sheikhs became the new villains of the piece. Even today the price rise won by the OPEC cartel is generally seen as a major cause — perhaps *the* cause — of the crisis. Labour's financial wizard Harold Lever explains the crisis by 'tracing our troubles' back to this event which separates the Golden Age from the Fall — and then gives a chronology of the Fall.³³ He finds it 'no coincidence' that 'these changes for the worse' (mass unemployment and currency instability) accompanied the breakdown of the Bretton Woods system of fixed exchange rates and the formation of the OPEC cartel. But *why* these phenomena coincide is beyond him. All he can do is make superficial generalisations from government statistics.

After the Arabs had served their turn as scapegoat for the bourgeoisie other foreigners were found to take their place. Since the days of 'imported inflation' the leading imperialist nations have forced down the prices of primary commodities relative to industrial products. Inflation is now of less importance as the world market visibly shrinks. Because of their balance of payments surpluses, the Germans and the Japanese are now held responsible for stagnation in Britain.

The bourgeoisie can understand the crisis only as a series of disproportions, linked together in a huge vicious circle. In the world economy it sees disproportions between primary producers and industrial nations and between those countries with surpluses on their balance of payments and those with deficits. Within the national economy disproportions between industrial capacity and consumer demand, between government expenditure and revenue, between wages and profits and between the various branches of production all play their part in the bourgeois charade of 'explanation'.

The official labour movement repeats the commonplaces of the bourgeoisie in a working class accent. It perceives that the consuming power of the masses is diminished and adduces this as an explanation of the crisis. For its left trade union

critics Government policies are a big mistake. They are held to increase unemployment and further reduce purchasing power. ASTMS claims that 'it is in everyone's interest that it [unemployment] be eliminated':

'On the personal and family level it can be shattering and divisive; on a national level it is an under-utilisation of valuable resources, and on a financial level it adds to the Public Sector Borrowing Requirement.'³⁴

This union's vision is no wider than that of the blinkered bourgeoisie. Unemployment is not the result of the subjective inclinations of employers and government. As competition imposes the laws of capital accumulation on the individual capitalist, redundancies become an objective necessity.

Once it is concluded that the problem is insufficient demand the solution is simple: the state should increase demand by reflating the economy. Labour's national executive seemed in fighting spirit when it raised the TUC by £2.2 billion in demanding a reflation of £5.7 billion in the April budget. But a week later, after the release of a 'disturbing batch of economic indicators', its courage drained away and it settled for £4 billion.³⁵

Although the bourgeoisie cannot comprehend the crisis it has a clear understanding of its class interests. Unlike its confused spokesmen in the labour movement, the bourgeoisie is under no illusion that budgetary measures are sufficient to overcome the recession. It is determined to create the conditions for more profitable production. It recognises that it must force down wages and recreate the reserve army of labour.

The bourgeoisie is preparing for the assault on the institutions of the working class. An army of propagandists is hired to harangue workers for their 'restrictive industrial practices' which make the British economy inefficient and keep productivity low.³⁶ C F Pratten, for instance, has divined that while one half of the differences in productivity between British industry and that of its competitors is caused by unavoidable 'objective' factors, the other half is due to the inefficiency of British workers and their 'attitudes to authority and work'.³⁷ The British worker, we are told, is paid not according to his skill but according to his bargaining power.

Attacks on 'overmanning' provide the justification for the relentless dispatch of workers from industry to the dole queue. In a letter to *The Times*, the editor of *Management Today* points an accusing finger: 'Sir, Abysmal productivity and gross overmanning... not only explain the national economic malaise: they are the disease itself'. With manichaeian clarity he announces: 'Nobody wants to be identified with "bashing the unions"'. But on this crucial issue, who else is there to bash?³⁸ This correspondent had found a kindred spirit in the grandiloquent Rees-Mogg, editor of *The Times*. The latter concedes that 'unions usually are responsible in intention'. The trouble is that they 'see themselves as the advocates for their members'—and their members want to save their jobs. But it is only an illusion, says Mogg, that workers can save their jobs through keeping manning levels high:

'Low productivity means low profitability means low investment means high unemployment. Overmanning keeps men in jobs now, but closes the factory later.'³⁹

'Overmanning' is not the only bogeyman. A study by *The Sunday Times* of the 'ecology' of car door production found that 'overmanning' was 'a symptom but not a cause' of international differences in productivity.⁴⁰ The reason for the difference in productivity between identical Ford factories in Belgium and Britain is the 'restrictive practices' of British maintenance workers. *The Times* hopes to divide workers by persuading them they are pricing themselves out of jobs; *The Sunday Times* tells them that they are organising themselves out of jobs. Both want to undermine the unions and lengthen the dole queues.

As TUC representative, Harry Urwin has been charged with presenting the position of the official labour movement to the Wilson Committee for the financing of Industry and Trade. He agrees that British factories are 'overmanned'. Having 'tramped many miles in German factories and talked to the people' Urwin has pondered his experience and come up with a familiar conclusion: British industry needs restructuring. Britain just can't compete with a country where

'People were properly organised. Methods were right. Management was right. People were riding round on bicycles in the factory. If you tried to ride round a British factory on a bicycle the tyres would be cut to pieces before you got ten yards.'⁴¹

23 *Public Service*, April 1978, p1. The IMG has not been slow to take up the call: 'Unemployment would be slashed by reducing the working week to 35 hours with no loss of pay. Reduce the retirement age by 5 years on full pay. NO REDUNDANCIES — WORK OR FULL PAY'. Socialist Unity leaflet for the Lambeth by-election, April 1978. However, NALGO does not restrict itself to proposing a fair system of work sharing. It also calls for a 'growth rate of five per cent a year in the public sector, selective control of imports and a massive injection of state capital into manufacturing'. *Public Service*, op cit, p1.

24 CPGB, *Economic Bulletin*, Autumn 1977, p16.

25 Ibid. If winter comes, can spring be far behind? The IMG is also concerned about 'problems of inferior design'. Investigating the troubles at British Leyland's plant at Speke, Liverpool, its market research department came up with the answer that 'the TR7 is not selling because of design faults and management's refusal to extend the range where there is demand (soft tops and four seaters)'. *Socialist Challenge*, 2 March 1978, p8.

26 CPGB, *Economic Bulletin*, Autumn 1977, p17.

27 *Socialist Challenge*, 9 March 1978, p2.

28 Ibid.

29 Socialist Unity leaflet, op cit.

30 Ibid.

31 *Socialist Worker*, 19 November 1977, p3.

32 Harold Wilson proclaimed: 'one man's pay rise is another man's price rise'. Glynn and Sutcliffe accepted the premise of the bourgeois argument, but, adopting a radical posture, argued that inflationary wage demands should be pursued in order to undermine capitalism: 'union leaders go wrong when they attempt to cover up the fact that increasing wages are one of the causes of falling profit margins... it is time for workers not to moderate their wage demands but to destroy the system'. A Glynn and B Sutcliffe, *British Capitalism, Workers and the Profits Squeeze*, Penguin, 1972, p201.

33 *The Times*, 5 December 1977, p16.

34 ASTMS, *Economic Review*, op cit, p1.

35 *Financial Times*, 3 February 1978, p12.

36 R Bacon and W Eltis claim that differences in productivity between the UK and the USA are due to US machinery being used for 50 per cent more hours per week: in the USA production runs are longer, factories better organised and one third fewer men are required to work a given number of machines. See *The Age of US and UK Machinery*, National Economic Development Office, September 1974.

37 C F Pratten 'The Efficiency of British Industry', *Lloyds Bank Review*, No 23, January 1977, pp19-28.

38 Robert Heller, letter to *The Times*, 29 September 1977, p13.

39 *The Times*, 28 September 1977, p14.

40 *The Sunday Times*, 5 March 1978, p17.

41 *Financial Times*, 29 November 1977, p11. In more militant days Mr Urwin, a member of the Transport and General Workers Union (TGWU), had a reputation for militancy. At the 1970 Labour Party Conference he was among the most vociferous opponents of legislation aimed at curbing trade union organisation; he contributed to the defeat of the National Executive's motion for incomes policy. Urwin warned that trade unions were 'always the first victims of a corporate state' and expressed the belief that 'a voluntary policy of wage limitation would essentially lead to a demand for statutory intervention to control those who would not conform to the voluntary policy' in a society still ruled by 'the profit motive and the stock exchange gambling'. *69th Labour Party Conference Report*, 1970, p224.

A full time union bureaucrat, Urwin has no inhibitions about expressing contempt for the class he is paid to represent. The political weakness of the labour movement is revealed in the open display of anti-working class ideas by trade union officials. The widespread currency of these views is a matter of serious concern to revolutionary workers. In order to counter these ideas they must be armed with an understanding of the crisis from the independent standpoint of the working class. They require an explanation of how the response of the working class to the bourgeois offensive has been contained by the Social Contract. This article takes up this challenge.

II THE UNFOLDING OF THE CRISIS IN BRITAIN AND THE CAPITALIST STRATEGY

1. Introduction

'Who fails here to call to mind our good friend, Dogberry, who informs neighbour Seacoal, that, "To be a well favoured man is the gift of fortune; but reading and writing comes by Nature."' ¹

To the bourgeoisie the capitalist crisis appears as a disaster, a calamity, or at least a misfortune that could have been avoided. Its understanding of capitalism is restricted to the manner in which the individual capitalist experiences the laws of motion of capital. In the bourgeois mind the social relations specific to capital assert themselves as iron laws of the economy, appearing as natural forces. Today North Sea oil seems to offer a way out of the crisis afflicting British capitalism. Indeed, for Callaghan, North Sea oil revenues mean that 'God has given us an opportunity we have not had in a century'. ² The Governor of the Bank of England is however more sceptical about the gifts of the Almighty:

'We all agree, I think, on the desirability of using the benefits of North Sea oil to assist in the re-equipment and revitalisation of British manufacturing industry. The question is: how? It is not going to be easy. After the long decline of profitability and the trauma of recent years, confidence in much of the private sector in this country, as elsewhere, has been seriously shaken.' ³

Yes, the question is how! Being a practical man, the Governor understands that 'confidence in much of the private sector' will not be restored by faith alone. The bourgeoisie intuitively knows that, the Will of God notwithstanding, the restoration of profitable production depends on the balance of class forces. While the *Daily Telegraph* is prepared to accept a gift of fortune, it understands that the fortune of capital depends on the outcome of the class struggle:

'We cannot be too often reminded that neither North Sea oil revenues nor make-work programmes financed with these revenues, will do anything to secure a lasting improvement in our fortunes. So long as machinery stands idle through disputes over manning levels, and those who work directly or indirectly for the state are encouraged to believe that their jobs are secure whether they perform them or not, any economic recovery boosted by "reflation" is going to be short-lived.' ⁴

Capital will not be invested unless the individual capitalist is confident that he can achieve an adequate rate of profit. ⁵ Re-establishing a profitable basis for accumulation requires a disciplined labour movement: a labour movement that will accept higher rates of exploitation and further erosion of its living standards. The survival of British capital depends on its profitability relative to other national capitals in the world economy. Attempts to restructure capital in Britain are made in the context of growing imperialist rivalries — a battle for survival in which every national capital strives to increase its share of the world market. In order to understand the crisis we have to go beyond the consciousness that the bourgeoisie has

of its actions. We begin by outlining the Marxist theory of accumulation. ⁶

2. The tendency towards capitalist collapse

The development of the forces of production is the locomotive of history. Historical materialism analyses the laws of this development from two points of view: firstly in their material and technical aspects, and secondly in their specific social forms. Mankind expands the forces of production, produces and consumes in all historical epochs. But the forms taken by these activities are historically determined by the *social relations* of production.

Capitalism has raised the forces of production to a level unparalleled in previous societies. Under capitalism the increase in the productive forces is prompted by the race for profit: the development of the productive forces can only continue as long as it is profitable for capital. Capitalist production is the production of exchange-values through the production of commodities. The objective is to produce more value — surplus-value. A capitalist will only hire workers, buy raw materials and set his machinery in motion as long as he can sell his commodities at a profit. Capital itself becomes a barrier to the continued development of the forces of production because production is circumscribed by the criterion of profitability.

Capital accumulation is the continuous process of reproduction and self-expansion of capital. The amount of surplus-value produced is limited by the surplus-labour extracted from the working class. Having bought the commodity labour-power the capitalist gains access to its use-value. This use-value is distinguished from that of all other commodities. It is the source of value. In the process of production labour-power can create a value which is greater than the value of labour-power itself.

Commodities (including the commodity labour-power) are exchanged in proportion to the *socially necessary* labour-time embodied in them. The labour-time of society is allocated through the exchange of commodities. The magnitude of the value of any commodity is determined by the labour-time socially necessary for its production. As the forces of production and the productivity of social labour increase, this socially necessary labour-time is reduced — less value and surplus-value come to be embodied in each commodity. In order to realise a given amount of value a capitalist must now produce more commodities. This necessitates an increase in the rate of exploitation of the working class.

To explain the rate of exploitation Marx divides the working-day into two parts — necessary labour-time and surplus labour-time. The rate of exploitation is the ratio of surplus to necessary labour-time. The necessary part of the working-day is that time during which the labourer produces the equivalent of the value of his labour-power. This is paid for by the capitalist in the form of the wage which is equal in magnitude to variable capital. ⁷ It is necessary in the sense that the value produced during this part of the working-day is exchanged for the necessities of life of the worker and thus maintains his labour-power for capital. During the rest of the working-day the worker expends surplus-labour and produces surplus-value for the capitalist. The value of labour-power determines the necessary part of the working-day; all surplus-value is determined by the surplus part of the working-day. The rate of surplus-value is the ratio of surplus-value to the variable capital advanced by the capitalist, while the rate of exploitation is the ratio of surplus-labour to necessary labour. There is thus a direct relationship between these two concepts.

$$\frac{\text{surplus-value}}{\text{variable capital}} = \frac{\text{surplus-labour}}{\text{necessary labour}}$$

'The rate of surplus-value is therefore an exact expression for the degree of exploitation of labour-power by capital.'⁸

There are two general ways in which the rate of surplus-value can be increased. The working-day can be lengthened, so that *absolute* surplus-value is produced; or the time necessary to reproduce the living labourer can be shortened, so that *relative* surplus-value is produced. There are social and physical limits to the increase of absolute surplus-value which compel capital to seek other ways of increasing the mass of surplus-value. This can only be done by shortening the necessary part of the working-day, hence reducing the value of labour-power. The main way of shortening necessary labour-time is to cheapen the commodities necessary for the reproduction of the working class. This requires an increase in the productivity of labour.

Increases in the productivity of labour are expressed in the fact that, of total capital advanced, a growing proportion goes to purchase means of production. The accumulation process therefore leads to a tendency for the number of workers relative to the total capital advanced to fall. Increased productivity tends to result in a growing mass of commodities being produced by relatively fewer workers. This is one of the main contradictions inherent in the accumulation process. In its efforts to increase the rate of exploitation, capital narrows the source of its surplus-value — exploitable labour. The more the rate of exploitation is raised, the more capital comes up against the barriers of capitalist and social relations.

The organic composition of capital is the ratio between machinery, raw materials, etc and living labour, expressed in value form as constant over variable capital. It rises as the productivity of labour increases. The tendency for the organic composition of capital to rise (which is illustrated empirically later in this article) leads to a fall in the rate of profit. Surplus-value is produced solely through the exploitation of the working class. Profit, on the other hand, is a converted form of surplus-value; the rate of profit is determined by the ratio of surplus-value to the total capital advanced (to the sum of constant and variable capital). This means that as the organic composition of capital rises and more constant capital is invested relative to variable capital, the mass of surplus-value extracted from the working class is measured over an increasingly large amount of constant capital. Hence the rate of profit falls.

The fall in the rate of profit, an expression of the rise in the productivity of labour peculiar to the conditions of capitalist production, represents the central contradiction of the accumulation process. As productivity rises and the working class is increasingly exploited, the tendency of the rate of profit to fall asserts itself more strongly. The rate of profit, as Marx observed, 'falls not because the worker is exploited less, but because altogether less labour is employed in relation to the capital employed'.⁹

Value is the regulator of the production of commodities and determines the proportions in which the labour-time of society is distributed. However, this process applies only to society as a whole, not to the individual capitalist, for commodities are not exchanged simply as commodities but as products of capital. In proportion to its magnitude, each capital has a claim on the total surplus-value of society. The competition of capitals with different organic compositions — in different spheres — brings about an equalisation of profit rates and establishes a general rate of profit.¹⁰

The tendency of the rate of profit to fall must be seen from the point of view of total social capital; it reflects the rise in the organic composition of social capital in the accumulation process.

Within the accumulation process there is an immanent tendency counteracting the falling rate of profit. Alongside the rise in the organic composition goes the rise in the rate of surplus-value, so that the mass of profit extracted per worker

increases; and, if the total mass of profit increases sufficiently, it can temporarily offset the fall in the rate of profit. Accumulation can then be maintained. However, when the mass of profit can no longer be increased sufficiently, the reproduction of capital on an extended scale comes to a halt. The mass of profit may increase absolutely. But such an increase will still be insufficient, because with a rising organic composition, constant capital must absorb an ever larger proportion of surplus-value. There comes a point at which the increase in the mass of profit can no longer counter the tendency for the rate of profit to fall and maintain capital accumulation. This interruption of the accumulation process represents an overproduction of capital and constitutes the capitalist crisis. As Mattick notes:

'From the point of view of profitability, then, the crisis of overproduction represents a situation in which the existing capital is *simultaneously too small and too large*: it is too large in relation to the existing surplus-value and it is not large enough to overcome the dearth of surplus-value.'¹¹

1 K Marx, *Capital*, Vol 1, Lawrence & Wishart, 1974, p87.

2 *The Daily Telegraph*, 13 September 1977.

3 *Bank of England Quarterly Bulletin*, December 1977, p462.

4 *The Daily Telegraph*, 26 September 1977, p18.

5 The masculine pronoun is used to indicate common gender, as is customary in the English language. To overcome the dual oppression of women in capitalist society is a political, not a linguistic task.

6 Here we can only outline the Marxist theory of accumulation and crisis. For a useful presentation of this theory, see P Mattick, *Marx and Keynes*, Merlin, 1974. This section takes as its starting point the reconstruction of Marx's theory of accumulation and the analysis of the post-war boom made by P Bullock and D Yaffe in 'Inflation, the crisis and the post-war boom', *Revolutionary Communist* No 3/4, November 1975.

7 When the capitalist purchases the commodity labour-power, even at its value, like other commodities it falls out of circulation and he is free to consume its use-value. The consumption of labour-power in the process of production is the creation of value, and the magnitude of the value created is measured by labour-time. Therefore the capitalist is able to secure a surplus-value, above what he has paid for labour-power, by making the labourer work longer than is necessary to reproduce the value of his labour-power. The portion of capital invested in the purchase of labour-power is a definite quantity, say £100, but the exploitation of labour-power in the process of production makes this portion *variable* capital. That part of capital represented by the means of production does not undergo any quantitative alteration of value in the production process and is called *constant* capital. See *Capital*, Vol 1, op cit, pp164, 188, 202, 206.

8 *Capital*, Vol 1, op cit, p209.

9 K Marx, *Theories of Surplus Value*, Part 3, Lawrence & Wishart, 1972, p302.

10 This raises the issue of the so-called transformation problem and the divergence of value from price; it cannot be dealt with here. For Marx's discussion of the matter, see *Capital*, Vol 3, Part 2, 'Conversion of profit into average profit'. Useful commentaries are D Yaffe, 'Value and Price in Marx's Capital', *Revolutionary Communist* No 1, Second Edition, May 1976, and I I Rubin, 'Value and Production Price', Chapter 18, *Essays on Marx's Theory of Value*, Black & Red, Detroit, 1972.

11 P Mattick, op cit, p68.

The halt in the accumulation process means that capital has been overproduced in relation to profitability, in relation to the existing rate of exploitation. To survive the crisis the *bourgeoisie must create the conditions for a further round of accumulation*. Capital must attempt to restore profitability by decreasing the value of constant capital, and by increasing the rate of surplus-value.

The crisis intensifies competition between individual capitalists, transforming it into a struggle for survival. As the less efficient capitals are eliminated, capital is abandoned and capital values are destroyed. This leads to the depreciation of constant capital. The same process also furthers the centralisation and concentration of capital in the hands of fewer, more efficient capitalists. The foundations are then established for increasing productivity in order to cheapen the elements of constant capital. In this way the elimination of obsolete constant capital frees the surviving capital for more productive investment.

However, the most important mechanism summoned by the crisis to restore profitability is that of increasing the rate of surplus-value. On its own, the production of relative surplus-value is no longer sufficient for this task — capital requires more brutal methods. The pressure of rising unemployment can weaken the resistance of the working class, allowing capital to lengthen the working-day, intensify labour and force down wages below the value of labour-power. The depression of wages is 'one of the most important factors checking the tendency of the rate of profit to fall'.¹² For capital in crisis the restoration of profitability demands a savage attack on the living standards of the working class.

The fall in the rate of profit is not an uninterrupted process. Throughout the accumulation of capital the tendency towards collapse is broken up into a series of apparently independent cycles, these forming the so-called business cycle. The 'stop-go' character of the post-war British economy expresses the contradictions inherent in the accumulation process. The crises which occur throughout the business cycle are but embryonic forms of the collapse of capitalist production. The collapse itself occurs when all the counteracting tendencies brought into play by such cycles are insufficient to overcome the effects of the dominant tendency of the rate of profit to fall. If capitalism is to survive as a social system the conditions for a violent return to further profitable production must be created. These conditions are the political and physical defeat of the working class and the destruction of capital values through frantic imperialist competition and war; the previous major crisis of capitalist production was overcome in this way through the political defeat of the international working class and the Second Imperialist World War. Whether capital will be able to resolve its present crisis in the same way depends on the outcome of the class struggle. Socialism or barbarism are the alternatives faced by the working class today.

3. The State and the boom

(a) State intervention

The crises which result from the accumulation of capital and convulse the whole social system do not return the accumulation process to its previous starting point. Accumulation recommences at a higher level, with a greater development of the productive forces and investments of unprecedented size. But for this to happen capital must be restructured. After the Second Imperialist World War, private capital proved unable to maintain the conditions for reproduction and accumulation on its own. The bourgeois state was obliged to intervene in the economy in a much more direct way than before the War.

The enormous restructuring of industry that was needed to secure profitability and competitiveness in the world market after the War required large scale state subsidies to private

capital. Those sectors of industry which could not be run profitably by private capital, but which were vital for the national economy, were nationalised or closely regulated by the state. In Britain, the state's attempts to reorganise private capital played a particularly important role.

The second important area of state intervention in the post-war period was the establishment of the 'welfare state' in Britain and the adoption of analogous measures in other advanced capitalist countries. These are taken by state socialists as proof of the socialist potential of the capitalist state; but in reality, the measures that were implemented were necessary for the reproduction of capitalist relations. They ensured the compliance and fitness of the working class for the process of reconstruction and the renewed accumulation of capital in the post-war boom.¹³ It is essential to recognise the limitations placed by capital accumulation on this form of state activity in order to understand the specific forms of the crisis faced by capital at the end of the boom.

These limitations stem from the fact that, outside the nationalised industries, most state employment and expenditure is unproductive for capital. Capital can only accumulate by exploiting productive labour. Only labour which creates value and surplus-value in the production of commodities is productive for capital.¹⁴ The labourer is only productive if his labour-power is consumed by capital in the process of production. It is the *social form* which determines whether the labour expended is productive; the particular use-values produced are irrelevant.¹⁵ Unproductive labour, on the other hand, does not produce value and surplus-value for capital. This labour takes two main forms.

The first form includes labour employed by capital in the sphere of circulation. Workers in the commercial and banking sectors provide services to productive capital. The employment of circulation workers is profitable for the individual capitalists in these sectors because they are able to attract surplus-value from productive capital through discounts and interest payments. From the standpoint of total social capital, however, such labour is unproductive since it *creates* neither value nor surplus-value. Nevertheless, the profit attracted by the individual capitalist in the sphere of circulation gives the appearance that this sphere too is productive.¹⁶ The employment of circulation workers grows with capital accumulation, the expansion of the credit system and the necessity to realise the exchange-value of an increasing mass of commodities.¹⁷ As these workers provide essential services for productive capital, the bourgeoisie does not in general regard them as a burden. Those workers who are castigated by the bourgeoisie for being unproductive fall into the second main category.

This second form of unproductive labour consists mainly of public sector workers in central and local government, health, education and social services. Throughout the post-war period, employment in this sector rose considerably.¹⁸ While the mass of profit is rising sufficiently, the burden imposed on productive capital by this employment can be tolerated. This burden takes the form of taxation to finance the state's unproductive expenditure; it is a further deduction from the total mass of surplus-value.¹⁹ When the tendency of the rate of profit to fall asserts itself in the crisis, state employment of unproductive workers becomes a luxury capital can no longer afford.

Because increases in productivity raise the rate of surplus-value and therefore the mass of surplus-value per productive worker, they tend to expel workers from the process of production. At first the number of productive workers declines only in relation to the growth of constant capital as the organic composition of capital rises; but as accumulation stagnates their number falls absolutely. Thus the mass of profit cannot rise as quickly as would be expected from the rise in the rate of surplus-value. Profitability is reduced still further due to increased state expenditure and taxation as more workers are employed unproductively by the state. The

limits to the accumulation of capital in turn constrain the state's unproductive expenditure. For the bourgeoisie, however, reality is reversed: high levels of taxation and the employment of bureaucrats are blamed for causing the crisis.

A further aspect of state intervention which has increasingly emerged in the post-war boom is state economic policy. This is important for an understanding of inflation. At first sight inflation appears paradoxical. As productivity increases and the socially necessary labour-time or value contained in commodities is reduced, prices should fall, not rise. But the process which leads to the development of the social productivity of labour also results in the tendency of the rate of profit to fall.²⁰ The individual capitalist attempts to compensate for declining profitability by *raising* his prices; the extent to which he does this depends on the particular stage of the accumulation process. But how can the capitalist realise these higher prices?

The answer lies in the role played by credit. The means of payment for these commodities at their higher market prices is provided through the extension of credit by the banks and ultimately by the state. The interdependence of banking and industrial capital is backed up by the capitalist state, which seeks to preserve the general conditions of private capital accumulation. Throughout the post-war boom the provision of credit was extended—allowing declining profitability to be expressed as accelerating inflation. Credit allowed the continued expansion of production by offering a means of suspending the barriers to profitable accumulation. Credit facilitates the concentration and centralisation of capital. This takes place to the advantage of large capitalists: they can secure sufficient money-capital at the expense of smaller, less efficient firms. The state intervenes with fiscal and monetary policies to promote this process and attempts to prevent the halt to accumulation that would otherwise precipitate a general crisis. However, continued accumulation, together with the relentless drive to increase productivity and raise the mass of profit, ultimately only exacerbates the crisis of profitability.

Government economic policy is made in the context of the nation state within the world economy. In the advanced capitalist countries after the War the state used credit and expenditure policies in an attempt to regulate the accumulation of capital within national boundaries. For most of the post-war period these actions were constrained by the international economic order established under the domination of the United States—the foremost imperialist power. The system set up at Bretton Woods in 1944 was designed in the interests of US capital. Although the other imperialist powers had no choice but to submit, it nonetheless provided a temporary framework for orderly trading relations. Indeed, once the boom began in the 1950s, there appeared to be a spirit of fraternity among the international bourgeoisie.

The Bretton Woods system established the US dollar as the main currency for exchange against gold. The dollar and sterling were the two main reserve currencies reflecting the positions of the USA and Britain as the foremost imperialist powers. The main aim was to liberalise trade and prevent a return to the competitive devaluations and the protectionism of the inter-war period. The material basis for such liberalism had been eroded with the epoch of imperialism, but during the years of the post-war boom the pre-eminence of US capital mitigated inter-imperialist rivalries. These factors accounted for the particular state economic policies of the 1950s and 1960s. The problems of individual national capitals were no longer to be resolved through the devaluations and protectionist measures that had formerly provoked trade wars. Lack of competitiveness was to be overcome internally—through deflationary measures and partial restructuring. This system disintegrated with the decline of US capital on the world market and the onset of the world crisis. The 1970s saw the return of the competitive struggle between national capitals.

In the next sections we shall examine the unfolding of the crisis in Britain.

(b) The boom in Britain

Britain, the oldest capitalist state, experienced the problem of profitability earlier than its competitors. The maturity of British capital was already apparent at the turn of the twentieth century in the decline of Britain's position on the world market. Unlike other national capitals, British capital could not be restructured adequately during the Depression and Second Imperialist World War. After the War the rate of profit on domestic investment remained relatively low and throughout the boom capital was exported. As a consequence the level of investment in British industry was significantly below that of its main trade rivals. The result was that productivity increases were also lower and British capital became less and less competitive.²¹ Britain's overall weakness

12 K Marx, *Capital*, Vol 3, Lawrence & Wishart, 1974, p235.

13 These points will be analysed in depth in RCP No 4.

14 *Capital*, Vol 1, op cit, p477.

15 The distinction between productive and unproductive labour is 'therefore not derived from the material characteristics of labour (neither from the nature of its product nor from the particular character of the labour as concrete labour), but from the definite social form, the social relations of production, within which the labour is realised... The use-value of the commodity in which the labour of a productive worker is embodied may be of the most futile kind. The material characteristics are in no way linked with its nature which on the contrary is only the expression of a definite social relation of production'. K Marx, *Theories of Surplus Value*, Part 1, Lawrence & Wishart, 1969, pp157-8.

16 This is especially the case if the profit is attracted from overseas. For example, whatever vulgar abuse 'left' social democrats may hurl at the City of London as a world financial centre, there is always a grudging appreciation of its 'invisible earnings'.

17 From 1949 to 1959, employment in the distributive trades in Britain rose from 2,553,000 to 3,000,000. In the same period employment in insurance, banking and finance rose from 452,000 to 545,000. *Annual Abstract of Statistics 1960*, p105. From the mid-1960s employment in the former sector fell with the advent of supermarkets, etc. Employment in the latter sector continued to rise.

18 Employment in education in Britain rose from 573,000 in 1950 to 1,091,000 in 1964. In the same period employment in medical and dental services rose from 589,000 to 877,800. *British Labour Statistics, Historical Abstract, 1886-1968*, Department of Employment and Productivity, 1971, pp256, 259. A small proportion of the workforce here, however, was employed by private capital rather than unproductively by the state. The increase in employment was larger in both percentage and absolute terms in the last six years of the period than in the first eight years.

19 The immediate burden of taxation falls mainly on the working class. However, it is more correct to view net take-home pay and the purchasing power of wages as corresponding to the value of labour-power, so that taxation is a deduction from total surplus-value. In times of crisis and rapid inflation, of course, increasing taxation can be used to drive wages below the value of labour-power.

20 *Capital*, Vol 3, op cit, p213.

21 The share of gross domestic capital formation (gross investment) in GDP in 1961 and 1973 for the UK was 17 per cent and 20 per cent. Corresponding figures for other countries were: West Germany, 25 and 25 per cent; France, 22 and 24 per cent; Italy, 28 and 21 per cent; Japan, 33 and 37 per cent. See R Bacon and W Eltis, *Britain's Economic Problem: Too Few Producers*, Macmillan, 1976, p162. Gross value added per man-hour in manufacturing rose by the following amounts from 1955 to 1974: UK, 92 per cent; West Germany, 171 per cent; France, 166 per cent; Italy, 185 per cent. See *The Times*, 28 September 1977, p14.

came to be expressed in the 'stop-go' cycle of alternate deflation and reflation. The period of this cycle corresponded to successive balance of payments crises which, owing to sterling's role as a reserve currency, could not be resolved through devaluation.

Each time the economy expanded, Britain's lack of competitiveness brought about a greater expansion of imports than exports. This resulted in persistent deficits in the balance of payments. To maintain the exchange-rate the government implemented deflationary policies which restricted domestic economic activity and reduced imports. Each 'stop' phase created the basis for a further period of accumulation. The restriction of the home market made firms attempt to raise productivity in order to compete overseas; those that could not achieve this tended to be eliminated, so contributing to the centralisation of British capital. The process of centralisation is illustrated by the fact that the share of the hundred largest companies in the net output of manufacturing industry rose from 20 per cent in 1950 to almost 50 per cent in 1970.²²

As production was cut back during the 'stop' phase, unemployment rose; this allowed the supply of labour to be adjusted to the current needs of capital and also enabled the growth of money wages to be restricted. The major factor in bringing about each recovery was the continued expansion of world trade: it was this that provided for some growth of exports. Once the balance of payments deficit had been alleviated, the government could use credit and expenditure policies to stimulate accumulation and swing the economy into a 'go' phase.

Because of its weakness, the fortunes of British capital came to reflect the health of the world economy. Capital continued to accumulate on a world scale until the mid-1960s, when the tendency to crisis began to reassert itself internationally. In Britain this was expressed in the changed character of the 'stop-go' cycles. At each successive 'stop', the level of unemployment required to reduce the rate of inflation and eliminate the balance of payments deficit rose. The successive 'go' phases were accompanied by an ever sharper deterioration in the trade balance and by an acceleration of inflation. The tendencies working to counteract Britain's crisis began to lose their effectiveness as the world crisis deepened in the late 1960s. The rate of growth of world trade slowed, competition became more intense and each national capital frantically sought markets in order to promote its expansion.

4. The early counter-crisis strategies, 1964-1974

By the mid-1960s the position of British capital in the world market had deteriorated to such an extent that a major intervention by the state was required to restore profitability and boost output. The uninterrupted decline of British capitalism can be gauged by its declining share of world trade.²³

Government measures began with the National Economic Development Council (NEDC), set up by the Conservatives in 1962. When Labour took office in 1964 it adopted the 'technological revolution' and the modernisation of Britain's industrial structure as party policy.²⁴ It placed the NEDC under its Department of Economic Affairs and by 1965 a National Plan had been drawn up. Labour claimed to have rejected 'stop-go' economics, and indicated its determination to overcome the problems of the British economy once and for all.²⁵ These measures, dictated by the needs of capital, were presented by Labour as the means of fulfilling the socialist ideal. Britain's decline was to be reversed and its rightful place among the nations of the world restored with the aid of state planning.

Unfortunately for Labour's 'planners' the problems of the British economy were not the result of 13 years of Tory misrule. The failure of British capitalists to invest sufficiently

was a response to low profitability. In order to boost investment it was first necessary to take action to raise profitability. With the onset of another balance of payments crisis, the Labour Government proceeded to do just this. The period of voluntary restraint on wage increases, agreed with the TUC in the *Statement of Intent* of 1965, was in 1966 turned into Britain's first statutory wage freeze. This was followed by further wage restrictions and devaluation in 1967. The effect was to increase the rate of surplus-value by cutting real wages — to increase the competitiveness of British capital at the expense of the working class.

Wage restraint was only one aspect of the Labour Government's attempts to rejuvenate British capitalism. Labour also encouraged the centralisation of capital by setting up the Industrial Reorganisation Corporation (IRC) in 1966.²⁶ The IRC identified possibilities for mergers and promoted them: two prominent results were the formation of the General Electric Company and British Leyland. It played a significant role in the wave of mergers that occurred between 1966 and 1968.²⁷ (See Table 1.)

Although the centralisation of capital had been taking place throughout the post-war period, the process was intensified in these years. During the late 1960s international competition sharpened as the worldwide overaccumulation of capital began to manifest itself. The cheapening of commodities through increases in productivity became an essential weapon in the battle of competition. Productivity increases demanded that productive capital be reorganised into larger units. By rationalising production the mass of profits appropriated by a single unit of capital could be increased, thus making more funds available for investment.

The merger boom indicated the magnitude of the problem that capital in Britain had to overcome. Productivity rose substantially; but despite the 1967 devaluation and wage restraint, British capital could only achieve a temporary improvement in its competitive position. As productivity increased and the number of workers employed by a given amount of capital fell, capital was unable to accumulate sufficiently to re-employ those expelled from production. Increases in productivity, although raising the rate of surplus-value, ultimately led to a further decline in the rate of profit — because they involved a rise in the organic composition of capital. Improving competitiveness therefore necessitated direct attacks on working class living standards. Incomes policy began to dominate the government strategy for economic recovery.²⁸

The year 1966 marked a new stage in the 'stop-go' cycle in Britain. Formerly the 'stop' phase appeared as the prelude to renewed growth and the return to full employment. Even with a 14 per cent devaluation in 1967, this was now no longer possible. The devaluation of sterling anticipated the demise of the Bretton Woods system. Shortly afterwards the US dollar came under severe pressure and in 1969 the French franc was devalued and the German mark revalued. These were belated expressions of the redivision of the world market that had taken place in the post-war boom. The era of fixed rates of exchange and of a steady growth of world trade was over. The British economy could no longer rely on the growth of the world market to cushion the impact of the crisis. The growth of productivity helped raise unemployment in Britain to new levels.²⁹ (See Table 2.)

Before 1966, the level of unemployment rarely rose above two per cent. Afterwards it remained consistently above this figure, and the former flash-point of a half million unemployed became obsolete. It became increasingly difficult to stimulate accumulation with reflationary measures. Capital's overriding need was to increase productivity. In a period of stagnation this ruled out any reduction of unemployment. Accelerating inflation impressed upon the government the impracticality of any direct attempt to expand the economy.

Individual capitalists attempt to counteract the falling

Table 1 Total number of mergers per annum

Year	Manufacturing	All industry
1964-65	47	59
1966	48	66
1967	61	75
1968	79	100

Average value of net assets transferred

All industry (£m current prices)
3.8
6.4
9.5
12.1

Table 2 UK unemployment and productivity 1966-70

Year	UK unemployed (% excluding school-leavers)	Output per man-hour in manufacturing (% increase over previous year)
1966	1.5	3.5
1967	2.3	4.3
1968	2.4	6.6
1969	2.4	2.4
1970	2.6	1.9

rate of profit by raising their prices. If these are to be realised, an expansion of the money supply and credit is required. For this reason reflation came to have a more and more inflationary character. In order to protect the competitive position of British capital — to make devaluation work — it was necessary to bring down the rate of inflation. No matter what the original intentions of the government in office, capital required continued deflation and a prolonged 'stop' phase. Stagflation, the coexistence of rising unemployment and high rates of inflation, began to make an appearance throughout the capitalist world. This phenomenon was all the more pronounced in Britain because of the particular severity of the crisis of British capital.

Unemployment and the rate of inflation continued to increase after the Conservatives took office in 1970. It was not until unemployment rose to a post-war record of one million at the end of 1971 that the rate of inflation began to decline from a peak of 10 per cent.

The Conservative Government began with the intention of allowing the free play of 'market forces' to overcome the crisis. Taxation and public expenditure were cut in order to 'reduce prices at a stroke'. Labour's Prices and Incomes Board was abolished and the IRC was wound up with the declaration that lame ducks would go to the wall. The attack on the working class represented by this strategy became most explicit in the Industrial Relations Act. Directed against the trade unions, it made those whose actions contravened it subject to imprisonment and fines.

The Conservatives were soon forced to recognise that their initial response to the crisis was premature. Their policy of confrontation with the trade unions provoked a militant response from the working class. Legal sanctions and attacks on jobs led to the most determined and protracted struggles of the post-war period. The bourgeoisie itself was unnerved by this departure from consensus politics. Rising unemployment and the first wave of bankruptcies forced a relaxation in the Government's free market offensive. Most conspicuously, the Heath Government reversed its lame duck policy: in 1971 Rolls Royce and Upper Clyde Shipbuilders were rescued from collapse. The following year the Government introduced its Industry Act, providing state subsidies to encourage investment by private firms — particularly in regions of high unemployment.

The downturn in economic activity led to a fall in imports. For the bourgeoisie this had one advantage — by 1972 the balance of payments was in surplus. Coinciding with a drop in the rate of inflation, this surplus appeared to provide the conditions for reflation and the solution of the govern-

ment's problems. The conservative Government took action to boost the economy by cutting taxation, loosening controls on the money supply and giving incentives for investment. Dramatic changes in the international monetary system strengthened Tory optimism. Expressed as a mounting trade deficit, the decline of US capitalism forced a devaluation of the dollar which disrupted conventional exchange-rate parities. The Bretton Woods system collapsed, allowing the pound to be floated on the foreign exchange markets from June 1972. To the Conservatives one of the major constraints on Britain's economic growth had been removed. Economic revival now seemed assured.

However, the resulting boom was primarily speculative in character, both in Britain and throughout the capitalist world. By 1972, unemployment on an international scale had reached levels significantly above those of the previous two decades. In response to this governments resorted to traditional Keynesian policies. Although industrial production in the OECD area rose by some 10 per cent from 1972-73, investment failed to increase substantially and inflation further accelerated.³⁰ The overaccumulation of capital was now a worldwide phenomenon, and the speculative response to reflation was the clearest indication that capital was not prepared to invest on the basis of existing levels of profitability.

Inflation was particularly evident in the prices of raw materials. The speculative boom in the imperialist countries allowed the backward capitalist countries to raise the prices of their exports as they attempted to compensate for the effects of the crisis. The prices of many primary commodities rose considerably, assisted in some cases by cartel agreements. The most dramatic instance was oil. Following the Yom Kippur War the Arab oil producers were able to consolidate the Organisation of Petroleum Exporting Countries (OPEC) and,

22 *The Menace of the Multinationals*, Labour Research Department, 1974, p8.

23 The UK's share of world trade in manufactures fell from 25.5 per cent in 1950 to 16.3 per cent in 1960. *National Institute Economic Review*, November 1961 and November 1966. Between 1953 and 1960, industrial production rose by 29 per cent in the UK compared with 71 per cent in Western Europe and 19 per cent in the USA. J C R Dow, *The Management of the British Economy 1945-60*, Cambridge University Press, 1965, p91.

24 See 'The New Britain', *Labour Party Manifesto*, 1964.

25 S Brittan, *Steering the Economy*, Pelican, 1971, p297.

26 As S Brittan noted, 'Labour Ministers actively encouraged the "take-over kings" whom they had denounced in opposition, even when the expressed object of bids was to cut out unnecessary labour'. *Ibid*, p319.

27 Table taken from A Graham, 'Industrial Policy', in *The Labour Government's economic record 1964-70*, edited by W Beckerman, Duckworth, 1972, p209. The IRC was directly involved in 30 large mergers between 1966 and 1971, and actively encouraged about 100 others. *The Economist*, 3 December 1977, p98.

28 See section III. 4, below.

29 Unemployment figures are from *Economic Trends*, Central Statistical Office (CSO), March 1977. Productivity figures are calculated from the *National Institute Economic Review*, February 1975, p109.

30 *National Institute Economic Review*, February 1974, p17.

from October 1973, reverse the longstanding decline in the real price of oil on the world market. The monetary uncertainty which arose out of the breakdown of the exchange-rate system made primary commodities an attractive speculative investment, pushing prices still higher.

The 13 per cent increase in British industrial production in the two years 1972-73 found little reflection in productive investment. The previous period of stagnation had not created the conditions for renewed accumulation, so reflation had little effect. While it is not possible to measure empirically the rate of profit in the Marxist sense, all estimates for Britain which take account of inflation show a distinct downward trend since 1960.³¹ Diagram 1 illustrates the rate of return on capital employed: it indicates the reason behind the property speculation and other forms of capitalistic gambling that greeted the Conservatives' 'easy money' policy.

unproductive employment and expenditure, the *result* of the capitalist accumulation process, came to be seen as the main *cause* of the crisis. By the early 1970s calls to regenerate British industry accompanied attacks on workers in the public sector. It was becoming clear to the bourgeoisie that it would have to cut back public expenditure if capitalist production was to be put on a sound footing. In December 1973 the Conservatives cut spending by £1.2 billion. This foreshadowed a vicious bourgeois attack on the working class.

Other developments confirmed that the 'boom' of 1972-73 was a further expression of the crisis. The export of capital became increasingly important as the crisis of profitability deepened; it quadrupled between 1966-68 and 1972-74.³⁵ The economic 'recovery' also undermined the balance of payments: though Britain's trade account showed a surplus of £280 million in 1971, this deteriorated rapidly,

Diagram 1 Rate of return on capital employed 1960-76³²



The changing patterns of employment during this period also give an indication of the crisis of British capital and the low profitability of investment. Between June 1972 and June 1973 the number of workers employed in Britain rose by 532,000. But only a small proportion of this total represented an addition to the workers employed by productive capital to produce surplus-value. Though employment statistics cannot distinguish accurately between productive and unproductive labour, some indication of the small increase in productive employment is given by the fact that only 102,000 extra jobs were created in the production industries sector and of these only 51,000 in the manufacturing industries sector.³³ These figures suggest that a large increase in the number of unproductive jobs was required in order to reduce unemployment; yet it fell by only 221,000. Because capital relies on the exploitation of productive workers, even this reduction in unemployment could not be continued indefinitely. The figures illustrate the narrowing base for capital accumulation in Britain and the need to regenerate industry.

The growth in unproductive employment and expenditure was a burden capital could no longer afford. At first, the Conservative Government cut taxes in an attempt to reduce the burden of state spending; but, since the crisis had prevented any reduction in expenditure, this meant only increased state indebtedness and contributed to inflationary pressures. In the three years 1971-73, public expenditure as a whole rose by more than 30 per cent and the public sector borrowing requirement (PSBR) more than trebled to £4.2 billion.³⁴ On the surface the crisis of capitalist production was beginning to appear as a crisis of control over state expenditure. The rise in

reaching a deficit of £2334 million by 1973. This occurred before the OPEC oil price increases, and despite a sharp decline in the sterling exchange-rate of some 10 per cent in the year from June 1972. It was becoming ever clearer that British industry could not compete in world markets and that exceptional measures would have to be taken.

Capital required a massive increase in the rate of exploitation. By November 1972 it was obvious that a public sector wages policy and the Industrial Relations Act were insufficient to meet the needs of capital. The imposition of a statutory wages policy provided only a breathing space. Unable to obtain the collaboration of the working class, unable to 'unite the nation', Heath was defeated on the issue of the miners' strike.³⁶ By 1974 it was obvious that the Tories had failed to measure up to the task of restoring capitalist profitability at the expense of the working class: now it was Labour's turn.

5. The Labour Government and the crisis

'The British people will understand if we are then compelled to give so absolute a priority to rebuilding the economic fabric of the nation that some of our expenditure will have to be delayed.'³⁷

The Labour Government's strategy for saving capitalism was advanced in the guise of the Social Contract. The theme of its industrial strategy was rational state planning of the economy through the National Enterprise Board (NEB) and a system of Planning Agreements.³⁸ In addition, proposals were made to extend 'industrial democracy' in order to gain the support of the working class for these plans.

The Labour Government was constrained in its attack on the working class by the need to re-establish class harmony in the aftermath of Heath's defeat. The brief respite to the crisis which resulted from the speculative boom of 1972-73 had made this possible. But it ended in 1974—the 'year of records'.³⁹ Retail prices rose by more than 16 per cent over the year; the balance of trade moved into a deficit of more than £5.2 billion; the index of industrial production fell for the first time since 1958 and unemployment began to rise again. Average earnings rose by some 18 per cent: this allowed wage rises to be seen as the main cause of inflation. The existing terms of the Social Contract were not tough enough for British capital—more stringent measures were required. In November, Chancellor Healey announced that

'... if wages rise beyond the limits set by the TUC, the government will be compelled to take offsetting steps to curtail demand. And the effects on the financial position of the company sector are bound to lead to unemployment....'⁴⁰

In order to persuade workers to moderate their wage demands the ideological offensive of the bourgeoisie concentrated on the theme that 'wage rises cause inflation'. In the absence of any effective challenge, the logic of Wilson's statement that 'one man's pay rise is another man's price rise' became widely accepted in the labour movement. This seemed to make sense: just to maintain the real value of net earnings (after tax and other deductions) money wages had to rise faster than prices. For capital the wage level was too high in relation to profitability. The acceptance of the notion of a wages explosion in response to accelerating inflation politically disarmed the working class.⁴¹

Public expenditure also came under attack from the bourgeoisie and its ideological spokesmen. One popular thesis was advanced by two influential bourgeois economists, Bacon and Eltis, who located public sector employment and expenditure as the source of Britain's decline.⁴² Such theories provided an essential justification for the Government's attack on the public sector.

The 'attack on inflation' led to the attack on working class living standards.⁴³ Superficially, the crisis of capitalist production presented itself as a crisis caused by rising prices—whether those of imports ('imported inflation') or those of the commodity labour-power ('wage inflation'). Accelerating inflation was a consequence of the crisis of profitability, both in Britain and throughout the capitalist world: but, because of its particular weakness, British capital required continual devaluations of the exchange-rate to maintain competitiveness, as well as further price increases to restore profit margins. This resulted in a higher rate of inflation, giving the appearance of a problem peculiar to Britain.

Rising prices led to inflated public spending and a bigger PSBR. Between 1974 and 1975 public expenditure rose to account for more than half of GDP.⁴⁴ At £10.5 billion, the borrowing requirement was over 11 per cent of GDP. During 1975 industrial production fell back to 1970 levels and unemployment rose sharply to well over one million by the end of the year. The number of company liquidations more than doubled between 1973 and 1975.⁴⁵ By July 1975 the sheer magnitude of the crisis, together with the political weakness of the working class, led to the virtual collapse of trade union militancy.

6. The attack on inflation — the attack on the working class

In 1975 the accumulation process came to an abrupt halt. The forces working against collapse in the previous phase could no longer alleviate the effects of declining profitability. In this new stage of the crisis profitability could only be restored through a direct attack on the working class. This is what the 'attack on inflation' represented. For the individual capitalist

accelerating inflation appears as spiralling costs and crippling taxes; for the British bourgeoisie it threatens financial collapse. The capitalist crisis therefore demands cuts in wages and public expenditure as well as a concerted drive to regain control over the money supply and credit.

While it is not the case that wage rises contribute in any way to inflation, reductions in real wages alleviate the pressure on capitalists to restore profit rates by raising prices. Forcing wages below the level required to maintain customary living standards—below the value of labour-power—is a central part of the Government's counter-inflation strategy. This is the significance of the wage restraint embodied in the Social Contract. From July 1975 to July 1976, the period of the '£6 limit', average earnings rose by 14 per cent compared with 28 per cent in the previous year. This took the real incomes of the working class back to 1973 levels.⁴⁶ The process did not end here—wage cuts continued unabated through the next year. As *The Economist* put it in September 1977:

'... the 7% by which the past year's 10% increase in earnings fell behind its 17% increase in prices represents the biggest recorded fall in the average Briton's real disposable income for over a hundred years: worse than anything that happened in the 1930s.'⁴⁷

The bourgeoisie could boast of equal success with regard to cuts in public expenditure. Until 1975 public spending was estimated on the basis of forecasted price increases. However

31 The rate of profit in the Marxist sense cannot be measured empirically. This is primarily because prices deviate from values and because of the problem of accounting for unproductive labour. To interpret statistics it is necessary to understand the forces which condition the rate of profit.

32 Taken from *Trade and Industry*, 16 September 1977, pp519-20, Table 1, col 6 and Table 2, col 3. No estimate was available for manufacturing companies in 1976.

33 Calculated from the *Department of Employment Gazette*, April 1977, p394. The definitions are those of the Department of Employment.

34 Figures from *National Income and Expenditure 1966-76*, CSO, 1977. Public expenditure here and below is taken as General Government current and capital expenditure.

35 Net direct private investment overseas from the UK rose from an annual rate of £322 million in the period 1966-68 to £590 million in 1969-71 and to £1311 million in 1972-74. *Trade and Industry*, 5 August 1977, p251, Table 1.

36 See section III. 4, below.

37 'Let us work together — Labour's way out of the crisis', *Labour Party Manifesto*, February 1974, p2.

38 See *The regeneration of British industry*, White Paper, HMSO, August 1974, Cmnd 5710.

39 *National Institute Economic Review*, February 1975, p8.

40 Ibid, p11.

41 Ideological confusion in the labour movement was reflected in the ranks of the CPGB. In 1976 a debate was initiated on whether wage rises caused inflation. Without an understanding of the Marxist theory of crisis, the leadership of the CPGB was forced to concede that wages were at least a 'partial' cause of inflation. See the discussion in *Comment*, Summer 1976, sparked off by D Purdy's article of 26 June 1976. The radical left made similar concessions to the prevailing bourgeois views on inflation. See, for example, the IMG's *Red Weekly*, 14 August 1975.

42 Bacon and Eltis, op cit.

43 The title of a series of White Papers, the first of which appeared on 11 July 1975. A massive propaganda campaign was launched by the Government on the same theme in August.

44 Public expenditure increased by over 30 per cent to absorb 55 per cent of GDP. GDP is taken at factor cost; figures are calculated from *National Income and Expenditure 1966-76*, op cit.

45 The number of company liquidations rose from 2575 in 1973 to 3720 in 1974 and 5398 in 1975. *Trade and Industry*, 5 August 1977, p257.

46 *National Institute Economic Review*, February 1977, p14.

47 *The Economist*, 3 September 1977, p10.

this system broke down as the cost of each item of expenditure rose rapidly with inflation: public spending exploded. In an attempt to regain control the Government imposed cash limits. By 1976 two-thirds of expenditure was being determined in this way. The aim of the Government's attack on public expenditure was to halve the PSBR to five per cent of GDP by 1978-79. Cash limits alone were insufficient to fulfil this objective; in addition public expenditure cuts of several billion pounds were announced in 1975 and 1976.⁴⁸

These unprecedented cuts revealed the dimensions of the crisis. The services to which the working class had become accustomed — schools, hospitals and other welfare and social facilities — could no longer be sustained. Financial discipline for the public sector also entailed a reduction in subsidies to the nationalised industries — they fell from £1337 million in 1974 to £984 million in 1976. Systematic price increases for coal, gas, electricity and transport services followed, which, together with the phasing out of food subsidies, further eroded living standards.

The Budget of April 1976 cut corporation tax and gave tax relief on stock appreciation in order to strengthen industry's balance sheet.⁴⁹ Like public sector cuts this reduction of taxation on private industry allows a redistribution of surplus-value away from public expenditure in favour of private capital. It too contributes to raising private profitability. For British capital the restoration of financial stability is an essential part of the 'attack on inflation'. The extension of the money supply and credit, formerly counteracting the effects of declining profitability, now exacerbate the crisis.⁵⁰ When production is no longer profitable, increases in the money supply merely fuel inflation and encourage speculation. The inflated money prices bear little relationship to the values embodied in commodities. The crisis of confidence that ensues precipitates speculative movements of money-capital internationally, leading to the disruption of the Government's monetary policy. At a certain stage the capitalist crisis presents itself as a crisis in the monetary sphere. This gives rise to the illusion that by solving the 'money crisis' the underlying contradictions of capitalist production can be overcome. Hence the bourgeoisie turns to monetarism and seeks to solve the crisis by restricting the growth of the money supply.

Although the solution of the money crisis is necessary, it is only a prerequisite for the restoration of profitable production at the expense of the working class.

It appeared that the Labour Government was converted to monetarism by the International Monetary Fund (IMF). By October 1976 the sterling crisis had forced interest rates up to 15 per cent and Healey was obliged to secure a loan in December in order to finance the trade deficit. The loan was made conditional on a firm commitment to control the money supply and the growth of public expenditure. Populist critics of the Labour Government portrayed this as a loss of British sovereignty, but it was merely consistent with the needs of British capital: the Labour Government did not need any prompting from the IMF — it had already demonstrated its determination to save British capital at any cost.

The resolution of the crisis in Britain required more than a loan. The improvement in company cash flows only stimulated a new surge of capital export.⁵¹ The extent of the restructuring required by British industry was indicated by *The Economist*:

'...real growth in fixed investment has fallen from an annual 5¾% in the 1960s to under an annual ¾% in 1970-76, so that... 59% of Britain's capital stock in manufacturing is over 11 years old.'⁵²

Workers received redundancy notices while the bourgeoisie discussed inflation in Parliament.

7. The reserve army of labour

To survive the crisis capital requires a massive increase in the rate of surplus-value. The drive to produce both relative

and absolute surplus-value becomes more acute. The exploitation of the working class is further increased as capital seeks to raise the amount of value produced per unit of labour-time — by making workers work faster. This intensification of labour reduces the necessary part of the working day, so increasing the surplus labour-time worked. But for capital it is not sufficient to compel workers to wear themselves out through overwork. It is forced to lower workers' living standards — to drive wages down below the value of labour-power. This is capital's barbarous method of resolving the crisis.

During the post-war boom the massive rise in the productive power of social labour allowed both real wages and the rate of exploitation to increase simultaneously. In general, this process can no longer continue. The crisis of profitability forces capital to abandon this relatively 'humane' method of extracting surplus-labour from the working class. As more and more workers are driven from their jobs into the reserve army of labour, capital is able to employ more brutal methods: it intensifies labour, pushes down wages and lengthens the working day. Capital does not hesitate to reduce the mass of surplus-value — by creating unemployment — in order to overcome its present lack of surplus-value. Mass unemployment prepares the way for the future reabsorption of the working class into production.

The tendency towards stagnation which emerged in the 1960s led to the expulsion of workers from production. This tendency is the main force behind the creation of the reserve army. Between 1961 and 1974 over 1.5 million jobs were lost in industry in the UK.⁵³ Most of the rise in unemployment over the 1974-76 period was due to a loss of jobs in production industries, including manufacturing. In the aftermath of the 1972-73 'boom' employment in manufacturing fell sharply, particularly in the textiles and engineering sectors. Employment fell not simply as a result of the general drive to increase

Table 3 UK employment and productivity by sector⁵⁴
(Employment in 000s, productivity in %)

Sector		1974	1975	1976
Production industries:				
employment (June)		9895	9506	9255
change over	[employment	-20	-389	-251
previous year	[output per head	-2.4	-0.8	+3.1
Manufacturing industries:				
employment (June)		7871	7488	7246
change over	[employment	+43	-383	-242
previous year	[output per head	-1.7	-1.6	+4.3
Vehicles: employment (June)				
change over	[employment	-5	-36	-12
previous year	[output per head	-3.9	-2.3	+2.0
Textiles: employment (June)				
change over	[employment	-9	-56	-16
previous year	[output per head	-6.4	+3.7	+7.2
Metal manufacturing:				
employment (June)		507	501	469
change over	[employment	-11	-6	-32
previous year	[output per head	-6.9	-12.3	+13.9
Mechanical, instrument and electrical engineering: employment (June)				
change	[employment	+44	-83	-79
previous year	[output per head	+1.4	+0.2	-1.2

productivity — to produce the same mass of commodities with fewer workers. The crisis unleashed a competitive struggle which brought about a wave of bankruptcies and plant closures: surviving capitals were forced to cut back output and expel labour in an attempt to arrest the decline in productivity and reorganise production.

Despite the loss of 660,000 jobs in the production industries shown here, it can be seen that there was only a slight recovery in productivity up to 1976. Although the faltering growth of world trade that year allowed some increase in output, productivity did not rise sufficiently for further redundancies to be avoided.

Employment in the nationalised industries has also fallen. These industries provide important inputs to the private sector; their efficiency is essential if the elements of constant capital are to be cheapened. The resources commanded by the state have enabled restructuring to be carried out more thoroughly in the nationalised sector. As the following table shows, employment in these areas has been cut back sharply to raise productivity, particularly since 1960.⁵⁵

Table 4 Employment and productivity in the public corporations
(% change per annum)

Industry	Period	Employment	Output per head
British Gas	1960-75	-1.4	8.9
British Rail	1963-75	-5.5	5.8
British Steel	1968-75	-2.5	-1.4
Electricity	1966-75	-3.6	7.1
National Coal Board	1960-75	-5.9	1.7
	1960-68	-6.8	3.6
British Airways	1960-74	3.6	7.1
Post Office (Posts) (Telecoms.)	1960-75	0.1	0.4
	1960-75	2.1	7.7
Total manufacturing industry	1960-75	-0.7	3.4
	1969-75	-1.6	2.7

The enormous investments made in state industries have necessitated a continual stream of subsidies and the writing-off of debts. By the early 1970s there was a sharp decline in the ability of the nationalised industries to finance their requirements internally. This was made worse by the Conservative policy of holding down prices to restrain inflation.⁵⁶ When the Labour Government was returned to power it attempted to make the nationalised industries commercially viable. Subsidies were phased out and 'greater price freedom' allowed: jobs in this sector were further threatened.

Though the creation of the reserve army of labour had previously been modified by an increase in unproductive employment, the deepening of the crisis sealed this exit for the working class. Commercial and banking capital was forced to rationalise its employment⁵⁷ and unproductive workers employed by the state came up against a concerted campaign by the bourgeoisie. *The Economist* complained in July 1976:

'Since 1962 employment in Britain's index-of-production industries has declined by 20%, while government employment of white collar workers has increased by 25%; a productive country cannot go on like this.'⁵⁸

In unison, Sir Ronald MacIntosh of the National Economic Development Office (NEDO) remarked in a speech to the British Institute of Management:

'The more I meet and listen to foreign observers of Britain, the more convinced I become that it is not so much the absolute level of our public expenditure which concerns them, as its composition. The biggest single reason for their lack of confidence is the high proportion of public borrowing required for non-productive purposes which do nothing to strengthen our economy... it seems to me that an early cut in non-productive public expenditure has become imperative.'⁵⁹

The Government was reluctant to cut employment directly in the public services, fearing the consequences of even higher unemployment. Public spending cuts were therefore mainly directed at capital expenditure on such items as equipment, hospitals and schools. Although some public sector jobs may have been temporarily protected, in the construction industry there was a slump.⁶⁰ Cash limits ensured a strict incomes policy for public sector workers. After rising throughout the early 1970s, civil service and local authority employment is now declining.

- 48 The Budget of April 1975 announced public expenditure cuts of £0.9 billion for 1976-77. In March of the same year, defence cuts of £4.8 billion were also announced, implying a loss of 70,000 jobs. In July 1976 cuts of £1 billion were proposed for 1977-78. Later that year an additional cutback of £1 billion for 1977-78 and cuts amounting to 1.5 billion for 1978-79 were announced. These figures are from *The UK Economy*, OECD, February 1976 and March 1977.
- 49 In 1975-76, the company sector had a financial deficit of £0.5 billion. After these measures a cash flow surplus of £4.5 billion was forecast for 1976-77. *The Economist*, 8 May 1976, p82.
- 50 'The sudden reversion from a system of credit to a system of hard cash heaps theoretical fright on top of the practical panic; and the dealers by whose agency circulation is affected, shudder before the impenetrable mystery in which their own economic relations are involved.' *Capital*, Vol 1, op cit, p138, footnote 1.
- 51 After falling in 1975, overseas investment recovered in 1976, rising by £780 million to £1874 million. *Trade and Industry*, 5 August 1977, p257.
- 52 *The Economist*, 13 March 1976, p9.
- 53 Bacon and Eltis give figures for industrial employment as follows: 1961 — 11,989,000; 1974 — 10,467,000. Characteristically, these figures include employers and the self-employed. 'Non-industryless agriculture' employment rose from 11,624,000 to 13,596,000 in the same period, more than making up for the loss. Bacon and Eltis, op cit, p165.
- 54 Employment figures from *Monthly Digest of Statistics*, CSO, November 1977. Productivity figures are provisional; they are calculated from the *Department of Employment Gazette*, December 1977. In the next few years the attempt to restore profitability, particularly through introducing new technology, will destroy more jobs. One of the leaders of the British computer industry has been reported as predicting that 2.5 million people risk 'substantial changes in the jobs they do in Britain due to the impact of microcircuit electronic technology' and that 1.25 million jobs could be lost. *Electronics Weekly*, 14 December 1977, p9.
- 55 *A Study of UK Nationalised Industries*, Appendix Volume, NEDO, 1976, p47. The figures for British Airways and the Post Office appear to be exceptions to the rule. But in the past two years there have been redundancies and cuts in the postal division of the Post Office, and recently there have been moves to separate the two divisions in the interests of efficiency (see the Carter Committee report). Postal employment was reduced by 3300 in both 1975 and 1976, and a further reduction of 25,000 is planned over the next ten years. *Financial Times* 13 July 1977, p32. British Airways also plans to cut costs through redundancies. Its chairman, Sir Frank McFazdean, has advocated a self-financing productivity deal in which wage increases depend on 'sharing pay among fewer people'.
- 56 *A Study of UK Nationalised Industries*, op cit, p65 et seq.
- 57 For example, employment in the 'insurance, banking and finance' category rose 63 per cent to 1,101,000 from 1961 to 1974. Bacon and Eltis, op cit, p167. Since 1974 there has been no growth. Several major banks are considering reductions in their branch networks. *Financial Times*, 6 March 1978, p4.
- 58 *The Economist*, 24 July, 1976, p12.
- 59 Reported in *The Guardian*, 10 November 1976, p24.
- 60 Between May 1974 and May 1977, over 100,000 workers from the construction industry were added to the ranks of the unemployed. *Department of Employment Gazette*, December 1977, p1412.

Table 5 Civil Service and Local Authority employment (000s) ⁶¹

	1970	1972	1974	1975	1976	1977
Civil Service	701	690	692	701	748	746
Local Authority	2161	2340	2443	2556	2574	2555

The rising trend of unemployment in the UK is illustrated in Diagram 2, and compared with that in other countries in Diagram 3.

Diagram 2 UK unemployment 1966-78 ⁶²

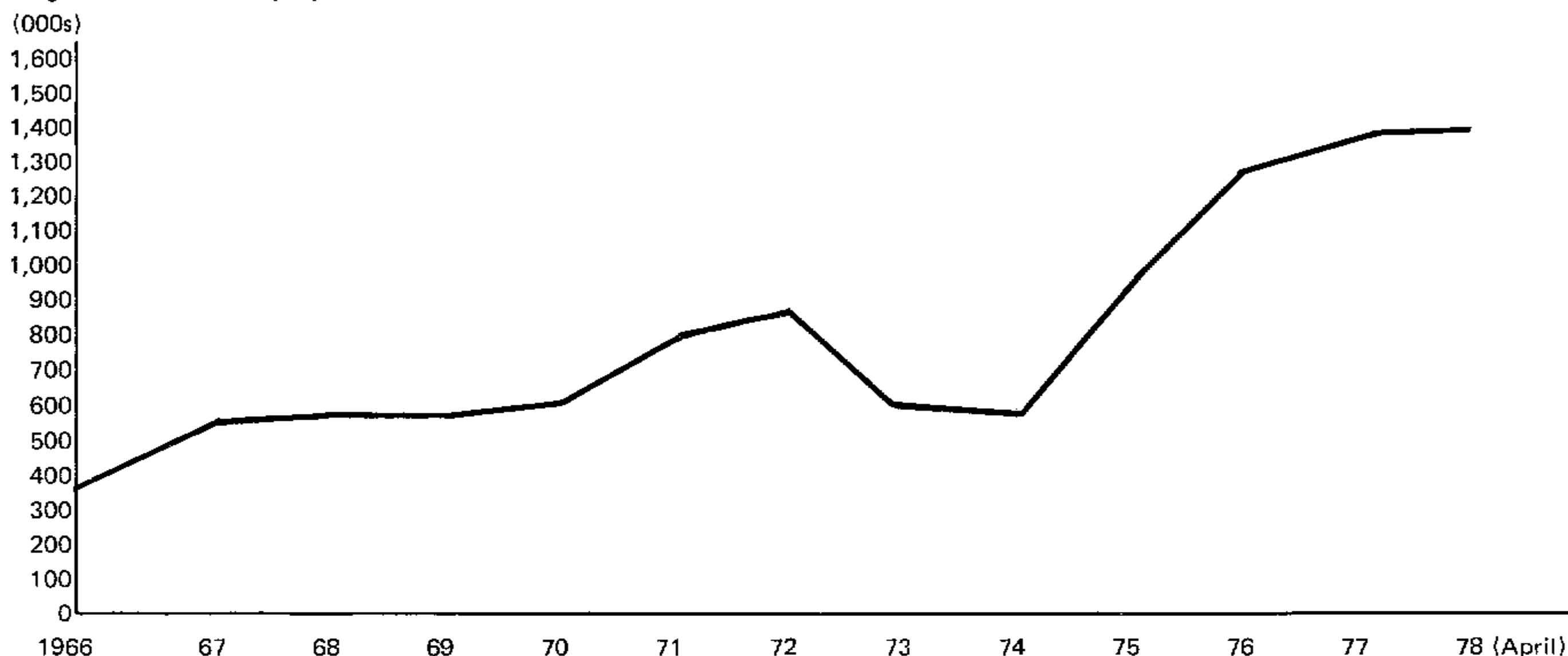
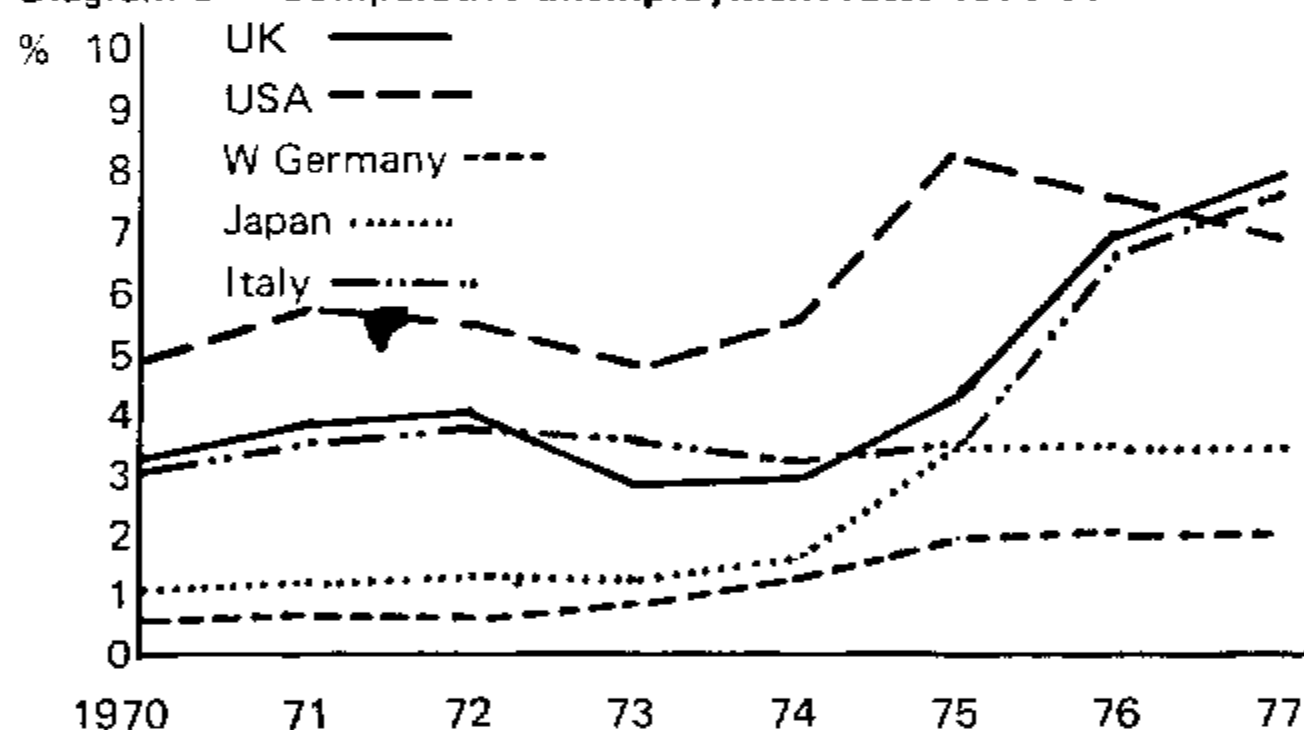


Diagram 3 Comparative unemployment rates 1970-77



The reserve army of labour is the lever used by capital to restore the conditions of profitable production: it disciplines those workers still in jobs, forcing them to accept wage cuts and speed-ups. Trade union solidarity is undermined as the fear of unemployment encourages scabbing. Competition for jobs reinforces divisions in the working class: unemployment among immigrant workers, blacks, youth and women has come to be tacitly accepted by the official trade union movement.⁶³ The recent acceptance of self-financing productivity deals by many unions illustrates the disciplining effect of unemployment. Productivity deals allow some workers to protect their living standards only at the expense of greatly increased rates of exploitation for themselves and redundancies for others.

In response to the sharp increase in unemployment over recent years, some sections of the labour movement have advocated reflation. Boosting demand, whether through cuts in taxation, increases in public expenditure or 'helping the lower paid', is advanced as a solution to the unemployment problem. For example the CPGB argues:

'The only incentive to utilise existing capacity to the full to take on more labour and to start investing in extra capacity is to ensure a market for the increased output.... In plain English that means increasing the purchasing power of our biggest market — the home market.... That in turn means an end to wages and public spending cuts.'⁶⁴

The growth of unemployment is a consequence of the crisis of profitability. The purchasing power of the working class expands only so long as it can be profitably employed by capital as it accumulates. But the accumulation of capital

causes the rate of profit to fall. At a certain point the lack of profits leads to the stagnation of accumulation. Workers are expelled from production, unemployment mounts and the demand for commodities falls. That is how things stand today. To call for reflation obscures the central point that capital cannot recommence accumulation on its present basis. Profitability must be increased: this means increasing unemployment and, in plain English, wage cuts. Calls for reflation mislead the working class and leave it unprepared for the attacks that capital must make. Unfortunately for the advocates of reflation, there is no solution to the crisis within capitalism which can benefit the working class. Every proposal, from the reactionary calls for import controls to support for the regeneration of British industry, is confronted with the threat of imperialist competition. Attempts to solve the crisis in Britain founder on the rocks of the world economy.

8. Crisis and competitive struggle

Competition is present throughout the accumulation process. When the barriers to accumulation are met in the crisis, the real competitive struggle begins. Individual capitalists are confronted with declining markets and competition is transformed into a life and death struggle. Each capitalist must undercut his competitors in order to survive and preserve the value of his capital. Because capital exists on a world scale the competitive battle excludes any solution to the crisis within one nation.

Bourgeois economic laws of supply and demand, of competition, are of little use to the individual capitalist in the crisis.⁶⁵ There is no mechanism available for restoring an equilibrium between productive capacity and a falling social

demand. The individual capitalist strives to preserve the value of his capital, but 'the constant augmentation of his capital becomes a condition of its preservation'.⁶⁶ In the battle of competition many individual capitalists—generally the smaller and less efficient—are eliminated, but those who survive do so only by increasing productivity to cheapen the commodities produced. This requires substantial new investment, which itself increases the productive apparatus and exacerbates the general problem of overcapacity. As a result competition becomes still more intense. The resolution of the crisis demands a wholesale collapse of capital values. This may lead to the physical destruction of constant capital through war, which allows the reorganisation of production at a higher level of profitability.

Competition imposes the requirements of capitalist production onto the individual capitalist as external coercive laws. Despite the attacks on living standards and the sharp rise in unemployment, the bourgeoisie's problem of making British industry competitive is still far from solved. Productivity in British industry still lags behind that of its main trade rivals, as the following table indicates:

Table 6 Output per man-hour in manufacturing⁶⁷
(% increase over previous year)

	1974	1975	1976	1977
UK	0.8	0	4.2	-1.6
USA	2.7	1.7	5.1	1.6
Japan	2.3	-3.7	13.0	4.6
W Germany	3.4	4.1	7.1	0.7
France	3.3	-3.2	11.6	1.5
Italy	-1.6	0	14.8	-2.1

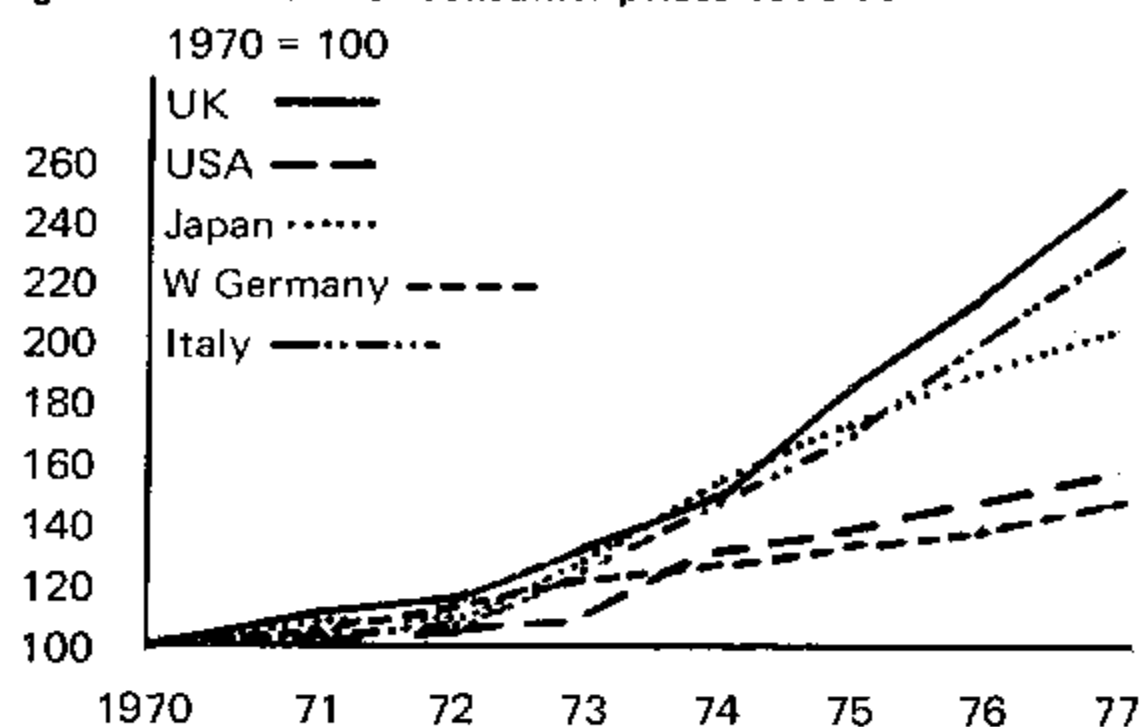
There has been a further decline in the growth of world trade recently and productivity has fallen. This has provoked bourgeois invective about 'overmanning'—another result of the capitalist crisis is advanced as its cause in order to justify intensified attacks on the working class. Productivity rates are reflected in wage costs per unit of output. The next table shows that the reduction of these costs in the UK might seem substantial, but when compared with Britain's trade rivals they are still a burden. British capital cannot reduce these unit costs in the world crisis by expanding output. It must force through redundancies, further drive down wages and intensify labour.

Table 7 Wage costs per unit of output⁶⁸
(% increase over previous year)

	1974	1975	1976	1977
UK	24.0	30.7	12.2	10.8
USA	5.6	7.1	2.5	6.5
Japan	29.4	19.0	-4.1	4.9
W Germany	7.9	3.3	-0.8	6.3
France	15.4	20.7	3.7	10.5
Italy	23.8	27.6	4.5	27.1

The success of the 'attack on inflation' has to be assessed in the context of world competition. With the exception of Italy and Japan in 1974, the rate of inflation in Britain has remained consistently above that of its competitors. This is shown in Diagram 4. The relative weakness of British capital in the world economy rules out any policy of significant reflation.

Diagram 4 Index of consumer prices 1970-77⁶⁹



The figures in this section indicate the relative strength of each national capital and its ability to wage the competitive struggle in the crisis. During the post-war boom differences in the

61 Civil Service figures are for Great Britain and are taken at April each year, rounded to the nearest thousand. In January 1978, the total fell to 738,000. *Monthly Digest of Statistics*. Local Authority figures include both full-time and part-time staff for England and Wales, taken at June each year. *The Times*, 21 November 1977, p3.

62 Diagram 2 is based on figures from *Economic Trends* for unemployed excluding school-leavers. UK unemployment statistics are based on information from employment exchanges and so exclude, for example, many women who do not register as unemployed. Diagram 3 shows unemployment rates standardised according to international definitions, taken from *National Institute Economic Review*, February 1978, p108. This method of calculation raises the official percentage rate for the UK in 1977 by around 1.5.

63 Female unemployment has risen steeply. In June 1973 this accounted for 16.7 per cent of the total; in 1975, 18.6 per cent, and, in 1977, 25.6 per cent. Figures are seasonally adjusted for the UK, and calculated from the *Department of Employment Gazette*, December 1977, p1406. School-leavers have also been hit by the crisis. Between January 1972 and January 1977, youth unemployment rose by 120 per cent, compared with 45 per cent for the working population as a whole. *The Times*, 19 May 1977, p4. Figures for unemployment among blacks are difficult to obtain, but an indication of the trend is that youth unemployment among 'minorities' has risen four times faster than that for whites. *The Guardian*, 9 March 1978, p2.

64 B Ramelson, *Bury the Social Contract*, CPGB, 1977, p22.

65 As Marx writes, 'competition has to shoulder the responsibility of explaining all the meaningless ideas of the economists, whereas it should rather be the economists who explain competition'. *Capital*, Vol 3, op cit, p866.

66 K Marx, *Capital*, Vol 2, Lawrence & Wishart, 1974, p81. Marx elaborated the point in *Capital*, Vol 1: '... the development of capitalist production makes it constantly necessary to keep increasing the amount of capital laid out in a given industrial undertaking, and competition makes the immanent laws of capitalist production to be felt by each individual capitalist, as external coercive laws. It compels him to keep constantly extending his capital, in order to preserve it, but extend it he cannot, except by means of progressive accumulation.' op cit, p555. This progressive accumulation accelerates the development of the productive forces under capitalism; it makes capitalism revolutionary compared with former modes of production. However, capitalist accumulation has crisis as an inevitable result. In the crisis capitalism reveals itself as a barrier to the further advance of society.

67 Calculated from *National Institute Economic Review*, February 1978, p108. 1977 figures for Tables 6 and 7 are based on figures for the third quarter.

68 Ibid. Wage costs per unit of output figures are a rough indication of the money wages the capitalist must pay to produce a given output. These wage costs can be reduced by increasing productivity while restraining money wages.

69 Based on figures from *Trade and Industry*, 3 February 1978, p234. 1977 figures are based on the latest month available.

economic performance of individual countries did not have serious political consequences. World trade grew rapidly, so that even the weaker imperialist nations shared in the general increase in production. As imperialist rivalries grow it is inevitable that each capitalist state will attempt to resolve its crisis at the expense both of its own working class, and of other nations. Any apparent independence of the state from capital vanishes as the state mobilises for the protection of its national capital.

World war is the continuation of trade war by other means. Commenting on the tendency towards economic nationalism, *The Economist* noted:

'It is good Adam Smith, but political absurdity, to ask governments simply to sit on their hands while their national industries and jobs go down like ninepins.'⁷⁰

The period of free trade which accompanied the post-war boom is at an end. The worldwide overproduction of capital compels capitalist states to share out their losses — they will not 'sit on their hands'. In order to defend its interests capital has attempted to reorganise production in two ways. First the state has intervened to protect industry by encouraging the centralisation of capital and by nationalising industries vulnerable to foreign competition. *The Financial Times* commented:

'On the whole the years from 1973 to 1975 have been characterised by efforts to concentrate European industries exposed to fierce competition on the world market — particularly from US and Japanese companies. As the consequences of the recession became more felt the same process was continued in 1976 by a series of rescue mergers... it was a reason or excuse for greater concentration by nationalisation — direct or indirect — in the UK.'⁷¹

This form of reorganisation has not proved sufficient. The state has intervened to improve its trade balance through the imposition of quotas and other restrictions on imports. In addition all imperialist states provide credit and other facilities to promote exports.⁷²

The most spectacular example of overcapacity is the world steel industry: in 1978 it entered its fourth year of recession. The demand for steel products is highly sensitive to the level of industrial activity. Owing to the very high fixed costs of production, each steel producer has attempted to maintain his volume of output and sales — which often means pricing below cost. This has resulted in numerous allegations of 'dumping' and direct moves towards protectionism. In the USA a 'trigger price' system has been established: it sets minimum prices for imports of steel in order to protect the domestic market from Japanese competition in particular. In the EEC the Davignon Plan has established a similar system to protect European steel producers and has attempted to organise a phased reduction in surplus capacity. But this and other such plans are ultimately undermined by the contradictory interests of the national capitals within the EEC.

As the largest steel producer in the EEC, the British Steel Corporation (BSC) has been hit badly by the world recession. For the financial year of 1977-78 its losses are estimated at £440 million; it has been working at around 65 per cent of capacity. A House of Commons investigation into BSC recommended redundancies in order to improve efficiency and the early closure of plants that had been formerly reprieved. It added apologetically that

'It would be undesirable for obvious social reasons for there to be a rapid reduction in the size of the workforce — but a steady and progressive net reduction in each of the next five years must be achieved.'⁷³

It has been estimated that the current workforce of 200,000 must be scaled down by as much as 83,000.⁷⁴ Trade union acceptance of the need for such cutbacks has been presented as a 'quid pro quo' in wage negotiations.

The textile and clothing industries provide further examples of the new stage of world competition. Since 1973

the EEC has seen 500,000 jobs lost in this sector as a result of increases in productivity and competition in the world market. In Britain employment has fallen from one million in 1967 to around 840,000 today.⁷⁵ As a result Britain has become one of the nations that is most vociferous in calling for protection. Consequently at the end of 1977 the EEC renegotiated its Multi-Fibre Arrangements with the main exporters from backward capitalist countries. The result was a drastic extension of import quotas to cover 98 per cent of the UK's imports.⁷⁶ Such measures, backed by capitalists and unions alike, will do nothing to save workers' jobs. Import controls will not prevent the capitalists from cutting employment to raise productivity and increase their competitiveness.⁷⁷

A massive degree of excess capacity is also present in the world shipbuilding industry. Even assuming a limited recovery in world trade and some destruction of capital it has been estimated that by 1980 surplus capacity will be more than 30 per cent.⁷⁸ Once more the response has been protectionist. In the USA the state subsidises shipyards to the tune of \$800 million per year and imposes wide restrictions on the access of foreign ships to US ports.⁷⁹ It was 'against a background of worldwide problems for merchant shipyards and cut-throat competition for orders' that the British government nationalised the shipbuilding industry to form British Shipbuilders in March 1977.⁸⁰ A £65 million 'intervention fund' was advanced in an attempt to secure orders for British Shipbuilders. It was only through a subsidy of £28 million that a large ship order was won from Poland. However, winning orders has not been the only objective. Workers at the shipyards, which are located in areas of high unemployment, remain under threat of redundancy unless they submit to increased managerial control and agree to further wage restraint. One attack already implemented has been the sacking of 1152 workers at Swan Hunter, 10 per cent of the workforce.⁸¹ This was facilitated by bourgeois appeals to the workers to safeguard the national interest. The British worker has to prove himself equal to workers in other countries and line up behind British capitalists in their struggle on the world market.

From the boardrooms of British Leyland too came the calls for national sacrifice. Since 1974 various strategies have been tried out to improve the performance of British Leyland, Britain's top exporter. In 1975 it came under the control of the National Enterprise Board which now owns 95 per cent of the company. But British Leyland continued to lose its share of the market — it fell from 40 per cent in 1971 to under 21 per cent in January 1978.⁸² As imported cars took over half the market during 1977, the leading shop stewards endorsed the new chairman's plans for restructuring the company. The trade unions at British Leyland have also backed the company's call for import controls on Japanese vehicles as a means of securing the company's survival.⁸³ But this will not prevent the loss of 12,500 jobs in 1978.⁸⁴ As the *Financial Times* motor industry correspondent wrote:

It is a matter of simple arithmetic that the company cannot survive even with its present comparatively low pay rates in an internationally competitive car market without achieving better productivity and fewer strikes.'⁸⁵

The same simple arithmetic dominates calculations in all sections of industry. The regeneration of British industry — the survival of British capital on the world market — necessitates savage attacks on working class living standards, increased unemployment and labour discipline. In its competitive struggle against other national capitals British capital needs the support of the working class.

9. Stagnation

The resolution of the crisis is not simply a question of economics: the tendency towards capitalist collapse is modi-

fied by the struggle between classes. Hence the setback received by the working class since the beginning of the recession has allowed the bourgeoisie to stabilise its financial structures. Government-imposed austerity measures led to a 'financial recovery' in 1977. This stabilisation in the financial sphere contributed to a fall in the rate of inflation. It appeared that the British economy was getting back on its feet. But the bourgeoisie was faced with the paradox that production was still stagnant — the 'real economy' had not recovered. After praising the 'efforts made to put the national finances onto a more prudent and stable basis', the Governor of the Bank of England noted

'The real economy has not been transformed in the same way. Output has continued to stagnate, and unemployment to grow.'⁸⁶

The Governor failed to add that the attacks on working class living standards, which were sufficient to bring about this 'financial recovery', were still insufficient to affect the 'real economy'.

In contrast to the stagnation of production, all the monetary indicators were favourable. The restriction on public expenditure was enforced so thoroughly that spending consistently fell below the levels set by cash limits. The PSBR for 1977-78, which by agreement with the IMF had an upper limit of £8.7 billion, was forecast to be only £5.6 billion by October. This restriction on public spending, together with the revenues from North Sea oil, contributed to the stability of the pound during the first half of the year. Several billion dollars were added to the foreign exchange reserves. Later in the year, the decline of the US dollar and the mounting influx of money capital led to the rise of sterling. By the end of 1977 sterling had risen 9.5 per cent against the dollar. Furthermore, despite the restrictions on the money supply, the government was able to sell £12.6 billion of gilt-edged securities and the minimum lending rate fell from its peak of 15 per cent in October 1976 to five per cent in October 1977.⁸⁷

The success of the Labour Government's 'attack on inflation' has enabled it to regain some control over the money supply; but its policies have been unable to revive capitalist production. In fact financial recovery stemmed from industrial stagnation. The low interest rate was an indication of the fact that individual capitalists were not taking up credit. Capitalists were more willing to take up government securities than to invest, and industry did not compete for loans of money-capital from the banks.⁸⁸ In this way the halt in the accumulation process could have a salutary effect on some of the previous symptoms of the crisis.

What is a paradox for the bourgeoisie is in reality a direct result of the objective laws which govern the capitalist system of production. The crisis of profitability must result in continuing stagnation. In 1977, the index of industrial production, which estimates the volume of output or the mass of use-values produced, was still less than three per cent above its level in 1970. This clearly signifies the halt of the accumulation process. In terms of value, taking account of increases in productivity, this mass was certainly at a lower level than in 1970.

The continuing stagnation of production in 1977 led to further increases in unemployment. Official figures showed an increase of 100,000 over the year, but this takes no account of a further 66,000 taken off the register as a result of the Government's job subsidy schemes. The impact of these schemes is shown in the following table, from which it can be seen that capital's reserve army is at least 300,000 larger than official unemployment statistics suggest.

The stagnation of the British economy reflects the general stagnation of the world economy. As one of the weaker imperialist powers, Britain wants West Germany and Japan to reflate their economies in the hope that this will boost world trade and increase demand for its products. But the stronger national capitals will not reflate; they fear inflation and a worsening of their 'own' crises.⁹⁰ During the post-war boom,

Table 8 Estimated numbers taken off unemployment register⁸⁹ (000s)

	Registered unemployed	All Schemes	Job Creation Programme	Temporary Employment Subsidy
1975	936	76	5	7
1976	1304	239	53	94
1977	1423	305	55	132

the problems of individual economies were alleviated by the continued growth of the world market. Today however, no economy can stimulate the growth of world trade — the crisis imposes itself upon every national capital. The battle of competition and the redivision of declining markets is the general tendency with which all must now come to terms.

As the recession persists each imperialist state implements measures to stabilise its economy in an attempt to escape from the world crisis. In Britain the prospect of North Sea oil

70 *The Economist*, 31 December 1977, p75.

71 *Financial Times*, 29 November 1977, p18. Here the writer names concentration what for Marx is a process of centralisation. 'Capital grows in one place to a huge mass in a single hand, because it has in another been lost by many. This is centralisation proper, as distinct from accumulation and concentration.' *Capital*, Vol 1, op cit, p586.

72 Commenting on the new trend in world trade, an IMF survey in August 1977 noted: '... a greater proportion of world trade became subject to more restrictive policies, especially non-tariff barriers to imports applied on a selective basis. ... measures to restrict imports were supported, to an increasing extent, by negotiation of export restraint agreements. By early 1977 it was apparent that there had been an interruption to the reduction of protectionism that had characterised the commercial policy of the industrialised countries throughout the post-war period. 'Quoted in *Financial Times*, 1 August 1977, p28.

73 *Financial Times*, 12 January 1978, p8.

74 *Financial Times*, 13 December 1977, p1.

75 *The Economist*, 31 December 1977, p92.

76 *Financial Times*, 6 January 1978, p26.

77 Further employment cuts in this sector have only been prevented by significant government aid. Half of the expenditure on the Temporary Employment Subsidy goes to maintain jobs in the textile, clothing and shoe industries. *Financial Times*, 23 January 1978, p48.

78 *The Economist*, 31 December 1977, p83.

79 *Ibid*, p82.

80 The comment is from Mr M Casey, Deputy Chairman of British Shipbuilders, *Financial Times*, 31 December 1977, p10.

81 *Financial Times*, 7 February 1978, p1.

82 *Financial Times*, 1 February 1978, p1.

83 *Financial Times*, 13 February 1978, p1.

84 The new chairman of British Leyland, Michael Edwardes, has the full backing of the Labour Government for his redundancy programme. Workers at the Speke plant in Liverpool have been among the first to suffer with the planned cutback of 3000 jobs. *Financial Times*, 15 February 1978, p1.

85 *Financial Times*, 16 February 1978, p7.

86 *Bank of England Quarterly Bulletin*, December 1977, p461.

87 *Financial Times*, 28 December 1977, p20.

88 *Financial Times*, 23 December 1977, p7.

89 The figures have been rounded to the nearest thousand, and those for 1977 go up to mid-November. The TES began in August 1975 and the JCP in October 1975. Unemployment figures are annual averages. *Department of Employment Gazette*, December 1977, p1378.

90 The refusal of West Germany and Japan to reflate their economies significantly and the repeated stalemates at the economic summits of the international bourgeoisie are further symptoms of the world crisis — which no national economy can escape. A secular decline in the rate of profit reveals itself in the statistics for each imperialist power. See *The Times*, 25 October 1977, p19. Diplomatic squabbles over economic policy are only another form of inter-imperialist rivalry.

revenues has given some hope to the bourgeoisie and a boost to the Labour Government's Industrial Strategy.⁹¹ But for all the talk of a North Sea oil bonanza the size of this pot of gold is in fact fairly small. Valued at 1976 prices it is estimated that the output of both North Sea oil and gas will rise to £5.5 billion by 1985 — around five per cent of Britain's GNP in 1976.⁹² This estimate excludes the possibility of a fall in oil prices in the coming years which would render the costly North Sea operations unprofitable — and a world surplus of oil is already forcing prices down. With this foreboding Lord Kearton, chairman of the British National Oil Corporation, announced that the bonanza period for oil companies was over.⁹³

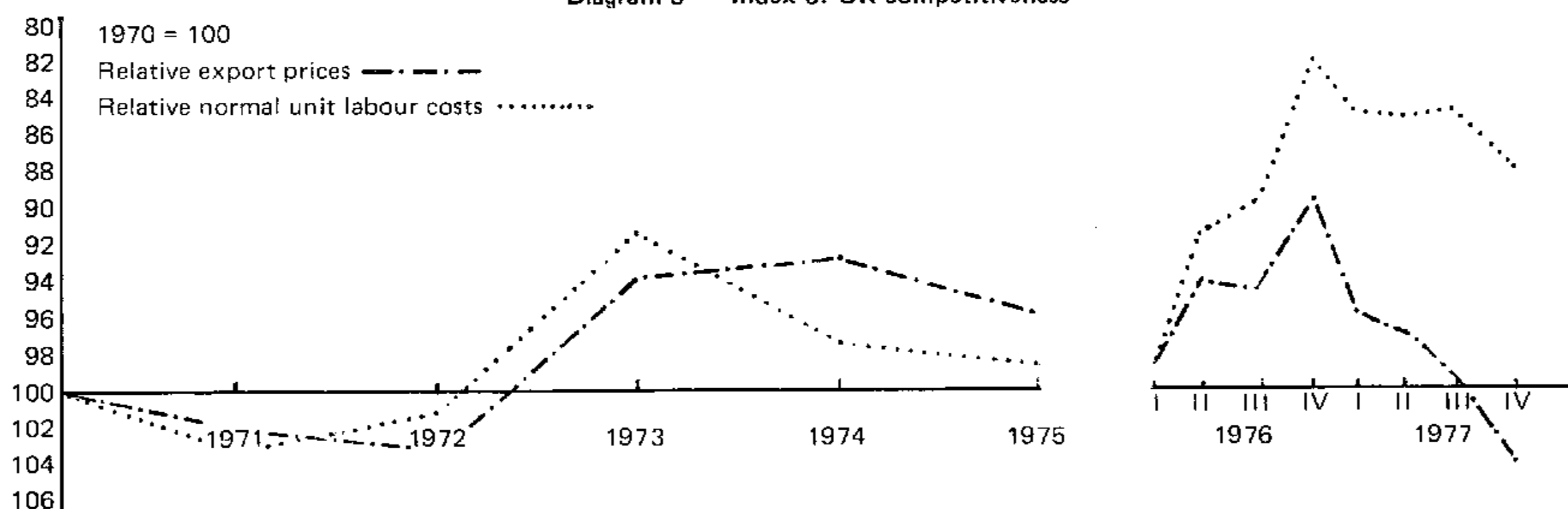
The impact of North Sea oil on the British economy has exposed its lack of competitiveness and low profitability. Oil revenues contributed to the financial recovery by bringing the balance of payments into surplus, adding to the pressure on sterling to appreciate. For the bourgeoisie however this was a mixed blessing. While a firmer exchange-rate contains the rise in price of imported raw materials, helping to reduce production costs, it reduces the competitiveness of British exports on the world market. The bourgeoisie was therefore virtually unanimous in demanding a relaxation of controls on the export of capital to prevent sterling rising too far.

In the past, devaluation, a reduction in the exchange rate of sterling, has been attempted in order to restore Britain's competitive advantage. But as Diagram 5 shows this advantage was rapidly undermined by inflation.

its exploitation of the labour of the working class in the process of production. But the contradictions inherent in this process drive the system inexorably towards collapse. In order to survive the crisis the bourgeoisie must defeat the working class politically. Its offensive is conducted on many levels. Its ideologues persuade workers to accept responsibility for the crisis and make sacrifices to resolve it; they foment divisions between different sections of the working class along the lines of race, nationality, sex and craft. Government legislation to restrain wages and restrict trade union rights, police attacks on picket lines and the use of the army to break strikes — all form a part of the attack of the bourgeois state on the working class. In industry productivity deals and mass redundancies undermine trade union militancy and swell the dole queues. The bourgeois offensive aims to deprive workers of the material gains and social services that they have gradually acquired through the post-war period. For the bourgeoisie this is a life or death struggle. Its survival as a class depends on its ruthlessness in forcing down the living standards of the working class. The history of this century shows the lengths it is prepared to go to perpetuate its rule — whatever lengths necessary to restore capitalist profitability.

The bourgeois offensive reveals that capitalism can continue only by resorting to the brutal suppression of the working class. The following section analyses the response of the working class to the various strategies adopted by the bourgeoisie at different stages in the recession. It shows the crucial importance of the Marxist theory of crisis developed in

Diagram 5 Index of UK competitiveness⁹⁴



It is now recognised that repeated devaluations have at best only a short term effect. Despite the devaluation of sterling by some 40 per cent, relative export prices today are just as high as in 1971.

The ultimate solution of this problem for the bourgeoisie is to increase the rate of exploitation of the working class. The difficulties caused by low profitability which result in a lack of competitiveness internationally can finally be resolved only by reducing labour costs — primarily by increasing the reserve army. Diagram 5 also illustrates the considerable success of this bourgeois strategy — it shows that relative labour costs are still 12 per cent below 1970 levels.

This is what North Sea oil means. Its revenues can be profitably invested only after further attacks on working class living standards. That is the real implication of warnings against 'frittering away the benefits' of the North Sea discovery. Under capitalism natural resources are used only in the cause of increasing profit; at a time of crisis any 'benefits' must accrue to capital at the expense of the working class. The pittance allocated to the NHS in Healey's April Budget shows where North Sea oil monies will not be going.⁹⁵

The crisis of capitalist production is a crisis of bourgeois society. The existence of the bourgeoisie as a class depends on

relation to the circumstances of today in challenging the bourgeois outlook which dominates and debilitates the workers' movement.

91 The Industrial Strategy is advanced as a means of 'reversing a long-term industrial decline'. *Financial Times*, 2 February 1978, p29. It is a programme to oversee the restructuring of British capital, to rationalise manufacturing industry and raise its share of world markets. The Labour Government's Sector Working Parties are responsible for drawing up 'plans' for the strategy. Commenting on a report from the Sector Working Parties, the *Financial Times* remarked: 'Most of them expect to meet their market-share objectives with little or no increase in employment and several expect a decline...' Ibid. After studying the same report, Chancellor Denis Healey had the audacity to talk of the creation of 500,000 to 1 million additional jobs by 1980! *Financial Times*, 28 January 1978, p1.

92 *The Economist*, 26 November 1977, p46.

93 *Financial Times*, 16 February 1978, p40.

94 The diagram is based on figures from *The Times*, 9 February 1978, p19. As each curve rises, so does competitiveness.

95 In addition to this tribute to the socialist ideal, £40 million extra was allocated to education expenditure. *Financial Times*, 12

April 1978, p1. After the savage cuts of earlier years, public spending plans remain decidedly 'cautious', in keeping with the requirements of capital. Plans were outlined for the next three years in the January 1978 White Paper. In Education and Libraries, it announced, 'there is little room for improving standards of provision, the programme should be sufficient to maintain existing standards'. After noting the minimum growth in Health and Personal Social Services expenditure necessary to account for demographic changes, the White Paper adds 'overall the programme provides for this minimum growth with some margin for development, particularly in 1981-82.' See *The Government's Expenditure Plans, 1978-79 to 1981-82*, Vol II, HMSO, Cmd 7049, p74 and p86. It has to be said that even this degree of generosity was based on the apparent success of the Government's strategy at the turn of the year.

III STATE SOCIALISM AND THE CLASS STRUGGLE

1. Reformism and the State¹

For the last four years every defensive struggle of the working class has been dominated and constricted by its acceptance of the Social Contract. Why did the working class accept the Social Contract? In order to understand how the response of the labour movement has been defined by the bourgeois offensive, it is essential to see how the state has come to occupy a central place in the reformist strategy. Behind the Social Contract lies the commitment of the labour movement to the state as the agency for effecting social reforms. The labour movement will not be able to defeat the present Social Contract, or any future ones, unless a revolutionary vanguard shows that the defence of working class interests is inseparable from the struggle against the bourgeois state.

That the state in capitalist society is a class state is not immediately apparent; the state does not express the domination of capital directly. It seems to be the arena in which conflict between different groups and classes may be resolved in the interest of society as a whole. The formal separation of political and economic power confirms the view that under bourgeois democracy everyone has equal political rights. Lenin wrote that the bourgeois state declares that it expresses the will of the whole people, and denies that it is a class state — in outward appearance it is free.² In certain conditions it is obvious that the state acts in the interest of the bourgeoisie and this is empirically recognised. But as this relationship between the state and capital is not seen as fundamental, it is concluded that a particular group is using the state for its own ends. *It is not the class nature of the capitalist state that is in question, but the use to which that state is put.*

The neutral character of the state is affirmed in this perspective. In practice it ensures that the class struggle is not directed towards smashing the bourgeois state, but instead becomes a wrangle over its control.³

These reformist views have been tremendously strengthened by the growth of state intervention in political and economic life. The introduction of universal suffrage and social reforms in the late nineteenth and early twentieth century reinforced the idea that the interests of the working class could be advanced through Parliament. The provision of reforms was the best way in which class relations could be modified and the domination of capital maintained; but because they were only granted under pressure from the labour movement, their role in maintaining capitalist social relations was obscured.

The economic activity of the state was also seen as a response to political pressures. As the barriers to capital accumulation are reached the state is forced to intervene to counteract the tendencies towards stagnation. The increased

activity of the state in production is paralleled by its growing involvement in the maintenance of labour-power, through the provision of social services.⁴ Despite opposition from individual capitalists the state introduces factory legislation, national insurance and health care.⁵ The benevolent appearance of these reforms masks the fact that these welfare measures are directly related to capital's welfare. The nationalisation of industry, sometimes in the face of bitter opposition from sections of the capitalist class, seems to confirm the view that the state can be an independent economic agency.

The expanding scale of state intervention has led to the conclusion that there are no limits to the activity of the state. Reformists argue that if the state pursued the right policies it could restrain market forces and bring about economic reforms. The world is turned upside down: the accumulation of capital no longer dictates state intervention — on the contrary, state intervention can control and ultimately plan capitalist production.⁶ It is important to stress that the reformist view of the state finds day to day validation in capitalist reality. State action and government policies present themselves not as conforming to the dictates of capital, but as the outcome of political conflict and compromise. The apparent autonomy of the state disguises the manner in which capital dominates the working class. If the state did not appear to have this autonomy its ability to mediate the class struggle would be considerably undermined.

Reformists look to the state to redistribute wealth in the interest of society. They believe that working class pressure on the state can lead to a fair allocation of resources. Insofar as the state is reluctant to grant reforms and provide a just standard of living, this appears as the result of the narrow interests of the individuals or groups which happen to hold power. The state is presented as an instrument that can be used for either positive or negative change.⁷

1 Here we can only summarise the Marxist theory of the state. For a Marxist analysis of the state and its relation to reformism, see F Richards, 'Eurocommunism and the State — a critique of the theory of State Monopoly Capitalism', *Revolutionary Communist Papers* No 4, forthcoming.

2 V I Lenin, 'The State', in *CW* 29, p484. All references are to V I Lenin, *Collected Works*, Fourth Edition, Moscow, 1972.

3 This perspective is characteristic of the CPGB: 'The creation of the socialist society cannot begin in earnest until the working class and its allies control *all* levers of the state — and at the moment we are nowhere well enough organised to accomplish that . . . only mass organisation on a vast scale will give us the necessary power to exert the right kind of force.' See CPGB pamphlet *Merseyside on the Dole*, no date — circa 1976, p16, and also *The British Road to Socialism*, March 1978, pp46-47.

4 For an analysis of this development see 'The Welfare State and Reformism' *Revolutionary Communist Papers* No 4, forthcoming.

5 The state does not only mediate the conflict between the bourgeoisie and the proletariat. As the representative of capital in general, the state regulates relations between individual capitalists. It is therefore forced to restrict the activity of some individual capitalists in the interest of capital in general.

6 The CPGB's solution to the capitalist crisis is based on this utopian standpoint. 'Firm action to control the economy is what we need. But in whose interests? Not in the interests of speculators who are prepared to gamble with the nation's wealth which they do nothing to create. The economy must be firmly controlled in the interests of the people. That means economic expansion based on a totally different policy.' See *Morning Star*, 15 April 1978, p1.

7 Commenting on the recent statement of Government policy on public expenditure, *Tribune* complains: 'The signs are grim. The White Paper seems to confirm that Ministers really have turned away from Labour's traditional attitudes on public spending, that the Treasury has succeeded in selling its so-called political masters the idea that the public sector can no longer be the main instrument of economic as well as social change.' See *Tribune* 20 January 1978, p2.

For those reformists who actively seek socialism, the state must be forced to redistribute the existing wealth of society and tilt the balance of power to the benefit of the working class. By this means socialism will be won. In the Marxist tradition the representatives of these ideas are called *State Socialists*. They see the state as the tool through which socialism can be brought about. In proportion to their subjective radicalism, state socialists assign to the working class a more or less subsidiary role in the advance to socialism. For some the working class must influence Parliament and other institutions via the ballot box; for others it is mass mobilisations that must exert pressure on the state.⁸ Though the state is perceived as relatively autonomous from the workings of the economy, it is not seen as autonomous from working class influence. As the state is the neutral means by which socialism can be achieved, the task of the working class is to manipulate it. The proletariat has only a subordinate role to play: its task is no longer to abolish exploitation but rather to abolish conflict. The revolutionary overthrow of the capitalist system of production becomes unnecessary — a strategy of redistribution is adopted instead.

State socialists understand the state superficially. For them Parliament mediates between different interest groups and the state represents the will of all the people. It is thus possible to use this forum to abolish the inequalities and injustices of capitalist society. State socialists imply that although class conflict, economic crisis, exploitation and poverty are all consequences of capitalism, they can be eliminated while capital remains. They assert that the working class can challenge the pro-capitalist policies of the state and further its class interests through the representative institutions of bourgeois democracy.⁹

As the state is held to represent all the people in one nation, state socialism leads directly to nationalism. State socialists want the state to ensure the welfare of all through pursuing national rather than sectional interests. The state has power over a particular country — it not only brings together all classes and interests within the nation but also protects the people against foreign threats and incursions. By accepting the state as 'our' state, the nation as 'our' nation, and the problems of the national economy as the legitimate concern of the proletariat, reformists submerge the independent interests of the working class.

State socialists stand for redistribution in favour of the working class. The only obstacle to state intervention and redistribution appears to be the extent of the national wealth. This must therefore be protected and extended. The accumulation of capital, however, knows no national boundaries. Through competition capital flows to areas which promise the highest rate of profit. Capital is thoroughly international: national legislation can influence but not control the flow of capital. As capital must of necessity operate on an international scale, the attempts of state socialists to control the world market through the nation state are utopian. Nevertheless, in the crisis state socialists argue that capitalists should be patriotic and support the national interest.¹⁰ Today, when capital makes resounding declarations calling for cooperation in international trade, reformists argue for economic nationalism — import controls, restrictions on the export of capital and national plans.

State socialists want to make the state pursue the interest of the nation consistently. Through mass pressure, they explain, the working class could gain control of the state — get rid of the reactionary bureaucrats and replace them with sympathetic experts. They maintain that this is the way in which economic planning can be carried out in the interests of the working class.

In trying to use the state to overcome the laws of motion of capital, state socialists reveal their utopianism. Not legislation but the accumulation of capital determines where capital flows and how commodities are distributed. But state

socialism is not merely utopian — it is reactionary. Under capitalism, 'planning' and state intervention can only be directed against the working class. It is reactionary to urge capital to return to the confines of the nation state, when for over a century the socialisation of production has gone beyond those boundaries; this subordinates the working class to the capitalist national interest. State socialism dresses up capitalist state intervention in socialist clothes and, with promises of reforms, attempts to reconcile the working class to its continued exploitation.

The reformist strategy commits the working class to collaboration with other classes in the interest of society as a whole; it promises to redress the balance of power in favour of the majority. A consensus is reached with the representatives of other social forces through bargaining over the division of national resources. In this way a social contract can reduce the class struggle to conflict over the distribution of society's wealth. The intensity of class contradictions determines the scope of a social contract. It can vary from the radical reforms implemented by the 1918 German Social Democratic Government to the austerity programme of Labour's Social Contract in Britain today. A social contract in either an implicit or explicit form is the consequence of the state socialist strategy.

Reformism obtains widespread support because its strategy appears consistent with capitalist reality. As we shall show, the experience of the working class during the past forty years has strengthened reformism. In the absence of a revolutionary vanguard, the reformist perspective has restricted working class struggles — no matter how militant — within the framework imposed by the bourgeois state.

2. The State: organiser in war, reformer in peace

'Mr Wedgwood Benn, Secretary of State for Energy, called last night for a return to the "bold socialist plans" of 1945 in Labour's next election manifesto. He said in London that... since the first postwar Labour Government the party had moved away from its commitment to radical change. It was now time to return to policies that would alter the balance of wealth and power in favour of the working class... "We must offer real vision backed by "workman-like plans" as Clem Attlee called them, to climb out of the recession". In preparing the next manifesto... the party should remind itself of the 1945 campaign, when it won overwhelming national support for policies of full employment by planning, public investment and ownership and to a greatly expanded welfare state.'¹¹

The experience of the Second World War had a dramatic impact on the consciousness of the working class — an impact which is still apparent in the response of the labour movement to the crisis today. Thirty years after the War the Labour left comes out in favour of radical change and the redistribution of wealth — a utopian vision of full employment and a greatly expanded welfare state. Reactionary appeals to nationalist sentiment are made once more. The experience of the War strengthened national reformism in the labour movement. British workers supported their own bourgeoisie in an imperialist war against the working class of other countries. The proletariat was mobilised to defend Britain against the threat of foreign invasion and an 'alien ideology'. The bourgeoisie and its spokesmen in the labour movement were at one: all called for national unity in order to defeat Nazi Germany.

Under the banner of anti-fascism the left wing of the labour movement used radical nationalism to criticise the bourgeoisie. The left was concerned that the bourgeoisie was not sufficiently patriotic to wage the war against fascism successfully. The ruling classes, it argued, were not prepared to risk their property and profits for the greater good of the nation.

Radical nationalism co-existed with blatant chauvinism. This was clearly revealed in the left's attitude to struggles for

national liberation throughout the British empire. The colonial peoples were asked to postpone their fight for national self-determination and help Britain in the battle against Hitler.¹² The reinforcement of nationalism and chauvinism in the working class was a tremendous political defeat for the labour movement. Yet Communist Party leader Palme Dutt's 1943 statement that 'the working class is stronger, more united and with a better practical understanding' was and remains the left's appraisal of the War.¹³

The world crisis of capitalist production in the 1920s and 1930s led to the intensification of imperialist rivalries. Growing competition drove the capitalist nations of the world inexorably towards war. To survive this conflict the British state was obliged to take control of every aspect of the economy — arms production, individual consumption, manpower, social services and foreign trade. The working class experienced at first hand the capacity of the state to reorganise society. The exceptional role played by the state in the war economy suggested that there was no limit to its powers. The notion that the state was the instrument which could administer society on behalf of the working class, once the war was over, gradually took hold in the labour movement. While working class living standards fell it was obvious that the selfish rich failed to take their fair share of the burdens of war. Once the war was over, accounts with the rich parasites would be settled using the same agency which proved effective against fascism — the bourgeois state.

In the period leading up to the War the political independence of the working class in Europe was destroyed at the hands of Stalinism and Social Democracy. Thus weakened, the revolutionary vanguard was physically annihilated by fascism. As the workers of the world trooped to the imperialist slaughter behind their national bourgeoisies the destruction of proletarian internationalism was virtually complete. In the absence of a Marxist vanguard the bourgeois view of the War dominated the labour movement. Unable to recognise the class nature of the imperialist war, the working class saw it as a conflict between democracy and fascism. The aim of the British labour movement became not socialism but the defence of democracy. It was argued that democracy was threatened from abroad by fascism and at home by the incorrigible appeasers. Once these two enemies were defeated the working class could enjoy democratic rights to the full. All that was required was to rescue bourgeois democracy from the blimps in government, the profiteers in industry and the sharks of the black market. If this was achieved there would be no obstacle to the state implementing comprehensive social reforms in the interests of the working people. The success of the war effort seemed to imply that the state could combine reform with reconstruction.¹⁴

Tribune greeted Labour's victory at the 1945 polls with the headline 'Reflections on a revolution'.¹⁵ Britain's election of its first majority Labour government was regarded as the inauguration of the transitional period from capitalism to socialism. In the reorganisation of social services which followed the election the Labour left saw proof of the new government's socialist credentials. State socialists in the Labour Party claimed that 'the first session of the Labour Government's Parliament . . . did more revolutionary things to this country than the first three years after the 1917 Revolution did for Russia'.¹⁶ While the right wing of the Labour Party argued for nationalisation, not as a matter of principle but in terms of economic expediency, the left saw the Government's takeover of declining industries as an important step towards socialism.

For those who wanted to speed the transition to socialism with the assistance of the state it was evident that socialist planning had to embrace all aspects of the economy. The left of the labour movement thus invited the bourgeois state to control the wages of the working class. The request that national planning should include incomes was a clear indica-

tion of the demise of independent working class politics. Throughout Labour's first two years in office it was the left wing of the official trade union movement which urged the General Council of the TUC to establish a national wages policy with the Government. This demand, advanced by left wing unions such as the electricians' union (ETU), was supported by 50 Labour MPs in the famous *Keep Left* pamphlet of 1947. Once Marxism had been destroyed in the working class state socialists could present wage restraint as a socialist measure. At this stage the right wing trade unions did not support the call for an incomes policy.

The majority of the trade union leaders were traditionally opposed to state intervention in the field of wage bargaining; they wanted to support the Government by improving labour mobility and increasing production.¹⁷ But when its reconstruction plans encountered economic difficulties in 1948 the Government sought to restrict wages as part of its austerity programme. Loyal to the nation and the Labour Government, the right wing immediately agreed to wage restraint. In their subsequent attempts to persuade the working class to accept wage control Labour leaders have often adopted the rhetoric of the state socialists. In this way the left has consistently provided the Labour Government with a weapon which it has skilfully deployed against the working class, from 1950 to

8 This state socialist approach defines the politics of *Tribune*: 'While much can be achieved by industrial activity, it is only through planning and social legislation that it is possible to make inroads into capitalist privilege . . .', *Tribune*, 15 October 1965, p9.

9 The CPGB and *Tribune* wish to shift the state leftwards. The CPGB turns parliamentary cretinism into an art: 'What is needed is the transfer of state power from the old ruling class to the working class and its allies and the transformation of the state apparatus so that it serves the needs of the working people. On no subject in Britain is there such hypocrisy as that of the state (sic) . . . A left majority in the House of Commons and the establishment of a left government would mark a major change. It would mean that the legislative and executive would have passed out of the hands of the capitalist class into those of the working class and its allies.' *The British Road to Socialism*, op cit, pp46-47. For similar arguments see E Heffer, *The Class Struggle in Parliament*, Gollancz, London, 1973.

10 Noting that recent speculation in the money market had 'knocked off £2000 million in two days from the values of quoted shares', the *Morning Star* went on to say: 'Quite clearly, money was being shifted around on the world's markets with the United States' gain being Britain's loss. Some patriots these money gamblers turn out to be.' *Morning Star*, 15 April 1978, p1.

11 *The Times*, 13 December 1977, p3.

12 The CPGB instructed oppressed nations that 'the immediate building of a great united front for the defeat of Hitler . . . takes precedence over every other issue at the present moment.' Quoted in J Degras, *The Communist International: Documents*, Oxford, 1965, Vol 3, p471.

13 R Palme Dutt, *Britain today and tomorrow*, CPGB, 1943, p12. In 1975 the CPGB History Group produced a pamphlet entitled *1945, Year of Victory*.

14 Reconstruction was to be *national* reconstruction: Sir Stafford Cripps, a former firebrand of the Labour left, when he became President of the Board of Trade, announced: 'we will not become the economic fief of any other country; we will work out our salvation by our own strength; we will not sell our birthright of economic freedom for a mess of pottage of temporary comfort or luxury.' *Tribune*, 23 November 1945, p1.

15 *Tribune*, 3 August 1945, p1.

16 *Tribune*, 8 November 1946, p3.

17 'Increased production' at the 1946 TUC 'was the theme song of practically every speaker from the platform, and the Trade Unions are fully behind the Labour Government's economic and industrial programme.' *Tribune*, 25 October 1946, p5.

Michael Foot's 'red flame of socialist courage' — the Social Contract.¹⁸

Initially only the left wing, objecting to the terms on which wage restraint was agreed, opposed the Government. But by 1950 the right wing unions moved into opposition to incomes policy. Its application was manifestly 'unfair' — wages were held down while prices and profits rose. The bourgeoisie prospered as workers took a cut in living standards. When capital accumulation began to accelerate, allowing wage demands to be accommodated more easily, the TUC rejected the continuation of restraints on free collective bargaining. As the phase of reconstruction drew to a close the labour movement's concern with national planning declined. Instead, the working class sought a share in the wealth created by the increased exploitation of its labour. Improved living standards rather than the utopian concern with planning under capitalism became the preoccupation of the trade union movement during the 13 years of Tory rule.

3. The boom and the working class

The period of capitalist reconstruction under the Labour Government was the prelude to the unprecedented growth of output in the post-war boom. This was possible since the earlier defeats of the working class enabled capital to raise the rate of exploitation and restructure production. The experience of the 'welfare state' and the apparent ability of the 'mixed economy' to sustain full employment and continued increases in living standards now informed working class conceptions of capitalism. These developments appeared to vindicate reformist notions that progress and stability were possible within capitalist relations of production. By the mid-1950s the sacrifices of earlier years seemed to be finally paying off.

The boom did indeed bring a general, if uneven, rise in the living standards of the working class.¹⁹ The considerable increase in the productivity of labour led to a tremendous rise in output and allowed the working class to obtain more use-values for its wages. The state provided subsidised housing, more extensive social security benefits and an improved health service. For the first time in capitalist Britain there was virtually full employment. Capitalism appeared more benevolent and more permanent than ever before. As Marx noted, in times of rapid accumulation capital can make concessions to its wage slaves.

'A rise in the price of labour, as a consequence of the accumulation of capital, only means, in fact, that the length and weight of the golden chain which the wage-labourer has already forged for himself, allow of a relaxation of its tension.'²⁰

The boom accelerated the degradation of working class politics. While capitalism allowed relative prosperity for sections of the working class there seemed to be no need for socialism. Capital could still not systematically develop the backward areas in its own heartlands; least of all could it advance the living conditions of the innumerable millions living under its imperialist yoke. As a consequence of the destruction of Marxism by fascism and war there was no section in the labour movement capable of exposing the limitations of capitalism which were evident even at the height of the boom. The debates in the labour movement were concerned no longer with socialism but with the most efficient way of organising the capitalist economy. Following the destruction of the independent tradition of the working class its ideological subordination to the bourgeoisie was increased by the experience of the boom. In the decade of Adenauer, Macmillan and De Gaulle the workers of the capitalist world continued to support the foreign policy of their own bourgeoisies. Cold War nationalism and anti-communism prevailed.

Intellectuals in the Labour Party such as Crossman, Strachey and Jay concluded from the new found stability of capitalism that the class struggle was outdated and recommended that Labour as a *national* party should cut its historic ties with one particular section of society — the working class. The acceptance of this approach, outlined in *New Fabian Essays* in 1952, was implicit in the document *Industry and Society* adopted at the 1957 Labour Party Conference.²¹ When under the Tory Government, the state was engaged in administering the 'mixed economy' and social services, some benefits accrued to the working class. In these conditions the state socialists had little role to play. Always on the defensive against the 'revisionists', the left declined in size and influence.²² Impotent, the left turned away from working class politics to issues such as the Campaign for Nuclear Disarmament in which it sought to mobilise liberal opinion with appeals to the conscience and fears of the nation.

Supported by the block votes of the right wing unions and led by Gaitskell, the 'revisionists' gained control of the Party. Labour's identification with the working class was held to be an electoral liability. After the defeat at the polls in 1959 the Labour right attempted to abandon Clause 4, the formal commitment of the Labour Party to the socialist tradition.²³ The unions appreciated the threat this constituted to the very existence of the Party and supported the rearguard action of the left to defeat the proposal at the 1960 Conference.

The abandonment of Marxism by the CPGB rendered it incapable of withstanding the ideological disarray in the labour movement. It looked around helplessly for a way of explaining the boom to its membership. In 1961 The Economic Committee of the CPGB advanced the thesis that the boom was the *result* of the increase in wages which pushed up demand and thus promoted the expansion of production.

'On the crucial question of wages we would argue that the successes achieved on this front have played an important role in sustaining the level of economic activity at a higher level than would otherwise have been achieved.'²⁴

This crude inversion of the vulgar bourgeois theory of under-consumptionism could not provide an independent political position for the working class. The CPGB attempted to escape the consequences of its argument, that the boom could continue indefinitely as long as wages rose:

'We are not however suggesting that by fighting for higher wages the workers have removed capitalism's basic contradiction.'²⁵

These desperate and confused arguments were presented as the embodiment of the Marxist tradition to the labour movement.

The debasement of working class politics during the post-war boom was accompanied by the decay of traditional political organisations. During the boom the organisations of the labour movement underwent a gradual decline. Membership of the Labour Party fell from 1,010,000 in 1952 to 817,000 in 1965 — a fall of nearly 20 per cent.²⁶ After the defeat of 1951, the Labour Party's share of the vote in general elections fell progressively: 1951 — 48 per cent; 1955 — 46 per cent; 1959 — 43.8 per cent.²⁷ A contemporary study showed that attendance at trade union branch meetings was on average four per cent to seven per cent of membership.²⁸ The CPGB, which reached its maximum size during the war, underwent a steady decline in membership and electoral performance during the post-war boom.²⁹

The trade unions were the means by which the working class won back a share of the wealth it created. The accelerating accumulation of capital allowed the unions to achieve gradual increases in real wages by regular national negotiations with employers. In the more advanced sections of the economy, such as the engineering industry, shop floor bargaining won substantial increases in wage rates in addition to those agreed nationally. The shop stewards were the workers' representatives at the point of production and as they increased in number and power the 'wage drift' they negotiated

came to represent a significant addition to the pay packet.³⁰ This was the era of the short, sharp, unofficial strike called by militant shop stewards in pursuit of better pay and conditions.³¹ The shop stewards movement indicated the organisational strength of the working class, its growing prosperity and its confidence in facing up to the boss in the workplace.

This strength concealed the underlying political weakness of the labour movement. The growing number of shop stewards and even the occasional formation of joint shop stewards committees (linking groups of workers in the same plant) and combine committees (linking different factories in the same company) were not comparable to the Shop Stewards' Movement of the first two decades of this century. In the absence of a revolutionary vanguard the shop stewards became the militant shop floor appendage of social democracy. In a period of changing production techniques, manning levels and general workplace organisation, the shop stewards were instrumental in leading the numerous struggles that arose over pay and conditions. These struggles never went beyond the framework defined by trade unionism. There was no national coordination. Organisation beyond the immediate workplace was the exceptional response to particular crises rather than the normal pattern.

The expanding role of shop floor bargaining strengthened rank and file organisation and activity in the workplace. As long as workers could defend and improve their living standards through trade union struggle talk of socialism seemed irrelevant. During the boom the working class was ideologically disarmed. As a result of its increased intervention in economic and social affairs the state appeared to be the guarantor of working class prosperity. The absence of a Marxist tradition in the labour movement meant that there was no challenge to workers' illusions in the permanence of capitalist prosperity.

4. Prelude to the Social Contract

By the mid-1960s the boom was drawing to a close. The state was forced to increase its intervention in the economy in order to assist the restoration of profitable production. At the same time it began to intensify its offensive against the working class, through incomes policy and legislation against the trade unions.³² The response of the working class to these attacks was conditioned by its experience of the boom. Workplace organisation was strong and the labour movement was confident and combative: it reacted to the bourgeois assault with spirit and determination, reaching a peak of militancy in the early 1970s. This was the period of the release of the Pentonville dockers, the closure of Saltley Gates by miners and engineers and the rout of the Heath Government.

Yet even in this period the political weakness of the labour movement was evident. The bourgeoisie was able to achieve a number of partial victories which were later to be consolidated in the Social Contract. The relative success of wage restraint, the imposition of redundancies and the imprisonment of the Shrewsbury pickets all testify to the political limitations of union militancy in the early years of the crisis.

William Carron (Amalgamated Engineering Union) echoed: 'Our belief in a planned economy expresses our sense of purpose as a trade union Movement and our attempts to translate it from an ideal to a reality are really what much of our trade union activities are about. That is why this motion, which calls upon Congress to pledge full support to the national economic plan and the productivity prices and incomes policy is significant, for it recognises these as part of the infrastructure of a planned economy. The Labour Government has established planning institutions which are basic to the achievement of a classless society'. Morning Session 7 September 1966, *Report of 98th Annual Trades Union Congress*, 1966, pp459-61.

18 Michael Foot, in *Report of the Seventy-fourth Annual Conference of the Labour Party*, 1975, p166. The discussion at the 1966 TUC shortly after the introduction of a statutory wage freeze provides a good example. Exhorting delegates to accept further wage restraint, Vic Feather, Assistant General Secretary, said: 'We see an incomes policy as a long-term instrument inextricably linked with economic and social policies as a whole, serving the purposes of increasing output and redistributing wealth.' Sir

19 Between 1945 and 1962 average weekly wage rates increased by nearly 90 per cent and average earnings by over 130 per cent. C Chivers, 'The Pattern of Collective Bargaining', in BC Roberts (ed), *Industrial Relations: Contemporary Problems and Perspectives*, Methuen, London, 1962, p115.

20 K Marx, 'Das Kapital', Erster Band, *Marx-Engels Werke*, Bd 23, Dietz-Verlag, Berlin, 1975, p646, (our translation).

21 R Miliband, *Parliamentary Socialism*, Merlin, 1972, pp334-35.

22 In the Marxist tradition 'revisionism' refers to those theoreticians of the Second International, especially Bernstein, who 'revised' Marx to justify their opportunist political practice. As the socialist theory which was revised by Crosland and Gaitskell was already far removed from Marxism the term is not strictly appropriate.

23 Clause 4: 'To secure for workers by hand or by brain the full fruits of their industry and the most equitable distribution thereof that may be possible, upon the basis of the common ownership of the means of production, [distribution and exchange—1929 Amendment, Ed] and the best obtainable system of popular administration and control of each industry and service.' Labour Party Constitution, adopted February 1918, in Miliband, *op cit*, p351.

24 Report of the Economic Committee of the Communist Party, 'Capitalism's Economic Prospects', *Marxism Today*, Vol 5, No 7, July 1961, p207.

25 Ibid, p207.

26 D Butler and A Sloman, *British Political Facts 1960-75*, 4th Edition, p136.

27 Ibid, p184.

28 B C Roberts, *Trade Union Government and Administration*, Bell, London, 1957, p95.

29 Membership of the CPGB: 1942 — 56,000; 1947 — 39,000; 1952 — 35,000; 1957 — 27,000; 1962 — 32,000. H Pelling, *The British Communist Party—a historical profile*, London 1975, pp192-93.

30 Marsh and Coker investigated shop stewards in the engineering union (AEU) and noted 'an overall increase of more than 50 per cent in shop steward numbers between 1947 and the end of 1961 does not seem at all unlikely'. They calculated that there were about 30,000 AEU shop stewards in 1960 and 33,500 by 1961. In 1963 they estimated the total number of shop stewards in industry at between 100,000 and 120,000. The importance of shop floor organisation was summarised: 'The heyday of the trade union branch has passed. The predominance of the full time official which emerged as an important feature of trade unionism in the 1930s is evidently being supplanted, or in some cases challenged, by the developing role of the shop stewards in negotiations and in the recruitment and servicing of trade union membership.' A Marsh, E E Coker, 'Shop Stewards Organisation in the Engineering Industry', *British Journal of Industrial Relations*, Vol 1, No 11, June 1963, p170.

31 Jack Scamp, the motor industry trouble-shooter, investigated unofficial strikes in 1966 and noted: 'A clear examination of 445 stoppages of work which took place in five motor manufacturing firms in the first half of 1966 shows that over two thirds of them lasted for short periods ranging up to four hours, and over 80 per cent lasted for no more than one working day.' A J Scamp, *Report on the Activities of the Motor Industries Joint Labour Council*, HMSO, London, 10 November 1966, p10.

32 Productivity agreements and measured day-work schemes introduced during the 1960s were further important means for increasing the rate of exploitation of the working class and for restoring profitability. The introduction of these deals (often linked with incomes policy) implied the rationalisation of the labour process and the weakening of shop floor organisation. Once these negative consequences of productivity deals became apparent workers began to resist their introduction.

(a) Incomes policy

In December 1964, when the recently elected Labour Government introduced an incomes policy as part of its plan for the British economy, George Brown, head of the new Department of Economic Affairs (DEA), declared that it marked the 'end of the class war'.³³ But with the re-emergence of tendencies towards crisis in the mid-1960s, the 3.5 per cent limit on wage increases was the first broadside in a new phase of increasingly open class warfare. The bourgeoisie had no choice but to seek the active participation of the trade union leadership in the government's economic strategy. By giving the trade unions responsibility for the resolution of Britain's economic problems, the Labour Government attempted to win the cooperation of the whole working class. The TUC was delighted at its admission to the councils of state. Vic Feather, Assistant General Secretary of the TUC, observed: 'The more integrated the economy becomes the more integrated the actions of the unions must be'.³⁴

Opposition to wage restraint came from the TGWU. It was led by Jack Jones, himself a representative of the militant traditions of the shop stewards in the Midlands motor industry. The opponents of Labour's incomes policy were committed to free collective bargaining and were suspicious of govern-

government attempts to curb the economic militancy of the labour movement. Trade unionists resented any attempt to restrict shop floor bargaining which, under the leadership of the shop stewards, had resulted in substantial improvements in pay and conditions in many industries throughout the boom. Their call for the abandonment of incomes policy was presented in terms of loyalty to the Labour Government.³⁵ The labour movement sought no confrontation but simply to preserve trade union organisation from the incursions of a government which was considered basically sympathetic to the interests of the working class. Despite opposition from the militant minority, a voluntary incomes policy was accepted.

When the Labour Government was returned with a safe majority in 1966 it confidently renewed its attack on the working class. The problems of British capital forced the Government to introduce deflationary measures, including a more restrictive incomes policy. When the seamen went on strike three months after the return of the new government, Wilson showed his determination to force wage restraint on the working class.³⁶ The Prime Minister went on television to declare the seamen's action 'a strike against the state, against the community'.³⁷ A State of Emergency was declared and a Court of Inquiry was set up under Lord Pearson. The final ploy was the accusation that the strike was a communist plot, directed by 'a tightly knit group of politically motivated men'.³⁸ After six weeks, during which the press maintained relentless hostility, the National Union of Seamen (NUS) went back to work defeated.

Within a few weeks of the seamen's defeat the Government introduced a statutory wage freeze and a deflationary budget. Despite widespread opposition to these measures the leaders of the unions won a majority for the wages standstill at the TUC in the 'interests of the nation' and the survival of the Labour Government. After the experience of the seamen, workers were reluctant to attempt industrial action which would lead to confrontation with a solid alliance of the Government and the TUC. The consequence of the abandonment of full employment policies was that the number of jobless doubled in the following six months.³⁹ This setback to the workers' movement was an early indication of the vulnerability of militant trade unionists faced with a determined Labour Government prepared to exploit their loyalty and use every weapon at its disposal.

(b) Anti-trade union legislation

As the wage freeze gave way to less rigid forms of wage restraint, hostility to government policy in the labour movement increased. By the end of 1968 almost every union was opposed to wage restraint, trade union and Labour Party membership was declining and unions were disaffiliating from the Labour Party.⁴⁰ As strikes began to increase and unofficial militancy threatened to undermine the control of the trade union leaders, the Government turned its attention to legislative restrictions on industrial action.⁴¹

Under pressure from the Confederation of British Industry (CBI) the Government published its White Paper *In Place of Strife* in January 1969. This proposed the statutory settlement of inter-union disputes, a twenty-eight day conciliation pause before strike action could proceed and the introduction of secret ballots for major strikes. These measures were to be backed up by penal sanctions. The White Paper was a far-reaching plan to discipline the working class and an attack on the fundamental principles of trade unionism. It created alarm and outrage in the labour movement.

The combination of the political attack on trade union rights with the effects of five years of stagnating wage levels, partly the result of incomes policy, provoked an outburst of industrial militancy. This culminated in the wave of strikes which started at the end of 1969 and continued into the period of Tory Government. It was significant that many public sector workers joined these actions. Their wages were particularly affected by the freeze and the subsequent restraint. Many white collar workers unaccustomed to industrial action came out on strike. Dustmen, teachers, firemen, miners and nurses all took action in pursuit of wage claims. This militancy paid off, producing a rise in real earnings of more than five per cent — twice the annual average of the previous four years.⁴²

The wave of strikes and the unprecedented display of unity in the labour movement against the proposed legislation forced the Government to abandon *In Place of Strife* in favour of the TUC's proposal that it should police unofficial strikes.⁴³ The impression, already well established during the boom, that industrial militancy could successfully advance the interests of the working class was confirmed by these events. In 1969 the limits of traditional trade unionism had not yet been reached. Only when the tendencies towards crisis became more pronounced in the mid-1970s was the working class forced to recognise that militancy could no longer consistently defend its interests. In the meantime the idea that trade union activism could win political struggles was further reinforced by the campaign against Tory anti-union legislation.

The return of a Tory government in 1970 marked a new phase in the class struggle. This was precipitated by the direct attempts of the Conservative Government to reduce the living standards of the working class and to eliminate the shop floor organisation built up during the post-war period. The Tory attack on the working class did not stem from the irrational predilections of the Heath Government, as many observers believed. For the bourgeoisie cuts in working class living standards and curbs on trade union activity were a precondition for stabilising capital accumulation. The policies of the Heath administration were unequivocally the policies required by capital.

In order to further its strategy the Tory Government sought wider legislative powers for disciplining the working class. In December 1970 it introduced the Industrial Relations Bill (IRB). This Bill proposed to register all trade unions, to outlaw the closed shop, to make collective agreements legally enforceable and to introduce a sixty day cooling-off period and mandatory strike ballots. Sanctions included heavy fines and de-registration with consequent loss of both tax exemption and legal immunities.

This attempt to fetter the unions met with a hostile

working class response. When the Bill was first introduced, 350,000 workers declared a one day strike and mass demonstrations were held. Opposition to the legislation was unimpeded by loyalty to a Labour government — the Labour Party, TUC leaders and rank and file members were now united against anti-trade union measures. The aim of this campaign was not to confront a bourgeois offensive, but to fight an unreasonable Tory Government. The explicit anti-working class orientation of the Heath administration made it easy for the labour movement to identify the legislation with the personal characteristics of the Government leaders.⁴⁴

Opposition to the Bill, which finally became an Act of Parliament in 1971, was characterised by the militant solidarity of the labour movement; it was restricted politically to a campaign against the Tory legislation. Not capitalism, but one of its unacceptable faces was the problem. Indeed the leaders of the campaign, the TUC, considered that the Tory legislation was not in the best interests of British industry:

'The Government's proposals are clearly not based upon any sound analysis of the problems in industrial relations. Far from promoting the "national interest" by encouraging order in industry they are a recipe for chaos.'⁴⁵

The TUC sold half a million copies of this statement and the labour movement took up its call to 'Kill the Bill'.

The struggle against the Act was thus conducted within the terms of national reformism. Without class conscious leadership the campaign inevitably gravitated towards the traditional parliamentary alternative — Labour.⁴⁶ Although the grip of the reformist leadership on the working class was considerably strengthened this was masked by the nature of the struggle. When trade union militancy finally made the Act inoperable, within a few months of its full implementation in 1972, the working class appeared to be stronger and more independent than ever before. The release, by extraordinary legal manoeuvres, of the five dockers imprisoned in connection with the Act was conducted under the constant pressure of industrial action. This confirmed the impression that militancy alone could win political victories for the working class.

5. The Social Contract

The success of militancy was deceptive. Even at its height in the campaign against the Act in 1972 the limitations of this form of struggle were evident. When the Tory Government's negotiations with the TUC broke down in the autumn of 1972 it proceeded to introduce a statutory wage freeze which continued to operate until the Social Contract was ratified in 1974. Militancy was unable to achieve an increase in the real earnings of male manual workers above a meagre 1.1 per cent in the year 1972-73, compared with an increase of 7.4 per cent in the previous year.⁴⁷ Thus while spectacular victories were being claimed outside Pentonville prison and at Saltley power station the mundane process of driving down working class living standards was continuing apace.

The Tories began their term of office in 1970 by giving notice that they would not concede any significant pay rises in the public sector. The Government's tough approach provided the bourgeoisie with a number of initial victories. In December 1970 the electricians' work-to-rule was called off under heavy government pressure. Early in 1971, after one of the most protracted and bitter struggles of the period, the postal workers' strike was smashed. The effect of these setbacks on the labour movement continued throughout 1971. Rather than confront a determined government, railwaymen and steelworkers accepted low settlements. Later in the year one million council workers agreed to a rise half as great as they had achieved by industrial action in 1970.

In 1971, confident of its ability to contain the working class, the bourgeoisie turned its attention to another tactic in its counter-crisis strategy. Britain's traditional industries

33 50,000 copies of the Government's 'Statement of Intent', set out in a 'treaty' format were dispatched immediately around the country to hang in factories and union offices. Sir George Pollock (British Employers Confederation) later referred to it as 'one of the most powerful propaganda weapons ever put in the hands of a government'. L. Panitch, *Social Democracy and Industrial Militancy*, Cambridge University Press, 1976, p69.

34 *Report of 98th Annual Trades Union Congress*, 1966, p460.

35 Even a year later — when the squeeze had turned into a freeze — this loyalty was undiminished. Dan McGarvey of the boiler-makers' union (ASBSBSW) opposed the Government's incomes policy at the TUC, telling delegates: 'All of us here, without exception, support the Labour Party, but I think it is important that this great Labour Party to which this Movement gave birth should be protected by us in the Movement who believe in democratic socialism.' Supporting him, J E Newton of the textile workers' union (NUTGW) said: 'No-one in his right mind would believe that it is the Government's intention to destroy the trade union Movement — in the Labour Party's financial circumstances that would be too illogical — but they are certainly undermining the foundations of a free trade union Movement and collective bargaining. I say this in great sorrow: that it is very much like a child trying to eat its own parents; and I regret to say that if the Labour Government is not very careful it will develop cannibalistic tendencies which will have grave effects, not only for the trade union Movement but for itself as well'. *Report of 98th Annual TUC*, 1966, p468.

36 *The Economist* had advised along these lines three years earlier: 'If some specific test case blows up for incomes policy, with a strike threat impending and an inflationary wage claim on the table, it would be quite fatal to ask Mr Woodcock [General Secretary of the TUC Ed] or any other trade unionist of his group to use his good offices as a peacemaker. . . . The proper course for a government which intends to stick by an incomes policy in such circumstances, is to stand firm and to take the onus of resisting the strike upon itself. Instead of putting the TUC and its General Secretary into an impossible situation by asking them to mediate, it should be ready to allow some militant union leader to embroil himself in an impossible strike situation if he must and then feel glad if the TUC extracts him from that impossible situation if it can; this is what happened in 1958 when Mr Cousins was entangled in a London bus strike and when the TUC then refused to support him.' *The Economist*, 7 September 1963, p800.

37 Quoted in Panitch, op cit, p108.

38 *Hansard*, Vol 730, 20 June 1966, Col 42.

39 July 1966: 1.1 per cent (260,000); February 1967: 2.6 per cent (600,000). Ministry of Labour, *Statistics on Incomes, Prices, Employment and Production*, No 24, March 1968, Table E5, p77.

40 See 'The lost Labour vote', *Socialist Commentary*, February 1969, p20.

41 In 1967 there were 2116 strikes, in 1968 2378, in 1969 3116 and in 1970 3906. The total number of working days lost due to strikes increased from 2,787,000 in 1967 to 10,980,000 in 1970. Henry Pelling, *A History of British Trade Unionism*, Pelican, 1976, p296.

42 NEDC, 1969 *General Review*, Table 6, p10.

43 TUC, *Programme for Action*, May 1969.

44 See: Ken Coates 'Introductory Review' in *Trade Union Register* 3, Spokesman, Nottingham, 1973. In analysing Heath's psychology the author notes 'subsequent events have shown Mr Heath's "determination" to consist of a simple mixture of stubbornness and petulance, and he now appears in public with a snarl which appears distinctly more papery than tigrish.' Ibid, p14.

45 TUC, *Reason*, 'The case against the Government's proposals on Industrial Relations', 1971, p3.

46 The radical left could not go beyond the narrow anti-Tory perspective. Thus *Socialist Worker* was entirely preoccupied with fighting the Tories, not with fighting the reformist leadership of the trade union movement.

47 Panitch, op cit, p227.

required substantial reconstruction in order to overcome their low profitability. Rationalisation of production involved mergers and the closure of inefficient plants. For the working class this process meant mass redundancies. This was the common theme of the Devlin Report (Docks), the Geddes Report (Shipbuilding) and later of the White Paper on the steel industry.⁴⁸ In the twelve months ending in October 1971 over 450,000 workers were laid off.⁴⁹

Threats of closure precipitated important demonstrations of working class resistance, the most famous of which was at Upper Clyde Shipbuilders (UCS). Work-ins and occupations spread to other industries including Leyland, Plessey, Fisher Bendix and BSA. These struggles gave the impression of strong trade union organisation — it even appeared to some that workers were gaining control over the means of production.⁵⁰ But in fact these were very much defensive struggles and almost all ended in defeat, through acceptance of redundancies or of deteriorating working conditions. The threat of unemployment effectively constrained shop floor militancy. The trade union methods developed in the boom could not defend the working class as a whole against the threat of mass unemployment which became an increasing reality as the 1970s unfolded.

The inadequacies of militancy as a means of defending working class living standards began to be realised in 1973 as unprecedented rates of inflation eroded even the most spectacular pay increases. After restricted struggles, about one million workers — among them hospital workers, teachers and civil servants — accepted the incomes policy norm. For those who challenged and breached the pay policy — the Glasgow firemen and the power station engineers — the gains made were not adequate to keep up with the rate of price increases.

The labour movement could not politically defend itself against the bourgeois assault. As the miners closed ranks to confront the Tories in late 1973, three Shrewsbury building workers were imprisoned, for offences allegedly committed by pickets in the 1972 strike. The failure of the labour movement to prevent this vicious victimisation of trade unionists indicates the limitations of militancy when confronted by the bourgeois state. For all its economic muscle the trade union movement could not politically confront capital or the bourgeois state to defend the working class as a whole.⁵¹

The miners' strike was the most intense expression of trade union militancy of the post-war period. The Government was forced to hit back hard, attempting to inflict a blow on the trade unions as a whole through its attack on the miners. However, the solidarity, strength and determination of the miners was so great that they brought down the Tory Government. The strike, which was supported by broad sections of the working class, appeared to manifest a new level of class consciousness and an awareness of a collective interest in challenging the bourgeois state.

But although they provoked the invective of the bourgeois press the miners were not out to challenge the state. They were defending their organisation and trade union methods against what appeared to be an unwarranted attack by the Government. In order to defend their interests the miners pushed trade union militancy to its limits. But despite the tactical inventiveness of the strikers, militant solidarity could not obscure the political vulnerability of the trade union movement. The miners were prepared to oppose this or that policy of the Government but not the state. Mick McGahey, National Union of Mineworkers (NUM) vice president and executive member of the CPGB, referred to the possible use of troops as strike-breakers: 'If the government employ troops, if necessary I will appeal to them to assist and aid the miners.' This statement could be depicted by the bourgeoisie as that of an extremist.⁵² However, these sentiments found little support in the NUM. Under pressure from his fellow trade union bureaucrats McGahey retracted his remarks: 'I want to make clear I would not ask one single soldier to countermand an

instruction he received'.⁵³ At the end of the day this extremist could do no more than betray his faith in bourgeois democracy:

'I reject the terms that have been directed against me, about overthrowing the Government. I have never used such terms in my life. Defeat the Government at the ballot box — that is our position.'⁵⁴

The miners sought to defy not the state but the Tory administration, personified in the arrogant Heath. When Heath asked the question 'Who rules?', the miners understood the options as Heath or Wilson. The alternatives which lay at the root of the conflict — capital or labour — played no part in the strategy of the labour movement. There, despite all the class antagonism towards Heath and his Tory Government, reformist ideology held full sway.

The defeat of Heath in the February 1974 election marked the end of one phase of the bourgeoisie's strategy for defeating the working class. At that stage, direct confrontation with the most highly organised and economically powerful unions was clearly not an appropriate means of overcoming the effects of the recession. By March 1974 the more astute representatives of capital had already reached this conclusion and were ready to abandon Tory coercion for Labour persuasion.⁵⁵

The miners' victory had significant limitations even in the short term. The miners had presented themselves as a 'special case'. This meant that for the working class as a whole their breach of the incomes policy was of reduced value. This was confirmed by the public declarations of Murray, Jones and Scanlon that concessions to the miners would not be taken as a justification for wage increases for other groups of workers. This sectional outlook had consequences within the NUM itself. The final settlement conceded the full amount of the claim only to the face workers, while other underground workers and surface workers received substantially less.

6. The Social Contract — the fight-back pre-empted

'So as we leave the election campaign behind us our national task now is to concentrate on solving together the problems before us. Once we can solve them the prospects for our economy are bright. In the fields of social welfare and justice we can lead the world. We will do it best, we will do it only as one people together in a truly United Kingdom.'⁵⁶

The British working class was politically unprepared for the full impact of the crisis. The inability of trade union militancy to keep wages up with inflation and to resist state intervention in industrial relations threw the labour movement into ideological disarray. The intensification of the crisis, leading to the 'three-day week' and the spectre of high unemployment, created fear and insecurity in the working class. The labour movement was looking for a strategy which could cope with rising prices, falling living standards and redundancies more effectively than traditional trade union methods. In the closing days of the Tory Government Labour's strategy appeared to be the only alternative for the working class.

At an election rally in February 1974 Wilson unveiled the Social Contract. He stated:

'We know the trade unions, at national level, in the individual districts and workshops. We can talk with them and work with them. We can get their cooperation. We understand their problems and their families' problems and we understand their loyalties, their emotions.'⁵⁷

The close political links between the trade union movement and the Labour Party once more became the instrument through which the cooperation of the working class in the restructuring of British industry was secured. The Labour Party presented itself as the defender of the working class against the Tories. In this way it won the labour movement to its strategy for solving the crisis of British capitalism. Unlike

the Tories, the Labour Party placed the necessity for incomes policy in the context of social justice and the redistribution of wealth. In 1974 the Labour Party manifesto linked incomes policy to a strategy of social reforms:

'Only practical action by the government to create a much fairer distribution of the national wealth can convince the worker and his family and his trade union that an "incomes policy" is not some kind of trick to force him, particularly if he works in a public service or nationalised industry, to bear the brunt of the national burden.'⁵⁸

The Labour Party's policy of wage restraint coupled with social reforms was presented as a viable alternative to the Tories. The emphasis that the new Labour Government placed on state intervention to solve the crisis found support in the working class. It appeared that Labour could abolish the excesses of the Tory period and create a fairer society. Hence the Labour Party's promise to solve the economic crisis through state intervention seemed like a socialist prescription for the ills of capitalism. The new Industry Bill, the establishment of a National Enterprise Board (NEB) with 'planning agreements' and 'disclosure' provisions promised to curb private greed in the interest of the nation.

The onset of the recession strengthened reformism in the working class. In the political sphere the fall of the Tories and the election of Labour confirmed the view that the working class could advance its interests through constitutional means. At the same time, the far-reaching measures required to overcome the barriers to capitalist accumulation appeared as progressive state policies. Wilson's claim that 'the National Enterprise Board is the biggest leap forward in economic thinking, as well as in economic policy since the war' found some resonance in the labour movement.⁵⁹ At the 1974 party conference the left criticised the Government's economic strategy, fearing that it 'must inevitably undermine the effectiveness of the National Enterprise Board, and the Planning Agreements system which would involve the workers in decisions vital to their livelihood'.⁶⁰

The support of the labour movement for the Government's attempt to plan production through the NEB and 'planning agreements' left it unprepared to counter the proposals for a social contract designed to 'plan' the incomes of the entire working class. The main aim of the Social Contract is to obtain trade union cooperation in limiting real wages, in return for the promise of reforms. Its details were left deliberately vague in order to give the required flexibility. Essentially, its objective is to suppress the antagonism between capital and labour in the interest of the nation. This is achieved through agreement to voluntary wage restraint by the trade union movement, in return for the promise of future prosperity.

The acquiescence of the labour movement in the retention of Phase Three of the former Tory incomes policy was an indication of trade union support for the Labour Government. The March austerity budget was greeted favourably by most of the TUC leadership. Jack Jones, one of the main supporters of the Social Contract, told *The Guardian*: 'We must get our industrial relations atmosphere right and the Chancellor's budget with its many proposals taken from the TUC Economic Review, helps us to move towards that ideal.'⁶¹ *The Guardian's* political commentator was more discerning. On the same day he wrote: 'an unspoken theme ran through Mr Healey's budget ... Mr Healey was attempting to budget for a decline in the living standards of the British people.'⁶²

The effects of inflation and the cuts in spending which began in 1973 were particularly serious for workers in the public sector. Local government workers (NALGO), teachers (NUT) and health service workers (COHSE) initiated militant industrial action in defiance of the incomes policy in April and May 1974. But even the substantial increases that were won proved insufficient to compensate for inflation and fiscal

drag. Murray circulated all unions with an appeal 'to accept Stage 3 pay limits without trying to cash in on the miners' high increases'.⁶³ The *Financial Times* congratulated the TUC:

'... the most positive result so far has been the attempt by the TUC to exercise some control over its members' wage claims ... The TUC is making a genuine effort to live up to its side of the bargain.'⁶⁴

When the powerful engineering workers (AUEW) started an overtime ban in support of a wage claim Michael Foot (former backbench rebel of the *Tribune* group and newly appointed Employment Minister) personally appealed for a year of 'industrial peace and intelligent settlements'.⁶⁵ The ban was duly called off. By the summer, however, opposition to wage restraint increased and the statutory policy was finally abandoned. It was replaced by a commitment from the unions to enter wage claims at no more than twelve-monthly intervals. Furthermore, it was agreed that such claims would correspond to the rate of inflation and that they would have to be modified if threshold increases had previously been received.

As the October general election—the second of the year—approached, the support of the September TUC was a crucial factor for the Government. The Labour leaders required the ratification of their Social Contract with the TUC in order to present an electoral image of control over industrial relations. The motion in support of the Social Contract

48 Devlin Report, *Final Report of the Committee of Inquiry into certain matters concerning the Port Transport Industry*, 28 July 1965, Cmnd 2734; Geddes Report, *Shipbuilding Inquiry Committee 1965-66 Report*, 24 February 1966, Cmnd 2937; British Steel Corporation, *Ten Year Development Strategy*, 1973, Cmnd 5226.

49 'In the twelve months ended October, it is estimated that over 454,400 jobs in manufacturing industry vanished. Consequently employment which has varied just above or below the 8.7m mark throughout the 1960s is now below 8.3m.' *The Times*, 10 January 1972, p15.

50 K Coates, 'Converting the Unions to Socialism', *Trade Union Register* 3, ed K Coates and M Barrett-Brown, Spokesman Books. The *Morning Star* was especially enthusiastic about the spirit of cooperation at UCS: 'All UCS workers are determined to do their best for their yard. Now it really is teamwork. The feeling "you are letting the side down" is one experienced by latecomers—yes, even timekeeping has clocked new records of precision. It is summed up by the fact that the traditional lunch-time pint is downed minutes before the horn goes and the time clock bell rings every second.' *Morning Star*, 3 September 1971.

51 The financial penalties imposed on the Labour councillors at Clay Cross in Derbyshire, who refused to implement the Housing Finance Act, provide another example of the political weakness of the labour movement. Significantly neither of these measures was rescinded when the Labour Government returned to power in 1974.

52 *The Times*, 28 January 1974, p2.

53 *The Times*, 30 January 1974, p1.

54 Ibid.

55 Important representatives of the capitalist class were openly critical of the Tory Government. Lord Kearton of Courtaulds and Cambell Adamson of the CBI made this clear on television on the eve of the election.

56 *The Times*, 15 October 1974, p6.

57 *The Times*, 18 February 1974, p1. The Social Contract originated in the TUC—Labour Party Liaison Committee document, *Economic Policy and the Cost of Living*, 1973.

58 *Let us work together—Labour's way out of the crisis*, Labour Party Manifesto, 1974, p9.

59 *Report of the 73rd Annual Conference of the Labour Party*, 1974, p207.

60 Ibid, Emergency Resolution moved by C Jenkins, p278.

61 *The Guardian*, 29 March 1974, quoted in *Intercontinental Press*, 3 June 1974, p691.

62 Ibid.

63 *Financial Times*, 16 April 1974, p1.

64 *Financial Times*, 22 April 1974, p14.

65 *Financial Times*, 24 April 1974, p1.

was proposed by veteran left-wing miners' leader Laurence Daly. The only substantial opposition came from the Technical and Supervisory Section (TASS) of the AUEW led by Ken Gill, a CPGB member newly elected to the General Council of the TUC. Following an emotional appeal for unity from Scanlon, he withdrew his opposition leaving the civil servants union (CPSA) standing alone against the alliance of the labour movement with the Labour Government.⁶⁶ A contented Wilson claimed that the Social Contract was 'a way of life based on economic and social justice' aimed above all 'at replacing conflict and confrontation with cooperation and conciliation'.⁶⁷ *The Economist* was more pragmatic:

'The social compact is no more than a voluntary incomes policy . . . concealed as an attack on social injustice.'⁶⁸

The acceptance of a voluntary incomes policy led to a decline in industrial militancy.⁶⁹ In accepting the Social Contract, the working class subordinated its interests to the national goal of regenerating British industry and fighting inflation. Thus Callaghan could argue at the 1974 Labour Party Conference that the Social Contract embodied an all-class approach to the problems of the economy:

'Everyone is involved in the Social Contract: Government, industry, trade unions, local government — every citizen has his part to play if inflation is to be overcome and a high level of employment is to be maintained.'⁷⁰

Once the goals of the Labour Government were accepted by the trade union movement it could not combat the austerity measures that were necessary for their realisation. However unpopular Wilson's policies were he could justify them by appealing to the national interest that the labour movement shared with his Government.

When Wilson made a television broadcast to the nation after his re-election in October 1974, he said:

'We believe that our problems can be solved only by a partnership between Government and the whole of our national family, a partnership in which all of us should be partners and all must play their part.'⁷¹

It was an appeal that the labour movement was politically powerless to resist. When Wilson continued, reaffirming the Government's commitment to 'a vigorous alert responsible and profitable private sector'⁷² the working class could not counter with an independent perspective. It was unable to challenge those who put the interests of 'a profitable private sector' above the needs of the working class.

The only alternative to the Social Contract raised in the labour movement was free collective bargaining. This 'alternative' advanced by the Broad Left meant a simple affirmation of traditional trade union practices. Politically the call for free collective bargaining represented opposition to wage restraint. It did not challenge the ideological basis of the Social Contract as such and ultimately remained imprisoned in the reformist perspective. The Broad Left could not politically justify its calls for an end to wage restraint.

The failure of militancy to maintain wages in the face of rampant inflation, together with the organisational weakness of a large number of trade unions (especially in the public sector), meant that a wages struggle had only limited appeal.⁷³ In contrast the Social Contract held out the promise of a planned and fair approach to industrial relations.

Militant trade unionism was further undermined by the labour movement's political commitment to solve the crisis. High wages were seen as the cause of inflation and the trade union movement accepted at least partial responsibility. In 1975 Jack Jones argued on behalf of the £6 pay limit:

'We have had a fever with wage rises running up to 60 per cent, and if you go that way you arrive at a banana republic where £1 will be the value of a piece of toilet paper — that is the problem we have to arrest.'⁷⁴

The TUC's acceptance of the £6 limit indicated the inability of

the labour movement to rebut Jones' argument.

The political weakness of the British labour movement is shown by its loyalty to the reactionary Labour Government. As long as the workers' movement sees no alternative to Labour it will support the Social Contract. Every serious attempt to defend living standards can be undermined with the argument that it threatens the Labour Government.⁷⁵ Accepted as *the* instrument for social change, the Labour Government has been able to confine the working class response to the recession within the framework of the Social Contract.

(a) The response in the public sector

The offensive on public sector workers reinforced long-standing divisions within the labour movement. A decade before the cuts began to hit the social services, a prominent official in one of the most powerful industrial unions issued this scurrilous attack on unproductive workers:

'I want to say to NALGO that if they are really interested in the good of the nation, and bearing in mind that in the main, you know (and somebody has got to say this) you represent people who produce nothing . . . Ah yes, let us face facts — is it asking too much of you to make a little contribution to solve our nation's problems under our Labour Government. I do not think so.'⁷⁶

These divisions were ruthlessly exploited by the concerted attack of the bourgeoisie on the public sector workers. They were described as parasites on manufacturing industry, a luxury the nation could no longer afford.⁷⁷

By 1975 cuts in public spending had become a necessity. Four months before the £6 limit was agreed, a series of cuts was announced. While the Labour Government proclaimed its commitment to social priorities as its contribution to the Social Contract, expenditure on social services was drastically curtailed. The Social Contract was presented and accepted on the strength of a promise of reforms and redistribution of national wealth in favour of the working class. The reactionary implications of the labour movement's deal with the Government became increasingly apparent: having accepted the premise of the Social Contract — and thus the need to restore the profitability of British industry — the working class was poorly prepared to resist its consequences as the crisis deepened.

From the point of view of capital public sector jobs and services were a burden on productive industry. Accepting the need for regeneration, the labour movement could not consistently oppose the cuts. It could only issue reproofs about broken electoral promises. Criticism was muted; the Government was never reluctant to remind the unions that things would be worse under the Tories.⁷⁸ Not until the cuts began to affect social services seriously did resistance begin to emerge. This resistance gathered momentum during 1976 and reached its peak in November when 90,000 trade unionists and students marched through London to lobby Parliament.

Trade union bureaucrats attempted to argue against the cuts by pointing out the economic benefits of social services. The justification they advanced for the maintenance of public expenditure was the contribution it made to industrial development. Under the pressure of the crisis trade union leaders pushed the *social* aspect of state services into the background and emphasised their *practical* contribution to the regeneration of British industry. They attempted to present unproductive expenditure as productive. Geoffrey Drain (General Secretary of NALGO) clearly expressed this in his widely read pamphlet, *Save your Health Service*:

'The latest figures on absence from work show that, of an absence rate of 8.1 per cent in 1972, 5.2 per cent of absences was due to illness or accident . . . The real significance of a strong system of medical care to the health of industry (and productivity) is demonstrated by these figures. . . .'⁷⁹

Not only full time trade union officials tried to defend the NHS in this overtly pragmatic way. Rank and file workers affected by the cuts saw things in the same light:

““Cut the money and I don't know where it comes” were among the slogans raised by 50 COHSE members who picketed a meeting of the Macclesfield district management team. The pickets were determined that if any of the cuts were to be made these should come from administration.”⁶⁶

In contrast to workers in private industry public sector workers meet the state as their employer. The institution they work under is seen as one which can be influenced to act in favour of the working class, and particularly its lower-paid sections. This potential of the state is felt to be closest to realisation when the Labour Party is in power. In a spirit of loyalty and expectation the public sector unions supported the Social Contract. In consequence their struggles are restricted to dividing up the resources allocated under the Government's cash limits. As these limits began to shrink public sector workers became increasingly defensive. Unable to oppose the cuts directly, they sought to modify their effects. Protest campaigns only began in earnest when reduced budgets resulted in deteriorating conditions in hospitals, schools and offices.

The political basis for a united public sector campaign did not exist. Each group of workers emphasised its special contribution to the nation and pleaded exemption from the Government's cuts. ‘Anywhere else but here’ was the cry from every branch of the public sector. ‘Cut arms not hospitals’ was the slogan of 1000 NUPE members lobbying the TUC in 1976. These slogans indicated that workers were unable to oppose the arguments with which the Government justified the cuts. By arguing that its particular service was a special case, each public sector union legitimised the need for sacrifice embodied in the Social Contract. Accepting the reformist premises of the Social Contract, public sector workers could not unite against the state; their struggles were divided and dissipated in isolated sectional campaigns.

The public sector unions attempted to convince the Government that the cuts did not make economic sense. They tried to show that social services were consistent with the requirements of capital. Calculations were presented revealing that it is cheaper to employ teachers and hospital workers than to allow them to draw dole money. Public sector unions argued that cuts in the NHS would lead to longer waiting lists and more days lost in industry. Debating Healey's rationale for the cuts introduced by the February 1976 White Paper, Alan Fisher (General Secretary of NUPE) said:

‘...the correct way to reduce the borrowing requirement was therefore to cut the dole queues and thereby reduce the demands made on the Social Security budget by unemployment...’⁶⁷

Where there was difficulty in arguing an economic case union leaders resorted to moral appeals. The General Secretaries of the teachers' unions NATFHE, NUT and the AUT wrote to *The Times* that:

‘whilst expenditure on education will only form 11.6 per cent of total public expenditure, it is already due to bear a disproportionate 32 per cent of the cuts.... we recognise the need for a prosperous Britain but the prosperity of a country is not measured solely by money in the bank or by an abundance of material goods. It is measured by the care and devotion the community provides and the sacrifices it makes to ensure the welfare and education of its citizens.’⁶⁸

But these arguments stood in stark contradiction to the requirements of capital. This had to be pointed out by its representatives in the Labour Government. At the 1975 Labour Party Conference Denis Healey said:

‘I want you to face a few facts here as well because general elections do not change the laws of arithmetic... Somehow or other the sums have got to add up... and I intend to see that they do.’⁶⁹

Workers in the public sector have received little support from the industrial trade unions. While the number of redundancies in manufacturing industry accelerated, jobs in parts of the public sector have appeared relatively secure. The inefficiency of the public services — produced by overwork, undermanning, obsolete buildings and outdated equipment — was exacerbated by the cuts. This confirmed in the public sector the impression fostered by the charges of incompetence and waste. The public sector seemed little reason why the public sector should not grow lean with the rest of the economy.

The division between public and private sector unions was expressed in relation to the 12 month rule on the Social Contract. The public sector unions were faced with a particular dilemma which shaped their view of a return to collective bargaining. Although their size and membership had grown rapidly in the last decade, public sector unions had a long tradition of trade union struggle and reformist politics were weak. Constrained by cash limits, collective bargaining meant little for these unions. They could not oppose these limits directly. This they were to protest in vain. Furthermore, the division between public and private sector workers meant that they could not count on the support from industrial unions for such struggles. They were afraid of losing out in a free-for-all competition.

66 Eric Jacobs, *The Sunday Times* (Labour correspondence column) called the ‘overriding preoccupation’ of the trade union movement at Brighton as to ‘stay united, avoid splits and give Healey the nod’. And Jim Callaghan the inspirational platform speaker at Brighton which to launch Labour's election campaign. *The Sunday Times*, 1 September 1974, p13.

67 *The Times*, 6 September 1974, p1.

68 *The Economist*, 21 September 1974, p12.

69 The most militant demonstration at the 1974 TUC came from 3000 old people demanding a 75 per cent increase in pensions. 1974 Labour Party Conference, op cit, p150.

70 Report of television broadcast, *The Times*, 15 October 1974, p6.

71 Ibid.

72 Even the highest awards could barely maintain living standards as a result of the high rate of inflation in 1974. By 1975 living standards actually fell.

73 *Financial Times*, 1 September 1975, p1.

74 This threat was used to good advantage as late as the 1977 Labour Party Conference, where Callaghan told delegates: ‘Either back us or sack us’. *The Times*, 5 October 1977, p6.

75 J M Boyd (AEU), *Report of 98th Annual TUC*, 1966, p476.

76 On the subject of capital's need to restrict public spending, see p10.

77 Michael Foot used characteristically colourful metaphors to dispense cold comfort to the delegates at the Labour Party Conference in 1975: ‘If we were ever fools enough to allow them to get the levers of power again, the whips would be changed to scorpions for our chastisement.’ Report of the 74th Annual Labour Party Conference, 1975, p164.

78 *Save your Health Service*, January 1976, p3.

79 COHSE, *Health Service*, December 1975.

80 ‘Farce behind spending cuts’, *Morning Star*, 9 September 1977, p2.

81 *The Times*, Letter, 19 July 1976, p13.

82 Report of the 74th Annual Conference of the Labour Party, Blackpool 1975, p202.

83 In 1978 this remains the preoccupation of public sector unions in their considerations of incomes policy. A National Executive document to be submitted to the forthcoming annual conference of the local-government workers union (NALGO) recommends ‘moderate settlements which apply to all are better than a constant competitive struggle in which we attempt to match higher rises secured by the more powerful.’ *Public Service*, April 1978, p9. Recently a number of public sector unions have come out against further wage restraint. These calls are justified on the grounds that the special needs of lower paid workers have been ignored. Alan Fisher, General Secretary of NUPE, warned: ‘We must say to the Labour Government that if they will fight with

opposed the immediate return to free collective bargaining that was proposed by a section of the industrial unions. Their vulnerability to direct pressure from the state meant that the best they could hope for was a good deal through the Social Contract.⁸⁵

The plan recently advanced by David Basnett (General Secretary of the GMWU and President of the TUC) creates the possibility of further divisions in the working class. His proposed TUC 'public services committee' complete with annual conference would deepen the gulf between public and private sector unions and promote greater rivalry between public sector unions themselves. The objectives of the committee would include synchronising pay dates, permanent review bodies to compare public and private sector pay and yearly reviews of wage structures throughout national and local government.⁸⁶ These plans herald a new stage in the integration of the public sector unions into the state. They have received significant support from union leaders. The tendency towards the integration of public sector unions is a further development of the theme of the Social Contract — the attempt to tie the working class to the bourgeois solution to the crisis. By eliminating the independence of the working class the Social Contract reinforces divisions in the labour movement. Productive workers are turned against unproductive workers. Public sector workers are forced to compete with one another for a share of the resources that are restricted by Government cash limits.

(b) The erosion of trade union militancy

In the early days of the Social Contract opposition to it upheld the legacy of the militant 1960s. When questioned about the embarrassment he had caused to election conscious Labour leaders, Arthur Flicker, leader of the September 1974 strike at Ford, exclaimed 'Who cares about the Social Contract'.⁸⁷ But the Social Contract was not to be as easily overturned as *In Place of Strife*. In the conditions of the capitalist crisis working class living standards could not be defended by the traditional methods of trade unionism. The following year, when the number of unemployed workers reached one and a half million as a result of widespread expulsion of labour from industry, Arthur Scargill said that the miners

'don't want to see anybody going onto a platform and yelling: "I am a Marxist and I want to see dialectical materialism on the order of the day". They couldn't bloody care less, but I'll tell you what they could care about: they could care about what's in their pay packet on a Friday, they could care about what their conditions are like.'⁸⁸

Scargill's reluctance to tackle the political problems facing the working class only revealed the narrow horizon of trade union militancy. Asked what socialist measures the Labour Government should be taking, he replied 'very simply the immediate nationalisation of production, distribution and exchange'.⁸⁹ Yet very simply, very immediately, the Labour Government was nationalising industry — at the expense of the working class.

Between 1975 and 1976 the state intervened in British Leyland, Chrysler and the machine tool company Alfred Herbert. Participation schemes introduced in these enterprises drew shop stewards and convenors onto the same political terrain as public sector workers: representatives of the workforce began to compete for a share in a fixed state budget.

Labour's election manifesto had called for 'planning agreements' between management, workers and the Labour Government. At Chrysler two such agreements were instrumental in persuading workers' representatives to accept capitalist arithmetic. Seeing the company's problems as their own, workers came to agree that manning levels should be reduced and the labour process reorganised.⁹⁰ Since the Social Contract was a premise of their consultations, they were led inexorably to accept the capitalist solution: thousands of jobs

were lost. At Leyland the integration of the shop floor leaders which the Ryder Report had recommended proved inadequate to halt the decline in the company's competitive position.⁹¹ It was succeeded by the Edwardes Plan which proposed the loss of 12,000 jobs and was followed by the announcement that the Leyland plant at Speke in Liverpool would close. Having agreed to the plan to restructure Leyland the unions could not provide a consistent defence of the workers at Speke whose jobs must be sacrificed in the interests of profitability.⁹²

Although the Social Contract replaced a statutory incomes policy with a voluntary one, this was very successfully pursued for the bourgeoisie by the Labour Government and the TUC. When inflation fell during the period of the £6 limit the argument that wage rises cause inflation seemed to be confirmed. Whatever opposition emerged was undermined by the Social Contract. George Regan, leader of the Spring 1976 strike at SU Carburettors, expressed the demoralisation that was becoming widespread:

'We are responsible people and we did not want to cause further hardship for thousands of British Leyland workers. We feel that we have a genuine grievance but we now accept that we will not get the money because of the Government's pay code.'⁹³

But the labour movement remained loyal to the Labour Government. The TUC Special Congress in June 1976 took only three hours amidst repeated cries of 'Vote! Vote!' to agree to Phase Two and a four and a half per cent limit on wage increases; the majority was 9,262,000 to 531,000.

The first serious challenge to Phase Two came from the NUS. The seamen's threat of strike action for higher pay was opposed by the TUC on the grounds that it threatened the Social Contract. The seamen were not prepared to make the direct challenge to the Social Contract that the successful pursuit of their wage demand required. Jim Slater, General Secretary of the NUS and a member of the TUC General Council, denied that the strike was a challenge to the Social Contract.⁹⁴ Within a few days the NUS Executive caved in under the pressure of its hostile brothers in the trade union bureaucracy. The Government did not have to lift a finger against the seamen — it relied on the Social Contract to do its work.

The only major challenge to the Government pay policy came from skilled sections of the labour movement, whose financial status relative to the rest of the working class was reduced by wage restraint. The £6 flat rate for wage increases under Phase One inevitably led to the erosion of differentials. When Phase Two was introduced without including any steps to restore them, British Leyland shop stewards committee vice-Chairman Eddie McGarry expressed the surprise common to many skilled workers: 'I expected a degree of flexibility and this will take a bit of swallowing.'⁹⁵

In Winter 1976 resistance to the further erosion of differentials led to a succession of strikes fought by groups of workers claiming to be 'special cases' within the Social Contract. The strike of 2300 toolroom workers at British Leyland in February 1977 had a sectional character. Its leader, Roy Fraser, agreed some months later that its purpose was 'to force production workers to accept a differential'.⁹⁶ Irrespective of its narrow scope, revolutionaries supported the strike because it was carried out in defence of working class living standards. The CPGB and the TUC condemned the strike as divisive.⁹⁷ Trade union leaders whose own tactics have reinforced divisions in the labour movement hypocritically demanded that sacrifices under the Social Contract should be shared by the working class as a whole.

By the September 1977 TUC working class discontent at declining living standards was mounting. Under rank and file pressure Len Murray complained that the concessions promised in Labour's election manifesto should not be postponed forever. But delegates were not prepared to challenge the Labour Government and throw out the Social Contract in its new form of a recommended 10 per cent norm and the

12-month rule. Scanlon's adroit manipulation of the engineers' vote ensured that a return to free collective bargaining, with all its limitations, was hindered as much as possible.⁹⁸

Opposition to this form of incomes policy was conducted entirely in terms of loyalty to Labour. It was pointed out that further wage restraint would be an electoral liability. Clive Jenkins, General Secretary of ASTMS, moved rejection of the 12-month rule 'with regret'; Bill Keys, General Secretary of the print union SOGAT, joined him to 'save the Government from itself'.⁹⁹ Their amendment was defeated.

The traditional stirring references to nationalisation were absent from the 1977 TUC. Delegates were troubled by a new and unforeseen problem: 'structural' unemployment. Thousands of jobs were now being lost in both private and public sectors. Characteristically, the issue was discussed not in the traditional terms of militant resistance to all redundancies, but in terms of discovering an appropriate Government policy to deal with the exceptional difficulty of structural unemployment. At the 1973 TUC delegates had called for the state to improve the 'social wage' as an alternative to the orthodox, but increasingly ineffective, method of free collective bargaining. Now in 1977 the labour movement, acutely conscious of the impotence of its traditional methods in the conditions of the crisis, turned again to the state to solve its problems.

The Government, however, was busy with another bourgeois strategy advanced under the umbrella of the Social Contract — productivity agreements. The terms of these deals were much harsher than those of the wave of productivity agreements in the 1960s: in the crisis-ridden 1970s redundancies and major rationalisations of the labour process were demanded in exchange for wage rises within the tight guidelines of the Social Contract. The acceptance of productivity deals in a number of industries shows the subordination of the trade union movement to the Social Contract.

A productivity deal at British Steel resulted in mass redundancies.¹⁰⁰ Leaders of the steelmen at Corby, for example, agreed in principle to a plan to cut the workforce by 1200 jobs (11 per cent). In the coalfields the miners have been divided by local productivity deals which benefit the more productive pits. The recourse of officials Dunn and Scargill to the courts in an attempt to reaffirm the decision to reject productivity deals, made in the November 1977 national ballot, indicates their increasing isolation within the union and their continued faith in the impartial adjudication of the state. Despite their conference decision to press for £135 a week and despite the national rejection of the Coal Board's productivity deal, the miners eventually settled for a 10 per cent increase, adherence to the 12-month rule and productivity deals. Neither their history of militancy nor their traditional hostility to productiv-

us on low pay we will fight them in the General Election.' See *Financial Times*, 16 May 1978. Capital will have no special sympathy with 'low pay'. Clive Jenkins, General Secretary of ASTMS, conceded the impotence of public sector unions: 'Governments know they can win in the public sector and are willing to take on workers there.' *Financial Times*, 15 May 1978. This will in general be the case until public sector workers go beyond narrow trade unionism and rid themselves of the likes of Jenkins.

85 Alan Fisher of NUPE hoped for a minimum wage in exchange for his loyalty to the Government: 'In a period of free pay bargaining where the varying strengths of individual unions would be a telling factor in the size of wage settlements, a minimum wage was necessary for those workers in a weak bargaining position.' *Financial Times*, 9 September 1977, p14. All Len Murray could suggest was further wage restraint as the contribution of the Social Contract to badly paid workers: 'helping to contain price rises and supporting orderly collective bargaining was the best way trade unionists could help low paid workers.' *Ibid.*

86 *The Sunday Times*, 4 December 1977, p16.

87 *The Sunday Times*, 29 September 1974, p17.

88 'The new unionism', *New Left Review*, July/August 1975, p27; interview with Arthur Scargill.

89 *Ibid.*, p31.

90 A leading shop steward at the company did much to clear the way for acceptance of this deal—which he described as 'commonsense'—with the statement that 'management has recognised that the trade unions have a role to play'. He followed this tribute to the capitalist class with another note of moderation: '... and the trade unions have recognised that management has the right to manage'. *Financial Times*, 21 December 1977, p7. In conditions of capitalist crisis, the right to manage at Chrysler as elsewhere means the right to exert direct control over 'restrictive practices, job flexibility, absenteeism, lateness, overtime and recruitment'. See *Financial Times*, 22 December 1977, p9.

91 The 500 stewards at British Leyland joined with 15 national union officials and 150 managerial staff in giving the Edwardes Plan a standing ovation.

92 In the weeks after the announcement of the Speke closure the reluctance of the unions to defend the threatened workers was revealed by the absence of any official initiatives. Union leaders merely promised to consider seriously any action that the Speke workers suggested.

93 *The Sunday Times*, 4 April 1976, p1.

94 *The Guardian*, 9 September 1976.

95 *The Sunday Times*, 9 May 1976, p63.

96 *Financial Times*, 2 February 1978, p9. This account reports Fraser's subsequent praise for the Edwardes plan.

97 '... this strike and some of the statements by the leaders of the strikers, is not going to help to get rid of the things which have caused the dispute, rather it can only lead to division.' *Morning Star*, 12 March 1977, p1. '... under these circumstances the continuation of the strike can only lead to further divisiveness between one section of workers and another at British Leyland ... it is to be hoped that the toolroom workers will give priority consideration to this over-riding need for unity in reaching their decision on the next steps to take.' *Morning Star*, 16 March 1977, p1.

98 David Basnett (General Secretary of GMWU) said: 'The vote today was an important one because trade unions showed they wished to have a continuing close relationship with the Government'. *Financial Times*, 8 September 1977, p12.

99 *Ibid.* More radical attacks on the Social Contract urged on the labour movement to neglect the question of the Labour Government altogether. This expression of working class disgust with the Government, however, was often tempered by acceptance that each individual claim should be assessed on its merits. In a TV polemic against 'hypocrites' in the trade union movement who tolerated policies under a Labour government which they would never brook under a Conservative administration, Scargill said: 'I think they are doing a disservice to their members and to the country and should be prepared to fight for a wage increase if it is justified. And if it is not justified they should not press for it, irrespective of the government ... I do not think there can be any pact between a government and the trade unions in a capitalist type of society. I do not think any trade union leader should collaborate with any government and by doing so lower the standards of those he represents.' Scargill concluded by saying 'he was glad that it now looked as though the Social Contract was at an end, although he would be sorry if Labour lost office'. *The Times*, 8 July 1977, p2. Fellow Labour Party member Samuel Maddox, General Secretary of the bakers' union (BFAWU) and leader of the September strike argued: 'When it comes to the union, politics don't enter into it. ... Our task is to make people realise the worth of the bakery worker'. *The Times*, 15 September 1977, p2.

100 The trade union leaders requested only that the unions be given 'at least three months to consider options being put forward by British Steel for reducing overmanning, encouraging early retirement, closing old works, and cutting investment plans'. *Financial Times*, 24 November 1977, p42. In December, steel union leaders at Hartlepool agreed to negotiations intended to bring forward by about a year the closure of the local steelworks and thus accelerate the loss of 1500 jobs. More recently 4000 workers at East Moors Steelworks in Cardiff have accepted redundancies. See also the interview with Bill Sirs, General Secretary of the steelworkers union (ISTC), *The Times*, 17 January 1978, p12.

ity deals could provide an adequate basis for opposition to the collaboration of the NUM Executive with the Labour Government.

The contrast between the miners' militancy towards the Heath Government and their recent acceptance of the 10 per cent increase and the 12-month rule demonstrates how the Social Contract politically dominates the activity of the working class.¹⁰¹ The problem is not only that the miners have become less militant but that they have accepted responsibility for the maintenance of the Labour Government. Trade union militancy cannot counter the justification for a 10 per cent pay ceiling advanced by Lawrence Daly (NUM National Secretary): 'Let's not beat about the bush — the alternative would have meant a confrontation with the Labour Government'.¹⁰²

The trade union response to rationalisation and redundancies shows that the struggles of the working class are dominated by the Social Contract. The acceptance of national sacrifice in order to regenerate British industry confers upon the bourgeois state the right to arbitrate in the conflict between labour and capital. Working class activity has been confined by acceptance of the logic of capital: redistributing sacrifices, negotiating the forms that cuts should take and bargaining over the definition of a 'special case'. As the crisis deepens the traditional strategies of trade unionism become less and less effective. Calls for more action cannot defend the working class. It is essential to combat the political assumptions that underpin the labour movement's response to the recession.

7. Reformism and the crisis

During the post-war boom the reformist view of the state achieved widespread credibility. It appeared that, through public ownership and government planning, the state could act to increase the share of wealth of the working class and in general advance its interests within the nation. As capitalist production expanded, the contradiction between the 'national interest' and the interests of the working class, while not resolved, could be contained as living standards rose: the working class seemed to be the beneficiary of the state's intervention in the economy and seemed to gain from its provision of social services. In these conditions the state socialists were politically irrelevant.

In the crisis, however, the conflict between the 'national interest' and the interests of the working class becomes much more acute. The socialist rhetoric of the leadership of the Labour Party becomes increasingly transparent: the Labour Government's ability to mediate the contradictions between labour and capital is undermined by its systematic attack on working class living standards. In these circumstances the left wing of Social Democracy can acquire an increasingly significant role. It castigates the right wing for gutlessness and broken election pledges. While it leaves the Labour Party's reformist foundations intact, the left's criticism of particular individuals and policies appears to provide a distinct alternative. Reformism is reinforced in the labour movement, with a radical twist. The Labour left reassures the working class: hope is not lost as far as the Party is concerned — there is still a left alternative.

The essential similarity between the CPGB and the Tribune group lies in their common commitment to state socialism. The CPGB's Stalinist policy of 'socialism in one country' — a national road to socialism — and its reformist conception of the state give it common ground with the Tribune group. *Tribune* recently acknowledged the political proximity of the CPGB:

'Every revised version of the British Road to Socialism has brought the CP closer to Labour politics ... one can only expect more members and potential members of the party to opt for real politics by joining the LP'.¹⁰³

This affinity of the CPGB with the Labour left did not pass unnoticed by the bourgeoisie. *The Economist* commented

'Whether it likes it or not the Labour Party is getting increasing support from Britain's Communists. Mr Callaghan, the Prime Minister, does not like it ... But the evidence is there: it has come with the publication last week of the new edition of the British Road to Socialism ... It is a remarkably gradualist document.'¹⁰⁴

While the subservience of the Labour Government to capital has been more and more revealed, the left reformism of the CPGB — independent critic of the Government's betrayals of the working class — remains to be tested in practical politics. The CPGB, as a distinct political organisation, and the Tribune group, as a potential left leadership of the Labour Party, in their different ways, still provide a plausible alternative to orthodox reformism.

In the days of the boom, when capitalism was able to grant reforms, the views of the CPGB and *Tribune* had little consequence. As the material basis of reformism is eroded by the crisis, the illusions nurtured by the boom and propagated today by state socialists have dangerous implications. As the experience of the last war shows, state socialists ideologically prepare the way for state attacks on the working class.

(a) Tribune

The Tribune group is a loose alliance of broadly left wing Labour MPs around a weekly newspaper. Although it has no national organisation, *Tribune* reflects the left wing views of a significant section of the labour movement — a role that it has played consistently throughout the post-war period. After the Labour Party Conference in 1973, the editor of *Tribune* wrote:

'The drama lies in the Labour Party returning to those arguments which have always fired it — the arguments about socialism, and in particular the argument about public ownership.'¹⁰⁵

Faced with the harsh realities of the crisis in the 1970s, *Tribune* yearned for the state socialist policies it had so energetically championed in the war-time period. On Labour's return to power in 1974, *Tribune* like the Manifesto, aimed 'to rescue the nation from the most serious political and economic crisis since 1945'.¹⁰⁶ The Labour leadership concentrated its attention on obtaining support from the British nation as a whole:

'The Labour Party is proud of the contribution we made to the nation's salvation at critical times in our history, and it is in the same mood that we approach the interlocking crises of the 1970s.'¹⁰⁷

The Tribunes combined nationalist appeals with working class rhetoric to win the support of the labour movement.

A year after its election, the Labour leadership wanted to say goodbye to the wave of working class militancy that had swept it into office. Conscious of the need to restructure British capitalism, Labour distanced itself from recent resistance to the Tory government. As Harold Wilson declared: 'From being a party of protest we have become the natural party of government'.¹⁰⁸ In fact Labour's emergence as a natural party of government — as a party capable of winning working class support for its national solution to the crisis — was based on its previous record of protest. The Tribune group attempts to give a contemporary expression to this tradition. By emphasising class issues, *Tribune* appeals to militants for critical support of the Labour Government. But the criticisms and protests are always fraternal; *Tribune* helps to keep Labour in power. In contrast to the Labour leadership, which has turned to attack the working class in the interests of the nation, the Tribune group continues to proclaim its socialist concern with the interests of the working class. *Tribune* MPs argue for 'progressive policies' and advance their claim as an alternative leadership capable of revitalising the Labour Party. They sustain working class loyalty to Labour.

When the Labour Party was in opposition its left wing was in no danger of having its policies tested in the real world. *Tribune* was free to indulge its radical conscience with talk of workers' control and socialism. But by 1975, as the depth of the recession became apparent, the left was put in the contradictory position of condemning capitalism while helping the Government to solve the crisis of profitability. While *Tribune* claimed that it represented workers' interests, the 'national solution' it had always supported now involved massive attacks on working class living standards. Without disassociating itself from the Government's fundamental strategy, *Tribune* was forced to criticise some of Labour's policies.

At the 1975 Labour Party Conference *Tribune* MP Ian Mikardo attacked the TUC, claiming that it was 'asking for too little' in return for the concessions it had made to the Government during recent negotiations on the Social Contract. He said 'they have failed, if indeed they ever tried, to hold the Government to its Manifesto commitment to maintain full employment.'¹⁰⁹ As always, the criticism was of the unfavourable terms in the agreement, not of the Social Contract itself — a means to reduce the living standards of the working class. Though *Tribune* supporters may deplore some of the consequences of the Social Contract, their acceptance of capitalist relations leaves them powerless to combat it. While their sympathy for the working class may be genuine, moralism cannot suspend the laws of capital accumulation.

Tribune ignores the fundamental contradiction between capital and labour. As the crisis deepens, its reformist faith in the state and the national interest leads it to acquiesce to the Government's offensive against the working class. Despite its subjective radicalism, *Tribune* plays this reactionary role because it is dependent on bourgeois ideas. Only a Marxist understanding of the crisis can provide a basis for political resistance against the capitalist offensive. Trotsky explained how left reformism is contained by the right:

'The extreme rights continue to control the party. This can be explained by the fact that a party cannot confine itself to isolated left campaigns, but is compelled to have an overall system of policy. The lefts have no system nor by their very essence can they. But the rights do: with them stands tradition, experience and routine and, most importantly, with them stands bourgeois society as a whole which slips them ready-made solutions... The weakness of the lefts arises from their disorder and from their ideological formlessness.'¹¹⁰

Underneath the radical solutions to the crisis proposed by *Tribune* lies bourgeois political economy. *Tribune* argues for Keynesian policies of credit extension and increased state spending as a remedy for high unemployment. It claims that the crisis is a result of the cumulative effects of incorrect policies pursued in the post-war period: if only Labour had stuck to the ideas of 1945 with determination, British industry would still be on top. Today, *Tribune* sees the cuts and unemployment not simply as unnecessary, but irrational, stupid. The Labour Government, argues *Tribune*, must 'resist the lunatic policies which the IMF foisted on us'.¹¹¹ This psychosis also afflicts national economic institutions such as the Bank of England — for *Tribune* 'the madness of the Bank's policy is almost unbelievable'.¹¹² When every bourgeois economic indicator shows that a Keynesian strategy is inoperable in the crisis, *Tribune* dreams of the halcyon days of the boom and churns out time-honoured panaceas. *Tribune* MP Eric Heffer relies on old orthodoxies to challenge Tory right-winger Keith Joseph's counter-crisis strategy. Sir Keith's

'solution to our economic problems is to "get rid of controls", which in effect means revert to total capitalist anarchism... It is as if John Maynard Keynes or Harold Macmillan for that matter, never existed...'¹¹³

Insofar as *Tribune* does appreciate the reality of crisis and is sensitive to the difficulties facing manufacturing industry, it turns to the War and the reconstruction period for inspiration. The British state must plan its way out of the crisis. *Tribune*

suggests an enhanced role for the NEB and more Planning Agreements. Since 1973 the socialist 'drama' has gone from the 'argument about public ownership'. Burdened with some responsibility for the Labour Government, *Tribune* has become more realistic — the calls for nationalisation of basic sectors of the economy are now rarely heard. The attitude to state-imposed wage restraint has also changed. When the miners challenged the Tories, *Tribune* noted that there were 'voices being raised inside the party again which suggest that a "fair" incomes policy must be resurrected. It is a contradiction in terms until the whole economic base of our society is changed'.¹¹⁴ Today *Tribune* MP Robert Kilroy Silk makes the profound declaration 'I enthusiastically support the concept of an incomes policy'.¹¹⁵ Times have changed. The working class should support the concept of wage restraint if not wage restraint itself.¹¹⁶

Tribune emphasises that the Social Contract embodied a commitment to redistribute national resources in favour of the working class; it reminds the Government of its election promises. Cuts in living standards are considered to be incidental to the Social Contract. Tony Benn MP supports it because he wants to see a redistribution of wealth and jobs. He wants 'full employment and fair shares for all, fair shares in power, fair shares in work'.¹¹⁷ But Benn forgets to mention the one aspect of the Social Contract that Prime Minister Wilson thought was important. For Wilson, 'the social contract — a contract between the Government and the people, all the people — meant a fair division of national resources and the fair sharing of sacrifices...'.¹¹⁸ For all his talk about power and full employment, Benn has to agree that there must also be 'fair shares' in sacrifice.

Tribune agrees with the central argument of the bourgeoisie — that the working class is responsible for the crisis. In

101 Greeting the miners' decision *The Economist* enthused: 'Britain's coal miners have given the Government's pay policy its biggest boost'. *The Economist*, 11 February 1978, p111.

102 'Why there's no more than 10 per cent', *Miner*, February/March 1978. Almost a year before Joe Gormley, President of the NUM, had attempted to reconcile the aspirations of the membership with his commitment to maintaining a Labour government. Arguing against further pay restraint he noted: 'To say that if we don't have phase three of the social contract there will be a great wage explosion is a load of poppycock. It just won't happen... They don't need to worry about the next election if they will go the right way. We will do our damndest to get a Labour Government back'. *Financial Times*, 27 April 1977, p11.

103 *Tribune*, 18 November 1977, p5.

104 *The Economist*, 12 February 1977, p24.

105 *Tribune*, 5 October 1973, p1.

106 *Let us work together — Labour's way out of the crisis*, Labour Party Manifesto 1974, p1.

107 Ibid.

108 *The Times*, 1 October 1975, p1.

109 *The Times*, 2 October 1975, p5.

110 L Trotsky, 'Notes on the situation in Britain 1925-26', *Trotsky's Writings on Britain*, Vol 2, New Park, London, 1974, pp137-38.

111 *Tribune*, 26 August 1977, p2.

112 *Tribune*, 26 August 1977, p1.

113 *The Times*, 10 November 1976, p16, our emphasis.

114 *Tribune*, 21 December 1973, p5.

115 *Tribune*, 16 December 1977, p5.

116 The following example illustrates how the views of the left of the labour movement are reflected in *Tribune*. Hugh Scanlon said in 1970 that he would 'talk about a Socialist incomes policy when we own the means of production, distribution and exchange'. *Labour Party Conference Report*, 1970, p121. Scanlon urged acceptance of the Social Contract at the TUC in 1974 when the implementation of Clause 4 seemed as remote as at any time since 1918.

117 *The Times*, 4 October 1977, p5.

118 *The Times*, 29 November 1974, p8.

an article entitled 'Threats for wage claim bargainers — subsidies for investment strikers', *Tribune* merely complains that the Government is not treating both sides of industry fairly.¹¹⁹ Sacrifices must be made — but these should be shared more equitably. *Tribune*, 'Labour's independent weekly', provides a forum for discussing the fairest possible way to reduce the living standards of the working class.

The reactionary implications of the 'fair shares' sought by *Tribune* have been highlighted by the latest stage of the recession. When there is a shortage of resources available for redistribution the working class must either produce more to finance the share-out or see some of its members excluded from the redistribution. In practice the Government implements both these strategies. On the one hand all wage increases above 10 per cent must be accompanied by a proportionate increase in productivity (self-financing productivity deals). On the other hand public sector workers must be satisfied with less than 10 per cent. The discussion on the firemen's strike in *Tribune* shows the dangerous consequences of relying on the state to reallocate society's wealth:

'If the Government is to involve itself on wages ... then it must have the courage to say no to some claims and yes to others. What is the Labour Government about if it is not choosing social priorities? Explaining why these are a special case in our society is a sensible way of governing.'¹²⁰

This is what the left reformists argue today. Urging the government to 'say no to some claims', the left wing actively backs capital against those workers who are judged by the state to have less legitimate claims on the national wealth. By invoking 'social priorities', the left cannot avoid arguing that some workers are less useful to the national economy than others.¹²¹

In advancing a *British* solution to the crisis, state socialists put their faith in the nation state. Because *Tribune* wants to build up the national economy it resents the fact that capital is international. *Tribune* assumes the stance of the radical patriot: it chides the capitalists for exporting capital and demands controls on the 'flood of imports'. In this vision everything is upside down — now the bourgeoisie are internationalists and the working class the nationalists.

By its efforts to align the labour movement with the nation, *Tribune* attempts to destroy independent working class politics. As the crisis has deepened, national-reformism has encouraged workers faced with mass redundancies to identify with bourgeois calls for import controls to save British industry. Similarly, British Leyland's announcement of the closure of its plant in Speke was greeted with a trade union plan for keeping the factory open — a plan that suggested closing down a British Leyland factory in Belgium and transferring production to Liverpool.¹²² *Tribune* integrates this spontaneous and divisive response into a social-chauvinist system of politics.

'If the Government plucks up courage to take action against Japanese imports, the trade unions must use it to get effective planning of our trade pattern. That would be a socialist measure.'¹²³

In industries facing tough international competition the leadership of the working class has been drawn into ruling class campaigns against foreign imports. Tom Moffitt of the GMWU stands up for British manufacturers against the penetration of their market by Hitachi television components; he 'even sees the Japanese threat spreading into his area'.¹²⁴ When Secretary of State for Trade Edmund Dell follows the dictates of British industry and warns Japanese car makers to reduce their exports to Britain, *Tribune* merely calls for action to be less selective, more comprehensive and more rapidly implemented. This is the state socialists' radical critique of the Labour Government — it is not nationalist enough!

The radical left recognises the feebleness of *Tribune*. However, it fails to understand that the problem with the Labour left is its reactionary politics — not its lack of will

power. The radical left slogan 'make the Lefts fight' indulges the illusion that the Labour left is capable of fighting for anything progressive. In this way the radical left reinforces the view that major political differences separate the left wing of the Labour Party from the right. Differences in emphasis are elevated into a major contradiction. On the eve of the 1977 Labour Party Conference, *Socialist Challenge* published a fake resignation speech by Benn: it contained not what the IMG thought he should say, but what he, reformist that he is, would say if he decided to resign. The IMG explained its opportunist motivation in the following terms:

'... it was a novel way of explaining that if left social democrats did start a fight against the Labour Government, even within their own political framework, it would be a step forward for the masses.'¹²⁵

The 'political framework' of *Tribune* is reactionary. To imagine that the working class will take a step forward under the wing of the Labour left is to affirm that *Tribune* is a real alternative. The Workers Socialist League (WSL) also has high hopes for left reformism:

'A stand by any of the "lefts" fighting the policies of Callaghan with alternative *anti-capitalist* policies and campaigning throughout the workers' movement for the removal of the Callaghan-Healey leadership, would strengthen the working class. ...'¹²⁶

The working class will wait in vain for *Tribune* — which supports the Social Contract, import controls and immigration controls — to fight for 'anti-capitalist policies'. While the WSL speculates about what would happen if the 'lefts' did fight, *Tribune* does fight — to destroy class independence in the labour movement. For revolutionaries the task is to demonstrate the essential political identity of the two wings of the Labour Party and not to take the rhetoric of *Tribune* at its face-value. Workers will only be won to revolutionary politics if they can see an independent alternative to Labour. To suggest that the Labour left has even a limited role to play undermines the development of an independent working class vanguard.

(b) The Communist Party

In *Revolutionary Communist Papers* No 1 we demonstrated that the crisis has forced the CPGB closer to the viewpoint of the British bourgeoisie.¹²⁷ In order to prove its British credentials the CPGB has sought to disassociate itself from its past — to abandon its formal commitment to Leninism and rid itself of its historic ties with the Soviet Union. Here we examine the way in which the CPGB, whilst criticising some of the consequences of the Social Contract, has come to accept it in practice.

Unlike *Tribune*, the CPGB is not tied to the Labour Government: it can advance demands which often seem more radical.¹²⁸ The CPGB's 'Left Alternative Strategy' is

'... a policy which, while it deals with immediate problems, and therefore works within the existing capitalist system of society, nevertheless opens the way to breaking out of the confines of capitalism towards the socialist society of the future.'¹²⁹

For the CPGB as for *Tribune*, the agency for socialist transformation is the bourgeois state. The Party's theoretical journal recently announced that 'the state ... may take concrete steps to satisfy working class aspirations'.¹³⁰ The *Morning Star* takes up the same theme. The state should 'make inroads into capitalist wealth and power for the benefit of the people' by cuts in arms spending, limits on private investment abroad, and controls on the exchange rate and imports, the aim being 'higher wages and pensions, a price freeze, more social service expenditure and plans to direct investment'.¹³¹

During the recession redistribution of wealth and new investment can only mean lower living standards and redundancies. Nevertheless the CPGB calls upon the state to use North Sea oil revenues to 'make massive new investments in the British economy'¹³² in order to effect the redistribution of

wealth called for in Labour's Manifesto.¹³³ Like the Labour left, the CPGB calls the Government back to its election promises. It also shares with *Tribune* a ready answer for any challenge to its utopian proposals — 'this was done during the last war'.¹³⁴ The reactionary consequences of Stalinist state socialism have been clearly revealed in relation to several important issues affecting the labour movement in recent months.

Productivity deals — the case of the mining industry

When, towards the end of 1977, the National Coal Board offered mineworkers a productivity deal, the CPGB vigorously objected to the plan. George Bolton declared:

'A return to piece work is a recipe for dramatic increase in industrial disease, accidents and death in the mining industry. It is also a recipe for further pit closures and, most important of all, it is deliberately aimed at destroying the unity of the British miners.'¹³⁵

Two months later the miners were forced to back down and accept local productivity deals; the CPGB proved politically unable to resist the pressure to conform with the Social Contract. Scottish miners' leader and CPGB member Mick McGahey admitted:

'We've recognised the facts of life. Incentives schemes are coming in. We want an area scheme not a local one.'¹³⁶

McGahey had to reconcile himself to the necessity of 'a dramatic increase in industrial disease, accidents and death in the mining industry', to 'further pit closures' and to the destruction of 'the unity of the British miner', because he 'recognised the facts of life'. The fact he recognised is that within bourgeois society the needs of capital cannot be ignored.

Capital must raise the rate of surplus-value in order to continue its process of self-expansion: to oppose productivity schemes is therefore to oppose capital. The CPGB's opposition to productivity deals does not go beyond the limitations of trade unionism. But trade union tactics are insufficient to defend the working class today against offensives such as the NCB scheme. The inability of the CPGB to provide a consistent opposition to productivity deals — with all their reactionary consequences — indicates its ideological subordination to the Social Contract.

The Polish ship order

In November 1977 outfitters at the Swan Hunter shipyard on the Tyne were threatened with the withdrawal of an order to build ships for the Polish government unless they called off their overtime ban. The cancellation of the order would have meant heavy redundancies in the area. When the outfitters refused to return to work, British Shipbuilders declared its intention to divert the order elsewhere. The shop stewards at Swan Hunter called on their fellow trade unionists in other yards to refuse to handle the order. The *Morning Star* asserted that if the workers at Swan Hunter lost,

'the big stick will land on everyone else with ever greater and greater ferocity... The Polish order must be kept at Swan Hunters, and the dispute settled by casting aside Mr. Healey's precious ten per cent.'¹³⁷

Soon afterwards, however, the *Morning Star* — without comment or criticism — reported Jimmy Airlie, CPGB shop steward at Govan shipyards in Glasgow, as saying:

'... all 24 ships must and will be built in British yards — any barriers or problems that jeopardise all or part of that order must be removed.'

'While we deplore the reallocation of work during an industrial dispute, it is our view that the outfit trades at Swan Hunters should call off their industrial action...'

'The successful completion of the order will help to re-establish the fact that the British shipbuilding worker is second to none and,

more important, would help to create an irresistible pressure on the government to ensure... that British ships be built in British yards.'¹³⁸

The Govan shop stewards subsequently accepted all ships reallocated to them from the Tyne. The struggle of the Tyneside outfitters to defend their living standards was effectively made impossible by Jimmy Airlie and his application of the logic of the CPGB's politics. The first priority was British shipbuilding; the working class came a poor second. By refusing to close ranks behind the outfitters at Swan Hunter, in support of their wage claim, the CPGB linked arms with the bourgeoisie in its attack on the living standards of all workers. Since Airlie's sell-out there have been hundreds of redundancies at Swan Hunter. Accepting the primacy of the interests of British industry leads the CPGB to collude with the employers in undermining trade union organisation. The defeat of the Tyneside shipyard workers shows the practical importance of the struggle for proletarian internationalism today.

From defending British industry to defending the British nation

The pursuit of a radical nationalist strategy leads the CPGB further into the bourgeois camp. The economic nationalism of the CPGB makes it place a high priority on the competitiveness of British industry. CPGB industrial organiser Mick Costello argued against purchasing American aeroplanes on the grounds that

'Orders for new British planes are needed to sustain the industry's research and development capabilities and competitive position into the 1980s, when British Airways will need even more new aircraft.'¹³⁹

Just as with *Tribune*, support for British industry leads to the defence of national capitalists against their foreign rivals and to reactionary calls for import controls. Costello did not state

119 *Tribune*, 2 September 1977, p1.

120 *Tribune*, 18 November 1977, p2.

121 Ibid.

122 *The Times*, 10 April 1978, p18.

123 *Tribune*, 17 February 1978, p2.

124 'What is good for Hitachi could be poison for Britain's television industry', *Tribune*, 28 October 1977, p8.

125 *Socialist Challenge*, 9 February 1978.

126 *Socialist Press*, 11 August 1976.

127 F Richards and P Turner, 'Stalinism, the Communist Party and the RCG's new turn', *RCP No1*, 1977.

128 The historical association of the CPGB with the Russian Revolution has given it a distinct political identity which it has retained throughout the post-war period.

129 *Morning Star*, 25 February 1978, p1.

130 *Marxism Today*, November 1977, p332.

131 *Morning Star*, 1 November 1977, p1.

132 *Morning Star*, 1 November 1977, p1.

133 'Making Resolution Stick', *Morning Star*, 7 October 1977. The CPGB joins *Tribune* in its faith in the 1974 Manifesto which promised to introduce the Social Contract.

134 Bert Ramelson, *Bury the Social Contract — The Case for an Alternative Policy*, Communist Party pamphlet, 1977, p23. For the CPGB the state's policy makes all the difference. Policies pursued during the War can solve the crisis today — the present government's policies, not capitalism, lead to a 'continuation of the crisis'. See also *Morning Star*, 27 October 1977.

135 *Morning Star*, 25 October 1977, p2.

136 Mick McGahey, who, it should be recalled, suggested that miners in the 1973-74 strike should be prepared to dissuade troops from blacklegging, last year joined other Scottish area NUM delegates and officials when they 'relented in their total opposition to incentive schemes'. As he put it, 'We are dealing with the world we are in and not the one we should like'. See *The Times*, 29 December 1977, p1.

137 *Morning Star*, 2 December 1977, p1.

138 *Morning Star*, 6 December 1977, pp1, 3, our emphasis.

139 *Morning Star*, 13 April 1978, p1.

the conclusions to which his proposals led — more unemployment and a higher rate of exploitation, the preconditions for making British industry competitive. Capital will have no scruples about pursuing Costello's argument to its logical conclusions.

In its search for respectability at a time of crisis the CPGB has been increasingly obliged to accommodate its policies to the realities of life in capitalist society. One of the realities of capitalism is racism. Growing hostility towards blacks has led the CPGB to devise a policy which accepts the right of the state to control immigration, so long as it does not do it in a racist way.¹⁴⁰ 'If there are to be immigration controls, they must be framed in such a way that neither directly nor indirectly do they discriminate against people who are not white.'¹⁴¹ Characteristically, the CPGB covers its tracks at the same time as it bows to reaction. The danger it represents to the labour movement is that it tries to convince workers that the control of immigration by an imperialist state can be anything other than racist. The acceptance of 'non-racist' immigration controls, of the divisions that the bourgeoisie imposes on the world proletariat, is the grand finale to the Stalinist theory of socialism in one country.

Last year a section of the CPGB baulked at the explicitly reformist consequences of Stalinist politics. As the crisis brought out the anti-working class direction of CPGB policies, one wing of the party left the organisation. It preferred the Stalinism of yesterday to its contemporary expression. The New Communist Party (NCP) is a caricature of the Stalinism of the 1950s. Basing its politics on past memories, the NCP continues to emphasise its proletarian credentials and formulates its policies in the language of the old *Daily Worker*. The NCP relies for its political identity on the propagation of the ideas of *Soviet Weekly* to a British audience. Its politics combine radical nationalism with a sentimental deference to the Soviet Union. The NCP manages simultaneously to 'defend the Soviet Union' and to provide an explanation for Britain's economic decline by criticising Britain's nuclear policy:

'The British bomb, a multi-million pound effort, when pounds were pounds, to keep Britain in the top two or three world powers, but which probably did as much as anything to knock us out of the economic first division, was, of course, directed against the Soviet Union.'¹⁴²

Though there are differences on the Soviet Union, the CPGB and the NCP are united in their concern to prevent Britain's relegation from the economic first division.¹⁴³

8. Radical left opposition to the Social Contract

The British bourgeoisie has responded to the most profound global recession of capitalist production for 40 years with a variety of strategies. The most refined and most successful strategy yet devised is the Social Contract. Exploiting reformist illusions in the nation state — nurtured and consolidated throughout the post-war period — capital has inflicted a major setback on the working class movement.

The trade union movement has signed and kept the Social Contract with the Labour Government because it accepts its fundamental premises. The labour movement agrees with the Government that it has a responsibility to solve the crisis and is prepared to make sacrifices in the interest of the nation. The unions accept that the state is the agency to solve the crisis by adopting the policies required to regenerate British industry.

Reformist opposition to the Social Contract concentrates on particular aspects which give rise to unfairness in its implementation and ignores its underlying premises. The CPGB and *Tribune* protest, not at the objectives of the Social Contract, but at the means the Government has chosen to pursue them. Their aims are entirely within the capitalist

framework and they can offer no alternative to the Labour Government.

The absence of a political alternative to the Labour Party means that opposition to the Social Contract in the official labour movement relies on appeals to Labour's conscience. At the 1975 TUC 'left' trade union boss Ray Buckton argued against the Social Contract

'I want to support and always will support the Labour Party and do all I can to keep it in power. But that will be no good if the ordinary men and women realise that their standard of living has been slashed, prices are rising and they can only get a limited wage rise.'¹⁴⁴

The same appeals to electoral considerations accompanied the unsuccessful attempt to oppose the Social Contract at the 1976 Trades Union Congress. There, Alan Sapper of the firm technicians' union (ACTT) argued for a 'return to free collective bargaining, which is our birthright as a Movement ... [which, Ed] ... will not only mean the liberation of our people in this capitalist State but also the return of a Labour Government at the next election'.¹⁴⁵

Since 1974 the Labour Government has been able to contain working class opposition to the Social Contract. The reformist strategy of Labour has not been challenged. Opposition has developed only to Labour's 'Tory policies' or to the 'Healey Budget' or to 'Wilson and the right wing'. The reduction of the struggle to attacks on right wing labourites or particular policies has left the hegemony of reformism intact. The radical left ultimately cannot withstand the pressures of bourgeois ideology; it too attempts only to break Labour from its right wing policies. The IMG argues in this vein:

*'The most vital task confronting the working class and oppressed masses is precisely to tear these organisations away from their collaboration with the bourgeoisie, to resolve the crisis of the mass organisations not in favour of the capitalists but in favour of the working class ...'*¹⁴⁶

Revolutionaries cannot ignore the mass reformist organisations of the working class. Their task is to break the working class from the politics of these organisations and not to push reformism leftwards. In contrast, the radical left wants to reform these organisations. Whether or not they explicitly formulate the demand 'Make the Lefts Fight', the radical left groups ultimately support the left against the right. In the case of the IMG the struggle is not against reformism but the right wing leadership: 'the fight against the cuts and unemployment means fighting to cleanse the labour movement at every level of the supporters of the Callaghan/Healey leadership and replacing them with people prepared to fight'.¹⁴⁷ A week later the WSL pursued the same theme: 'The demand must be fought for to remove Wilson and the right wing, and replace them with people who will defend the living standards of the working class'.¹⁴⁸ Whereas left trade union bureaucrats like Buckton want the Labour Party to pursue new policies, the radical left wants to replace the right wing with the left. The difference between these two strategies is merely organisational, not political. At every stage this opposition to the Labour Government remains restricted within the boundaries set by reformism.

For the radical left opposition to the Social Contract means attacking individual representatives of reformism. It is reduced to this strategy because it has no alternative to reformism itself. Therefore it cannot challenge the views that dominate the labour movement. Indeed the existing level of political understanding in the working class is not a problem for the radical left — activity itself will be sufficient to overcome reformism. The IMG argues:

'The chief goal and instrument in the creation of an alternative leadership is the struggle for the creation of a class struggle left wing in the labour movement. Such a class struggle left wing will fight to include all those elements who, no matter what their present illusions, are prepared to engage in a real struggle on the most burning issues facing the working class.'¹⁴⁹

For the IMG the slogan 'alternative leadership' is compatible with the 'present leadership' of the working class. The narrowness of this orientation of the radical left is consistent with its underestimation of the task of opposing the Social Contract.

For the radical left reformism in the working class is the result of the deceptions perpetrated by its leaders.¹⁵⁰ Therefore it wants to eliminate these agents of reformism while ignoring the existing consciousness of the working class. A corollary to the approach of 'Making the Lefts Fight' is the theme of the treachery of the corrupt and cowardly trade union bureaucrats.¹⁵¹ There can be no doubt that the leadership of the official labour movement betrays the working class. But stating this does not solve the problem. The question that must be asked is — why does the working class continue to tolerate these betrayals? If the weakness of the labour movement was simply the result of the treachery of its leaders, then the working class would have long since been able to eliminate them from its ranks. The working class, however, has no alternative to the reformist politics of its leadership. The reformist leadership cannot be challenged by denunciations — workers must be won away from reformism to a revolutionary strategy.¹⁵²

While its newspapers reveal the perfidy of the leaders, the con-tricks and the frauds, the radical left seeks to by-pass the reformist consciousness of the working class with organisational attempts to promote the fightback.¹⁵³ These include a 'fighting rank and file movement' (SWP), a 'class struggle left wing' (IMG), a 'Campaign for Democracy in the Labour Movement' (WSL), an 'exemplary Trotskyist fraction in key unions' (SL) and 'the WRP' (WRP). This radical left alternative consists of 'exposing' the labour leadership without questioning the labourism that dominates the working class.

Lacking a Marxist understanding of class relations in Britain today, the radical left cannot play a role in developing the political level of the labour movement. The relentless activism, the hostility of the leadership of the labour movement and the militant stance of the radical left organisations help to disguise their ideological adaptation to state socialism.

The attitude of the radical left to the bourgeois state is an important indication of its inability to provide an alternative for the working class. Common to the propaganda of the radical left groups is the call for nationalising industry. It is only of academic significance whether or not these calls are modified with the appendage 'under workers' control' or 'under workers' management'. In today's conditions calls for nationalisation can only reaffirm the prevalent views in the labour movement. They can only be interpreted as implying that the bourgeois state can be induced to act in a progressive way, on behalf of the working class. Instead of demonstrating the class nature of the bourgeois state, the radical left imitates the state socialists with the utopian proviso that nationalisation should be carried out in the interests of the working class.

While most radical left organisations are formally committed to nationalisation, the IMG places this call at the centre of its propaganda, drawing out the full implications of this reformist demand. At the time of the Grunwick strike it invited the Government to come to the assistance of the strikers:

'Nationalising Grunwick would deal decisively with Ward, save jobs and encourage other workers to follow the Grunwick example. It would also establish an important principle — the nationalisation of firms threatening wholesale redundancies or closure.'¹⁵⁴

While the state carried out a programme of reconstruction leading to thousands of redundancies throughout British industry and employed its repressive machinery to attack workers on the Grunwick picket line, the IMG looked to it to 'save jobs' and encourage trade union militancy.

The IMG is not satisfied with mere public ownership. It is ready with 'workers' plans' which show employers how their businesses could be run more effectively once they have been

nationalised. A Government takeover of Chrysler would

'prepare the way for a *workers plan* for vehicle production in Britain. The bosses and the Wilson Government want to produce a smaller more competitive car in Britain — intensifying the capitalist competition which already exists among British producers.'¹⁵⁵

The IMG offers good advice for making profits. No money in small cars — so diversify into public transport which would eliminate 'wasteful competition'.¹⁵⁶ Just as the IMG wants the

140 The CPGB also accepts the right of the British state to impose its rule on Ireland. It wants the Government to introduce a Bill of Rights to ensure that imperialist oppression is conducted according to the rules of British fair play.

141 *Morning Star*, 13 April 1978, p1.

142 *The New Worker*, 6 January 1978.

143 The counter-crisis programme of the NCP echoes the state socialist policies of its progenitor. 'There is every reason to fight for increased public expenditure on the things we need and to demand increased controls on imports and, particularly, on the export of capital. We could then move forward to a situation in which we could exercise a greater degree of control over the economy and start to plan in a limited way.' *The New Worker*, 14 April 1978, p4.

144 *TUC Report*, 1975, p470.

145 *TUC Report*, 1976, p523.

146 'The programme we need', *International*, Vol 3, No 2, Winter 1976, p59. In order to revolutionise the Labour Party, the IMG argues in its 'action programme' for the 'automatic resubmission to selection at elections of all MPs; election of party leader, Prime Minister and Cabinet by the Labour Party Conference; subordination of the Parliamentary Labour Party to the decisions of the Party Conference and the National Executive Committee; for the abolition of all bans and proscriptions in the trade unions and the Labour Party'. *Ibid*, p57.

147 *Red Weekly*, 17 July 1975, pp7-8.

148 *Socialist Press*, 24 July 1975, p1.

149 *International*, op cit, p53.

150 In idealist fashion, the radical left depicts the leadership of the labour movement as a group of tricksters who consciously misguide the working class. The reformist programme which has widespread working class support is nothing but a 'con-trick'. Headlines from the IMG's *Red Weekly* illustrate this vulgar tendency: 'Another victory for the Con-trick' and 'No Con-trick here'. *Red Weekly*, 21 April and 19 May 1977. This respect for the powers of pure deception is found in all radical left propaganda.

151 This theme is the mainstay of *Socialist Press*, the newspaper of the WSL. On the week the firemen's strike began, its front page article declared: 'The biggest danger facing the firemen's 30% pay claim is their union leaders.' Five weeks later the headline warned: 'Parry plans 10% sell out.' Despite its talk of the need for 'revolutionary leadership', the WSL could only echo the dismay of militant trade unionists. See *Socialist Press*, 16 November and 21 December 1977.

152 Alongside the development of a revolutionary vanguard in the working class will develop the political basis for exposing the bureaucrats. However, without this development it will not be possible to bring to the surface the contradiction that exists between the working class and its reformist leadership. At best workers will reject a particular bureaucrat in order to replace him with another one.

153 The radical left builds campaigns in the hope of attracting workers through their elementary class hostility expressed on certain issues. The classic example is the Right to Work Campaign which attempted to win workers to the SWP because they were 'angry and on the dole'. The radical left wants to take a short cut in relation to reformism by attempting to precipitate spontaneous movements.

154 *The Battle of Grunwick*, IMG pamphlet, 1977, p21.

155 *Red Weekly*, 13 November 1975.

156 '... public transport is falling apart for lack of spares and new vehicles. Car factories need to be re-equipped and re-tooled to meet these demands, rather than remaining engaged in wasteful competition with each other producing more new car models.' *Socialist Challenge*, 2 March 1978.

bourgeois state to be benevolent and progressive, so too it wants capitalism without competition. Its utopian schemes unite the radical left with the state socialists.

When British Leyland announced thousands of redundancies as part of its rationalisation measures the IMG, oblivious of the logic of capitalism, came forward with an alternative solution. It blamed the closure at Speke not on the capitalist crisis but on the incompetent Leyland management and advanced alternative 'workers' plans': 'The TR7 has proved something of a flop. Yet the reasons for that failure are widely acknowledged to be failures of management, design and marketing'.¹⁵⁷ Indeed the IMG is not even aware of the existence of a crisis of capitalism — the problem at Speke is not a capitalist crisis but '*a workers' crisis and it needs a workers' plan*'.¹⁵⁸

The IMG's schemes for planned production lead it into the camp of the state socialists despite its claim to uphold the banner of Trotskyism. It fails to differentiate between planning under capitalism which must always be in the interest of capital and socialist planning which takes place *after* the destruction of the bourgeois state under the dictatorship of the proletariat. Trotsky himself was very clear on this point.

'Actually, there is no "plan" whatsoever, for an economic plan, in any serious sense of the term, presupposes not algebraic formulas, but definite arithmetical quantities. This, of course, is quite out of the question: in order to form *such* a plan one must be the employer, i.e., one must hold in one's hands all the basic elements of the economy; and this is possible only for the victorious proletariat when it has created its own state.'¹⁵⁹

The IMG discussions of 'workers' plans' never mention the need to smash the bourgeois state as a *pre-requisite* for their implementation. The IMG wants to 'encourage militancy' by calling the working class to fight for utopian objectives. This is its transitional approach.

The radical left campaigns against the Social Contract attempt to unite the trade union struggles of the working class by generalising them at their existing political level. For the editorial offices of the radical left a series of strikes and work-ins early in 1977 was a signal of the beginning of the long awaited fightback. Above reports of the struggles of British Steel electricians at Port Talbot, British Airways engineers at Heathrow and toolmakers at British Leyland as well as hospital work-ins at the Elisabeth Garrett Anderson Hospital and Hounslow, the *Red Weekly* headline appealed 'Unite the Struggles'. The article continued:

'... the broadest possible support must be built for all workers in both wage struggles and in actions against the cuts. The aim of that support must be to build a united and coordinated fight back. The desire for a linking up of the different types of struggles has been shown by the Heathrow workers giving their backing to the Hounslow Hospital occupation. The efforts of the Port Talbot workers to invite representatives from Heathrow and Leyland to their meeting is similarly the type of action that is necessary — a linking up of struggles, and the building of united action of all those willing to struggle in the interests of the working class.'¹⁶⁰

For the IMG it was sufficient to encourage 'the type of action' that the workers had themselves initiated. There was no need for a change in political attitudes — more of the same would be enough. The SWP also turned eagerly to the long awaited 'rank and file rebellion against the Social Contract' and called for 'generalising the struggle' by 'national and coordinated action'.¹⁶¹

Both the IMG and the SWP ignored some very important features of these disputes which, they claimed, were concerned to 'bury the Social Contract'¹⁶² or with 'tearing up the Social Contract'.¹⁶³ The Leyland workers explicitly disclaimed any intention of breaking Government pay policy; they simply wanted to improve differentials. At both hospital work-ins workers blamed the threats of closure on the local health service authorities and appealed to the Minister of State,

putting forward schemes to keep the hospitals open. Each of these actions was based on the argument of a 'special case' within the terms dictated by the Social Contract. The absence of a political alternative to the Social Contract meant that these struggles were ideologically subordinated to it. The domination of reformism doomed them to isolation and sectionalism.

These struggles could only have been united *politically* — united around an independent working class perspective in opposition to the state.¹⁶⁴ When every step that defends the interests of the working class collides with the state, spontaneous militancy and trade unionism are insufficient. Any effective opposition to the Social Contract demands a political challenge to reformism in the working class. In this struggle there is no place for the liberal moralism, the ill-informed activism and the political posturing of the radical left.

9. What now?

The response of the working class to the recession is a result of the cumulative experience of the last forty years of class struggle. In this period, a succession of events has undermined the political independence of the British working class: the debasement of revolutionary Marxism, the integration of the labour movement into the bourgeois state during the Second World War and the period of relative prosperity during the post-war boom. The absence of a Marxist tradition in the working class has allowed the domination of reformism in the labour movement to go unchallenged. The radical left is a product of these defeats. It never achieved more than an empirical understanding of the boom. In consequence it was ideologically unprepared to face the crisis. The recession has shaken up the radical left, pushing it further and further to accommodate to the movement as it exists.

The material basis for winning the working class to communism exists internationally. The fundamental antagonism between labour and capital which was temporarily modified during the post-war boom is now expressed in an increasingly acute form. The necessity for class struggle arises from the contradictions inherent in capital. But the outcome of this struggle and the forms that it assumes are not determined in advance. The experience of four years of the Social Contract shows how class conflict can be mediated and diverted along sectional and national lines. The divisive and restrictive effects of reformism cannot be overcome by abstract calls for more action. It is the political independence of the working class that is at stake. Reformism can only be fought with Marxism. The task of revolutionaries is not to urge workers to be better trade unionists but to train a vanguard in the working class.

The British working class has never lacked militancy or an ability to organise in defence or solidarity. During the past ten years, despite growing unemployment, trade union membership in Britain has increased by over 20 per cent.¹⁶⁵ The organisational strength of the British working class, which is often hailed as one of its major achievements, obscures its political weakness. Its traditional organisations embody the experiences and political traditions which have held the movement back. It is essential to struggle both inside and outside these mass organisations against the ideas that pervade them.

The task of building a working class vanguard cannot be achieved without fighting for Marxist ideas in the working class. Revolutionaries must demonstrate the limits of the solutions to the crisis that the working class accepts and indicate the relevance of Marxism for the defence of its interests. The response of the working class to the Social Contract shows the urgency of building a Marxist tradition in the working class today. Through the struggle to develop a Marxist programme, revolutionaries can begin to counteract the influence of reformism. In this way workers' experiences can be given a conscious class content.

What today goes under the name of 'revolutionary politics' — calls to action, appeals for unity, advancing general demands and slogans — bears no relationship to the needs of the working class. The abandonment of the struggle for Marxism has reduced the radical left to the militant tail of social democracy. Its politics consist of the formula 'action is better than no action'. The radical left is not concerned to change the political consciousness of the participants — action in the abstract is sufficient. Its pragmatic approach is based on choosing the lesser evil — left Labour rather than right, Labour rather than Tory. It accepts the existing bourgeois alternatives and chooses between them.

'On a mass level, the only alternative to the Tories is Labour. The Labour Party remains linked to the trade unions. It is the organised workers who constitute Labour's social base. It would, of course, be nicer if there were a revolutionary party which had such a base. But there isn't. So we are for the return of a Labour Government at the elections.'¹⁶⁶

It would be nice but realists that they are, the IMG and the rest of the radical left choose the lesser evil.

These are the politics that the Revolutionary Communist Tendency rejects. Despite its resounding slogans and declarations, the radical left acquiesces in the political domination of the working class by bourgeois reformism. Revolutionaries must advance a clear political alternative to reformism in order to establish the foundations for a revolutionary movement.

Most sections of the radical left now agree that there is a crisis of revolutionary leadership. But this crisis cannot be resolved by denouncing the present leadership of the working class. For the RCT the crisis of revolutionary leadership means the absence of a working class vanguard. From this assessment flows the task of building such a leadership. The absence of a vanguard means the absence of an independent perspective in the working class. Demands can have consequence only insofar as there is an independent vanguard which advances them from a revolutionary perspective. The calls to action of the radical left have no perspective to offer the working class — created in the editorial offices of the radical left, they bear no relationship to the living experience of the working class.

Revolutionary propaganda is the main way in which a vanguard can be trained today. Workers will learn nothing from demands for work-sharing, sliding scales of wages or nationalisation under workers' control. Without a revolutionary vanguard in the labour movement such demands will be interpreted in a purely trade unionist way. Revolutionary propaganda must address itself to the central political questions facing the proletariat — the nature of the bourgeois state and the capitalist crisis. It must advance a Marxist understanding of present day capitalism around issues which challenge the current consciousness of the working class. An understanding of the interests of the working class as a whole will not emerge spontaneously — it requires the conscious intervention of revolutionary propagandists. This stage of propaganda work cannot be by-passed. The setbacks of the past decade show the imperative need to arm the working class ideologically.

It is a measure of the backwardness of the movement that the left can depict 'propaganda' only in negative terms. Propaganda and theory are counterposed to the 'real struggle' of routine trade unionism. This standpoint is alien to the approach of Lenin. In April 1917, on the eve of the Russian Revolution, he wrote:

'Comrade Kamenev contraposes to a "party of the masses" a "group of propagandists". But the "masses" have now succumbed to the craze of "revolutionary" defencism. . . . Have we not seen how in all the belligerent countries of Europe the chauvinists tried to justify themselves on the grounds that they wished to "remain with the masses"? Must we not be able to remain for a time in the minority

against the "mass" intoxication? Is it not the work of the propagandist at the present moment that forms the key point for *disentangling* the proletarian line from the defencist and petty-bourgeois "mass" intoxication? . . . to speak contemptuously of a "group of propagandists" advocating a *proletarian* line does not seem to be very becoming.'¹⁶⁷

In order to be with the masses the left ends up tailing the movement of the working class. The propaganda of the RCT is directed towards winning workers away from the ideas and practices of the official labour movement. Our aim is to win workers to an understanding of the independent interests of their class as a whole. Through revolutionary propaganda we seek to transform the elementary class anger that is directed against a particular boss or government policy into a class conscious opposition to the capitalist system. Revolutionary politics is determined not by the rhythm of the day to day activity of the labour movement but by taking up those issues which are objectively important. That is why such questions as Ireland and Racism form such a vital component of revolutionary propaganda.¹⁶⁸ Through these issues an independent working class perspective can be developed and the political foundations for an alternative to state socialism can be established.

The RCT does not talk about Marxism, it develops it. Yet these are merely the first steps. Our analysis of the crisis and the working class response shows how our movement is paying

157 *Socialist Challenge*, 20 April 1978.

158 Ibid.

159 *Trotsky's Diary in Exile 1935*, Harvard University Press, Cambridge Massachusetts and London, 1976, p37.

160 *Red Weekly*, 21 April 1977, pp6-7.

161 *International Socialism*, No 96, March 1977, p4.

162 Headline of *Red Weekly*, 21 May 1977.

163 Headline of article in *International Socialism*, op cit, p3.

164 That troops were used as scabs to defeat the firemen's strike illustrates the importance of the question of the state. This strike was pursued as a 'special case'. The radical left applauded its militancy and adapted to the political basis on which the strike was conducted. On 19 November 1977 the front page picture in *Socialist Worker* (which the SWP used as its campaign poster) showed a courageous fireman plucking a frightened child from the jaws of a fiery death. Detailed reports of the particular dangers and the poor wages and conditions of the job filled its pages. There was no mention of the Social Contract in the five pages that were devoted to the strike on the week it started. The radical left indulged the Fire Brigade Union's view of the scab troops as inexperienced and badly paid lads only doing their job in difficult circumstances. The *Socialist Worker* headline was 'Troops as likely to cause harm as good'. Always concerned about democracy *Socialist Challenge* had a different preoccupation: 'What is needed is a campaign to demand democratic rights for soldiers. For no one has given them the opportunity to discuss whether or not they should scab, or whether the firefighters should receive a decent wage'. While soldiers were smashing the most important public sector strike of the year, the IMG was worried whether they had been consulted about the methods used to crush a section of the workers' movement. See *Socialist Challenge*, 18 December 1977.

165 *Department of Employment Gazette*, Vol 85, No 11, November 1977, p1204.

166 *Socialist Challenge*, 20 April 1978.

167 V I Lenin, 'Letters on Tactics', *CW* 24, p54. In his famous 'The Tasks of the Proletariat in Our Revolution' Lenin noted: 'Our work must be one of criticism, of *explaining* the mistakes of the petty bourgeois Socialist-Revolutionary and Social-Democratic parties, of preparing and welding the elements of a *consciously* proletarian, Communist Party, and of *curing* the proletariat of the "general" petty-bourgeois intoxication. This *seems* to be "nothing more" than propaganda work, but in reality it is most *practical* revolutionary work . . .' Ibid, p63.

168 See *RCP* No 2, Special Issue on Ireland, May 1978; F Richards, *Under a National Flag*, RCT pamphlet, January 1978.

the price for the political defeats of the past half century. The degradation of Marxism in this period means that the struggle against bourgeois politics in the labour movement will attract only the most advanced workers. It is not clever slogans but only a relentless struggle for an independent programme which can weld these workers into a class conscious vanguard. Those who have begun to question the political methods of the past and understand the alternatives posed by the crisis have no choice but to support our struggle to build a Marxist vanguard in the working class.

Tony Allen, Gareth Evans, Mike Freeman and Kate Marshall

CAPITAL & CLASS

Capital & Class is the journal of the CSE. Members receive three issues of *Capital & Class* a year and regular newsletters and are entitled to attend the annual conference. Working and local CSE groups meet regularly during the year.

Contents of recent and forthcoming issues of *Capital & Class* include:-
Capital & Class 3

Banaji: Modes of Production in a Materialist Theory of History/Beechey: Women and Wage Labour/Murray: Modern Landed Property and Rent, Part 1/Grossman: Theories of Use and Exchange, Part 2.

Capital & Class 4

Marx: The Value Form/Itoh: The Inflationary Crisis of Capitalism/McDonnell: Ideology Crisis and the Cuts/Murray: Modern Landed Property and Rent, Part 2/Ball: British Housing Policy and the House Building Industry/Horton: The Revolution of Hope and its Results/Manson et al: Employment and Trade Unionism in the Public Service.

Capital & Class 5

Armstrong, Harrison and Glyn: In defence of Value/Clarke: Capital, Fractions of Capital and the State/Rubin: On Value/Harrison: The USSR in the 1920's and 1930's.

Capital & Class 6

Aumeeruddy, Lautier and Tortajada: The State and Labour Power/Himmelweit and Mohun: The Anomalies of Capital/Massey: Regionalism.

Subscription Rates: UK £3.00 per year. (students and unemployed £2.00, supporting rich members £6.00). Overseas £6.00 per year (low income £3.00). Institutions £9.00.

Send to: CSE Membership, 55 Mount Pleasant, London WC1X 0AE.

Revolutionary Communist Papers

- No 1 An analysis of the issues which led to the formation of the Revolutionary Communist Tendency. Through examining the questions of internationalism, party-building, Stalinism and the British Communist Party, the Papers draw out important lessons for revolutionaries today.
March 1977
- No 2 Special issue on Ireland containing two articles. The first is an analysis of the crisis in both the Six and the Twenty-six Counties, and the changing role of British Imperialism. The second discusses the response of the labour movement to the liberation struggle and advances the revolutionary position.
May 1978
- No 3 An analysis of the crisis in Britain and recent developments in the labour movement. This issue examines the capitalist assault on the working class and assesses the experience of the struggles of the working class since the post-war period.
July 1978
- No 4 Articles on Eurocommunism and the State – a critique of the theory of State Monopoly Capitalism – and on the Welfare State and Reformism.
Winter 1978

Subscription for four issues:

UK £2.50

Overseas £3.00

Air Mail £4.50

UK Library £4.00

Overseas Library £6.50

Single issue:

UK £0.50 (plus 15p postage)

Overseas £0.75 (plus 20p postage)

Make cheques, postal orders and international money orders payable to RCT Association, and send to: **BM RCT, LONDON WC1V 6XX.**