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REVISIONISM, IMPERIALISM AND THE STATE



Theoretical Journal of the Revolutionary Communist Tendency

REVOLUTIONARY COMMUNIST PAPERS

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QUESTIONS OF MARXIST THEORY AND PROGRAMME

**Revisionism, Imperialism and the State:
the method of Capital and the dogma of
State Monopoly Capitalism.**

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Editorial

British workers have rejected the Government's pay policy. While Callaghan and Healey promise more cuts in state expenditure and ruthless controls on the money supply, section after section of the working class has declared its opposition to Labour's five per cent wage limit. Industrial action in private industry has been followed by strike threats in the public sector. Militant defiance is the working class response to the continuing attack on living standards.

Meanwhile the capitalist offensive on the working class intensifies. The lockout of workers in *The Times* newspaper group indicates the determination of the bourgeoisie to crush the trade union movement. The ruling class has reverted to tactics that have hardly been used since the last major recession in the 'thirties. Recently, the Texaco Oil Company took over Burntisland, a subsidiary of British Shipbuilders, because equipment it had ordered had been subject to long delays. These, former Burntisland chairman Sir John Brown explained, were due to the workers' 'lack of effort and drive'. Texaco therefore set about motivating the workers by promptly sacking all 600, offering to sign them up again under 'new arrangements' which included a mandatory 60 hour week.¹

The state leads the attack on the working class and its organisations. The restructuring of declining industries and a major shake-out of labour is the Government's goal. Jobs in their thousands have been lost or placed in jeopardy by plans for the nationalisation of steel, shipbuilding and engineering. At British Leyland, management conceded a wage rise higher than the Government pay limit in exchange for union agreement to 7000 voluntary redundancies and increased productivity.² More and more, workers' resistance to the demands of capital has been met with the force of the bourgeois state. In recent months picketing bakers and journalists have been attacked by the police. The Labour Government has no compunction about calling in the troops to break strikes.

Workers' struggles have been undermined by the absence of an independent working class alternative to bourgeois solutions of the crisis. Events at Singer's sewing machine factory on Clydebanks provide a clear example of this. Threatened with mass redundancies, the unions commissioned a study by PA Management Consultants. Their brief was to draw up a plan that would save the maximum number of jobs. The unions accepted that the company had to be made profitable and were forced to agree with management that this could only be achieved at the cost of jobs. The union leadership was reduced to negotiating over just how many would have to go. Management wanted to axe 2800; the unions followed their consultants' recommendations and suggested 1800.³ When this poker game with workers' livelihoods reached deadlock, Singer announced it would go ahead and close the factory altogether. If Singer's plans go through, 8000 workers will join the dole queues in an area in which unemployment is already double the national average.⁴ This is what the absence of a revolutionary leadership means for the British working class today.

The state socialists of the Communist Party (CP) and the *Tribune* group have paved the way for a series of setbacks to the working class. Their enthusiastic support for the establishment of 'workers' control' and 'workers' plans' under capitalism has only helped reconcile trade unionists to the Government's reactionary schemes to solve the crisis. The collapse of Kirkby Manufacturing Enterprises, the 'workers' co-operative' set up by the Government in 1974, shows the consequences of the state socialist strategy. The takeover of this ailing brainchild of Tony Benn resulted in the loss of over 200 jobs.⁵ *Tribune* supporter Robert Kilroy-Silk, MP, denied that the co-operative was a failure. He called on the Government to save jobs at Kirkby by using the National Enterprise Board — the same Government agency which has supervised mass redundancies at British Leyland and elsewhere. Once

again state socialism directs the working class up a blind alley.

The strength of state socialism today is a result of the prolonged disintegration of Marxist politics in the labour movement. Workers now face a major recession tied to a political strategy that is based on a drastic revision of independent working class politics. In these conditions the Marxist theory of the state is of crucial importance. It is therefore not surprising that Marxism has come under such attack from opportunist trends in the labour movement. In France, Italy, Japan and Spain, large and influential communist parties have launched a major assault on Marx and Lenin. The rejection of the term 'dictatorship of the proletariat' is one consequence of their campaign. Beneath this concerted attack on proletarian science lies the reformist strategy of drawing the working class behind the bourgeois state. The revisionism of the official communist movement gives an ideological coherence to the state socialist perspective.

The main article in this issue of *Revolutionary Communist Papers*, 'Revisionism, imperialism and the state', is a critique of the theory of State Monopoly Capitalism — the dominant expression of revisionism in the world today. This article traces the evolution of the strategy of state socialism; from the vulgar socialist adversaries of Marx and Engels, through the leaders of classical Social Democracy, to the reformist planners of the 'thirties.

Shortly after the first triumph of socialism in the Russian Revolution, the international working class entered a period of defeats — a period from which it has not yet recovered. Stalin's rise to power in the Soviet Union was paralleled by the bureaucratic degeneration of the entire official Communist Movement. The reversals which led to fascism and the Second World War were reflected in the liquidation of Marxism. For over 40 years revisionist theories of the state and of capitalist oppression have been presented as the authentic tradition of Marx and Lenin. The ideological convergence of Stalinism and classical Social Democracy in the post-war period has meant that petit-bourgeois ideology has become institutionalised in the political parties of the labour movement. In the current crisis, the struggle for the political independence of the working class is the struggle against this reactionary fusion of decadent bourgeois trends in the labour movement.

Although the Communist Party is not a mass organisation, it has some influence in the British labour movement and a reputation for fostering the industrial militancy of the working class. In his discussion article, Keith Tompson reviews the post-war record of CP opposition to Government wage control. His analysis shows that the CP's claim to have been consistently hostile to incomes policy is a false one: the reformist politics of the CP lead inexorably to the acceptance of the right of the state to 'plan' incomes.

The Revolutionary Communist Tendency enters 1979 with some achievements from the past year and much to accomplish in the next 12 months. We have now firmly established *Revolutionary Communist Papers* and plan to extend its circulation. Future issues will include articles on the welfare state, on imperialism and Africa, on the European Economic Community and on the National Enterprise Board.

Over the past year the RCT has grown in numbers and in political experience. These gains in membership and programmatic development were consolidated in the first conference of the RCT in November 1978. One of the main decisions reached by this conference was to publish a Review by the end of 1979. Its aim will be to present revolutionary communism in the form of regular propaganda.

Many readers of RCT publications congratulate us on the high standard of production. But though we try to keep prices low enough to ensure maximum circulation in the labour movement, the financial burden of maintaining this standard is enormous. As the range of RCT propaganda expands, the outlay of funds on journals and pamphlets

constantly rises. If you read our propaganda and appreciate its political and technical standard, help us to extend and diversify it. The simplest form of assistance is to take out a subscription to *Revolutionary Communist Papers*. Even better: take up the special £10 offer and for one year receive all our publications post-free as soon as we bring them out. Better still: make a financial contribution to the £2000 fund drive to launch a regular Review. And best of all: join the struggle for revolutionary communism. Write for more information to the address below;

13 January 1979

- 1 *The Guardian*, 11 January 1979, p2.
- 2 *The Times*, 30 November 1978, p21.
- 3 *Financial Times*, 3 November 1978, p5.
- 4 *The Guardian*, 20 December 1978, p1.
- 5 *The Times*, 17 November 1978, p22.

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Revisionism, Imperialism and the State: the method of Capital and the dogma of State Monopoly Capitalism

INTRODUCTION

'I have already said that you are not likely to find another question which has been so confused, deliberately and unwittingly, by representatives of bourgeois science, philosophy, jurisprudence, political economy and journalism, as the question of the state.' (Lenin)¹

Lenin's remarks sixty years ago are apposite today. Few questions have caused as much confusion in the workers' movement as that of the state. In every generation this century the spokesmen of the bourgeoisie in the labour movement have tried to 'correct' Marx's analysis of the state. Today Santiago Carrillo, general secretary of the Spanish Communist Party and chief spokesman of Eurocommunism, leads the revisionist trend:

'It may strike some people as blasphemous to read that some of Lenin's theses are out of date; there are those who are unaware that Lenin said the same thing about Marx.'²

For the Eurocommunists Marx and Lenin are 'out of date'; to advance their revolutionary critique of bourgeois society today is to be 'dogmatic'. The new revisionists attempt no theoretical refutation of Marxism — for them superficial generalisations from casual observations suffice. Thus Jack Woddis, theoretician of the Communist Party (CP), substantiates his rejection of the Marxist tradition by noting 'the personnel in the various departments of the British state today bear no comparison with those employed in the Tsarist state of 1917'.³ Emboldened by his discovery that the Home Office is not inhabited by members of the Russian aristocracy, Woddis adduces more facts to defy Marxist orthodoxy. We are told that the state does not have to be smashed — because in Italy's last election '31 per cent of the police force...voted Communist, making it the first Party among the police'.⁴

Carrillo and Woddis represent an international trend in the labour movement. Little do they realise that their dismissals of Marxism as obsolete dogma rely on ideas which were already old hat when Marx and Lenin were alive. Against Marx they discreetly wheel out the thoughts of Proudhon and Lassalle; against Lenin the tired arguments of Bernstein and Kautsky. The same petit-bourgeois prejudices against which the pioneers of scientific socialism established the foundations of proletarian politics now form the theoretical armoury of Eurocommunism. Politically discredited before the international working class in their own lifetimes, the

Eurocommunists' ancestors today find their views hidden amongst the jumble of hard facts and pompous speculation that the official communist movement now dignifies with the name 'theory'.

The Eurocommunists' new theories about capital and the state, synthesised in the theory of State Monopoly Capitalism (SMC) have enormous consequences for the future of the working class. In official communist circles it is no longer fashionable even to talk about smashing the state. Instead the labour movement is advised that its best interests would be served by 'democratising', 'pressurising', or 'transforming' the state — or at least by increasing state intervention. The arguments of reformism seek to reconcile the working class with the bourgeois state.

At a time of crisis, when the bourgeois state leads capital's attack on the working class, the Marxist analysis of the state is of crucial practical importance. Today every form of class struggle is confronted with the power of the state. The state pursues the imperatives of capital through wage controls and legal curbs on trade union rights, through its use of troops to break strikes and its deployment of police to harass picket lines. The defence of the working class depends on winning it to an understanding of the class character of the state. That is the purpose of this article.

In Part I we outline the development of the classical social-democratic position on the state. Rejecting the dictatorship of the proletariat has a long history in the labour movement, a history that dates from the days of Marx and Engels. We present not a history of the working class movement, but of its reflection in theory. We present the evolution of the reformist conception of the state and of the political strategy of state socialism which developed alongside it. First formulated into a coherent strategy around the turn of the century, state socialism has, in its different forms, come to dominate the international working class.

In Part II we present Marx's theory of capitalist domination. Through an exposition of Marx's method and the categories of *Capital*, we explain why reformism finds such strong confirmation in capitalist relations of production. Marx's critique of political economy does not only show the apologetic character of reformism; it also reveals the origins of these views in the appearances of capitalist production. The aim of this part is to show that Marx's analysis of capital is at

the same time an indispensable tool for challenging the views of the bourgeoisie in the working class.

Part III examines the main contemporary form of revisionism — the theory of SMC. Part IV shows that Eurocommunism is simply old wine soured over decades, now even more sour, but served up in bright new bottles — each with its own local label. Our aim is not merely to destroy the theory of SMC or to point out the reactionary consequences of Eurocommunism. Through a critique of SMC we appraise the experiences of the working class that have allowed this reactionary theory to take hold in the international labour movement. This appraisal of the circumstances that have lent strength to reformism is vital, for it enables us to set about challenging reformist consciousness today. Likewise the re-establishment of the Marxist standpoint on the state, through a political struggle against revisionism, is part of the battle to forge a new proletarian leadership.

1 V I Lenin, 'The state', *Collected Works (CW)*29, Progress Publishers, Moscow, 1972, p472. All references are to this fourth edition of V I Lenin's collected works.

2 S Carrillo, 'Eurocommunism' and the state, Lawrence & Wishart, 1977, p10.

3 Jack Woddis, 'The state — some problems', *Marxism Today*, November 1976, p391.

4 Ibid.

I MARXISM AND STATE SOCIALISM

As the science of the proletariat, Marxism developed through a struggle against reformism. In establishing the scientific basis for the political independence of the working class, Marx and Engels were forced to challenge the traditional views on the state that prevailed in the labour movement. For vulgar socialists the state appeared as a potential instrument for working class liberation. They saw state regulation of the economy as an incursion on capitalist property relations. By emphasising the necessity for smashing the bourgeois state and establishing the dictatorship of the proletariat, Marx broke fundamentally with the radical critics of nineteenth century capitalism.¹

During the early phase of capitalist development, when the bourgeois state openly repressed the working class, European Social Democracy largely accepted Marx's theory of the state. However, this acceptance was undermined when the dictatorship of the bourgeoisie acquired a more democratic form. The limited concession of the vote to the working class gave new strength to the attacks on Marx's theory of the capitalist state. That these attacks were possible showed the political weaknesses in Social Democracy. With the rise of imperialism in the early years of the twentieth century, revisionism became the dominant standpoint in the European labour movement.

Marx and Engels waged a continuous battle against state socialist views within the ranks of the international working class movement. In Germany the idea that the state could be used to liberate the working class was formulated most clearly by Lassalle. He argued that the working class should wrest a series of reforms from the state, beginning with a campaign for the extension of the vote. Lassalle's strategy had considerable influence throughout the German labour movement. His state socialist politics extended to the Eisenachers, who formed the Socialist Democratic Labour Party in 1869 on an apparently Marxist platform. The Eisenachers wanted to establish a 'Free People's State'; they wanted to realise the ideals of the bourgeois revolution in a fully

democratic republic. In the climate created by the repressive apparatus of the Prussian state, this strategy appeared to be revolutionary, since it rejected the existing form of the state. Its content, however, was reformist.

The state socialist and democratic republican traditions of German socialism were brought together in the Gotha Programme which united the Lassalleans and the Eisenachers. Marx challenged both these traditions in his *Critique of the Gotha Programme*.² Because German Social Democracy as a whole was unable to grasp the nature of the bourgeois state, Marx was forced to elaborate his conception of the dictatorship of the proletariat as a stage transitional between capitalism and communism.³

During the period of the repressive Anti-Socialist Laws (1878-90), Marxism was considerably strengthened in the German labour movement. The reformist strategy of the Free People's State lost credibility. Yet this radicalisation of the labour movement represented opposition to the authoritarian nature of the bourgeois state machine rather than to the state itself. Its narrow scope could not provide the basis for challenging Bismarck's strategy of state intervention in the economy. Bismarck's use of the state to implement a series of social reforms and to nationalise certain industries was seen as progressive by large sections of German society. The response of German Social Democracy to these state measures was ambiguous. It opposed Bismarck's authoritarian regime while vacillating about his other policies.

Much of German Social Democracy saw Bismarck's plans for nationalising the railways and establishing a state tobacco monopoly as steps towards socialism. In the summer of 1880, articles in *Sozialdemokrat* endorsed the tobacco monopoly 'because it brings harm to the bourgeoisie...because it improves the situation of the workers... because it smooths out the road economically and morally for Social Democracy....'. *Sozialdemokrat* was for the monopoly because it was 'a part of the overthrow of the existing social order'.⁴

The view that state intervention in production was progressive was widespread in the German labour movement. Engels wrote:

'of late, since Bismarck went in for state-ownership of industrial establishments, a kind of spurious socialism has arisen, degenerating, now and again, into something of flunkeyism, that without more ado declares *all* state ownership, even of the Bismarckian sort, to be socialistic. Certainly, if the taking over by the state of the tobacco industry is socialistic, then Napoleon and Metternich must be numbered among the founders of socialism.'⁵

The growing influence of state socialism was a reflection of the growing activity of the bourgeois state. This tendency of development, which Marx saw as necessary for the maintenance of capitalist relations, the state socialists interpreted as undermining capital.⁶ More and more, Social Democracy saw state intervention in the economy, not as a

1 As early as 1852 Marx noted that 'the class struggle necessarily leads to the dictatorship of the proletariat'. See Marx's letter to Weydemeyer, 5 March 1852, Marx and Engels *Selected correspondence*, Lawrence & Wishart, London, 1975, p64.

2 This point is well argued in V L Lidtke, *The outlawed party: Social Democracy in Germany 1878-1890*, Princeton, New Jersey, 1966, p48.

3 K Marx, 'Critique of the Gotha Programme', Marx and Engels *Selected works*, Lawrence & Wishart, 1973, p327.

4 *Sozialdemokrat* No 24, 13 June 1880, cited in Lidtke, op cit, p158.

5 F Engels, *Anti-Dühring*, Lawrence & Wishart, 1975, p329.

6 The elder Liebknecht commented in the Reichstag on Bismarck's Bill for Accident Insurance: 'Now then, Gentlemen, Prince Bismarck may move toward our goals — on this course we march together, and we do not hang on his coat-tails'. Lidtke, op cit, p160.

prerequisite for continued capital accumulation, but as a progressive development in and of itself.

In the last part of the nineteenth century state socialism increasingly appeared to make sense. With the rise of imperialism, the bourgeois state was able to make further concessions to the working class. In most advanced capitalist countries the state introduced a set of social and electoral reforms. At the same time, the essentially anarchic aspects of capitalist production appeared to be modified by state intervention and the growing cartelisation of industry. It was these developments that provided the material basis for the revisionist theories of the Second International.

1. The revisionists' new age

The social-democratic view of capitalism has little in common with Marx's critique of political economy. By means of his theory of crisis, Marx demonstrated the transient character of capitalism.⁷ He showed that the contradictions inherent in production were barriers to the accumulation of capital — barriers which capital finds increasingly difficult to overcome. By indicating the historically limited nature of capital and locating the tendency towards communism in the contradictions contained within it, Marx was able to establish socialist theory on a scientific basis.

However, Marxism in the working class was undermined during the period of relative prosperity around the turn of the century. The tremendous growth in the productive forces and the increasing limits to free competition set by state intervention made it seem that capitalism had become a viable form of social organisation.

Social Democracy objected to capitalism on moral grounds. For the reformists the problem was not capitalist production. Rather, capitalism was evil because of its anarchic and wasteful character. It was an unfair system of production which distributed the resources of society unequally. Production was seen as a mere natural process: distribution was the arena in which exploitation took place. The social-democratic attack was not against the extraction of unpaid labour in production, which is the basis for accumulation, but against cheating and the manipulation of wealth.

The revisionists understood capitalist anarchy as the anarchy of the market. As capital was forced to regulate competition through cartels and new forms of state intervention, it appeared that capitalism could organise anarchy out of existence. Bernstein could plausibly argue that the rise of cartels and trusts had undermined Marx's theory of crisis. For Bernstein the existence of cartels and trusts indicated a 'capacity to influence the relation of productive activity to the conditions of the markets so far as to diminish the danger of crisis'.⁸ The new attempts to regulate the market were advanced as proof of a crisis-free capitalism: 'unless unforeseen external events bring about a general crisis — and as we have said that can happen any day — there is no urgent reason for concluding that such a crisis will come to pass for purely economic reasons'.⁹ In rejecting Marx's theory of crisis, Bernstein and other reformists rejected the historic necessity of socialism.

Rosa Luxemburg's criticism of Bernstein correctly stated that 'revisionism is nothing else than a theoretic generalisation made from the angle of the isolated capitalist'. Revisionism mistook 'the phenomena of competition... for the phenomena of the whole of capitalist economy'.¹⁰ Revisionists understand capitalism only as it appears in the competitive struggle between different firms. Like the individual capitalist, whose understanding is based on the way he experiences the laws of capitalism, the revisionist lacks a grasp of the totality of social relations. The capitalist believes that his profit depends on how well he competes — whether he is

innovative, skilful or cunning. The revisionists share this prejudice and believe that competition is the source of profits.¹¹ As a result they failed to see monopolies as a form through which competition takes place and through which existing total surplus-value is redistributed. Instead the revisionists argued that monopolies themselves were productive of profit.¹²

Indeed, for the right wing of Social Democracy the growth of monopoly control confirmed that capitalism was evolving towards an organised, even socialist, society. The separation of control from ownership of capital that characterises large enterprises was interpreted as the suppression of private property in favour of socialist organisation. Thus Social Democracy adopted an ambivalent, and sometimes positive, approach towards trusts and cartels. In Britain, the Independent Labour Party (ILP) pointed to what it saw as the potential of the monopolies at the same time as it sought to curb their abuses: 'the problem is how best to retain the beneficent features of trusts, making for organisation and co-ordination, whilst eliminating their present or potential powers for extortion, coercion and robbing of the poor'.¹³ The revisionist answer to this problem, like every other, was the bourgeois state. The increased intervention of the state in the economy reinforced the view that capital accumulation was a technical process which could be controlled by experts and modified by politicians.¹⁴

Once the workings of the economy were seen by Social Democracy as a technical question the problems facing the working class were reduced to the unacceptable face of capitalism — the bankers, middlemen, speculators and rapacious capitalists intent on making 'extra' profits at the expense of everyone else. The conclusion was drawn that the state could run the economy in the interests of the majority. Georg von Vollmar, one of the leading reformists in the German Social Democratic Party (SPD), heralded the growth of state intervention as a vindication of socialism: 'today, however far its execution may lag behind in practice, in principle, at least, the Socialistic conception has prevailed, that economic life is not a sacred preserve for purely private interests... and that consequently, the state, as the organ of society, has the right and the duty to interfere and regulate economic enterprises wherever the interest of society makes it seem needful requisite'.¹⁵ If the intervention of the state was accepted as stemming from the 'interest of society' it was only a short step to advancing a strategy of redistribution of wealth through the agency of the state. In this vein the ILP argued that the power of the state should be used to tax the rich: 'wasteful, extravagant, unnecessary and, indeed criminal, as is the expenditure of the sums now spent on the fighting services, there remain in the hands of the wealthy classes of this country resources which are ample for carrying out immediately large and long overdue schemes of social reform'.¹⁶

This state socialist strategy survived the First World War. Indeed the tremendous increase of state controls over the economy during the war appeared to confirm the capacity of the state to manage the economy. To the state socialists the war proved that capitalism had changed: it had become organised.

The first systematic exposition of the theory of *organised* capitalism was given by Hilferding. He depicted a capitalism freed from the domination of 'unlimited competition' and the 'blind laws of the market' — an organised form of economy. The replacement of free competition by a 'scientific method of competition' was a realisation of the socialist 'principle' of 'economic control': 'in this way capitalism itself surrenders its main mission to socialism...'.¹⁷ Even prices were no longer determined by value relations in Hilferding's new age. Through political pressure the state could now become the arbiter of wages and prices.¹⁸

With Hilferding the contradictory development of capitalism is completely effaced. Capital no longer has laws

other than subjective ones. The problems facing the working class are not those of exploitation or social oppression but those arising from technical mismanagement.

2. Revisionism and the state

The revisionist assessment of the changing forms that capitalist accumulation took during the establishment of world imperialism provided the basis for a coherent reformist strategy. The state socialists proclaimed that the experience of social reforms and the extension of democratic rights had validated the evolutionary road to socialism. With the rise of imperialism, state socialism and revisionism came to dominate the labour movements of the advanced capitalist countries — and the collective organisation of the social-democratic parties, the Second International.

The reformists' understanding of the state as the representative of the interests of all sections of society in a particular country also established the legitimacy of nationalism in the labour movement. The responsiveness of the state to working class pressure reinforced the loyalty of each labour movement to its own nation. The national chauvinism of the Second International led to its demise in 1914, when the leaders of each of its sections dragged workers into the imperialist slaughter of the First World War.

The revisionists argued that nationalism was compatible with internationalism and that the bourgeois state had a proper claim on the loyalty of the working class. According to Bernstein, the *Communist Manifesto* was wrong to claim that 'the proletariat has no fatherland':

'This sentence might in a degree, perhaps, apply to the worker of the 'forties without political rights, shut out of public life....The workman who has equal rights as a voter for state and local councils, and who thereby is a fellow owner of the common property of the nation, whose children the community educates, whose health it protects, whom it secures against injury, has a fatherland without ceasing on that account to be a citizen of the world.'¹⁹

What Bernstein discovered for the German working class, Millerand discovered for the French. Millerand, who had the distinction to be the first social democrat to join a bourgeois government, declared: 'I need not repeat that we have never had the unnatural and insane idea of breaking and throwing away the unique instrument of material and moral progress forged by the centuries, which is called the French fatherland....nor when in a few weeks time we go to the international Congress at London, shall we ever forget that, while internationalists, we are Frenchmen and patriots....'²⁰ In Britain too the Fabians had no difficulty in discovering the uniqueness of their own national traditions. Class conflict might do for the authoritarian Continent, but it would never find roots in British soil:

'The Socialism advocated by the Fabian Society is State Socialism exclusively....England now possesses an elaborate democratic State machinery....the opposition which exists in Continental Monarchies between the State and the people does not hamper English Socialists.'²¹

For the state socialists, state activity represented the road to socialism. They saw the extension of democracy in the political sphere as ensuring democracy in 'the economy'. The reformists recognised inequalities in social and economic life but thought they could be eliminated through the intervention of the state. For Ramsay MacDonald socialism was synonymous with the state organisation of society: 'socialism could not be defined better than as that stage in social organisation when the state organises for Society an adequate nutritive system; and democratic government is the signal that that change is taking place'.²² For him the relationship between the bourgeois state and the working class was free of contradictions.

Not all revisionists saw society in such simple terms. Numerous conflicts between the bourgeoisie and the proletariat revealed that the state acted in a way that was far from neutral. Consequently some revisionists, such as Kautsky, were quite prepared to admit the class bias of the bourgeois state. But they did not see the state as inherently bourgeois. On the contrary, they thought that the extension of democracy could curb the power of capital and undermine the dictatorship

7 For a presentation of the Marxist theory of crisis see *Revolutionary Communist Papers No 3*, pp8-10.

8 E Bernstein, *Evolutionary socialism*, Schocken Books, New York, 1972, p87.

9 Ibid, p93.

10 R Luxemburg, *Social reform or revolution*, Merlin Press, London, no date, pp44-50.

11 These points are elaborated in Part II.

12 The prevalence of these vulgar conceptions was such that even Kautsky, the 'Pope of Marxism' as he was known in the Second International, could say: 'Competition is limited to a minimum and a new direction is given to the striving of super profit. This is much easier than increasing the productivity of labour. The cartelised entrepreneur can now raise his profit above the average by charging monopoly prices. The determining factor for profit is no longer the perfecting of technique, but the perfecting of the organisation of entrepreneurs; all the penetration of the capitalist genius is now directed towards completing and perfecting this'. See K Kautsky, *Socialism and colonial policy: an analysis*, Athol Books, Belfast, 1975, p26.

13 W C Anderson, *The menace of monopoly*, City of Manchester ILP branch pamphlets No 2, 1908, p13. This point was reiterated after the First World War by P Snowden in *The menace of the trusts, and how to deal with it*, ILP, London 1919: 'It is a folly to attempt to arrest this natural economic evolution. The wise course is for the community to appropriate the advantages, and to prevent the abuse of monopoly of private profit'. Ibid, p7.

14 The bankruptcy of the state socialist approach was apparent to the bourgeois theorist Max Weber, who assured the Austrian military leadership that they had little to fear from Social Democracy. 'Be that as it may, these arguments show at any rate that the old revolutionary hope of catastrophe, which gave the Communist Manifesto its compelling power, has given way to an evolutionistic view, i.e. a view of the gradual growth of the old economy with its enormous competitive concerns into a controlled economy, whether it is controlled by civil servants or by syndicates with the participation of civil servants.' M Weber, 'Socialism, speech for the general information of Austrian officers in Vienna, 1918', in J E T Eldridge, ed; *Max Weber*, Thomas Nelson and Sons Ltd, London, 1972, p211.

15 G von Vollmar, 'Social reform in Germany and in France', in R C K Ensor, ed, *Modern socialism*, second edition, Harper Brothers, London, 1907, p138.

16 P Snowden MP, *A few hints to Lloyd George: where is the money to come from*, ILP, London, 1909, p2.

17 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.

18 'The masses must recognise that the prices of bread and meat are not merely economical, but political prices, which are determined by the political balance of power. They must be shown that if they desire improvements in this matter, they must seize the initiative and support a policy which can reduce or liquidate this political factor in the economic price.' Ibid, p7.

19 E Bernstein, op cit, pp169-70.

20 A Millerand, 'The Saint Mandé programme', in Ensor, op cit, p55.

21 G B Shaw, 'Report on Fabian policy', *Fabian Tract 10*, 1896, quoted in A M McBriar, *Fabian socialism and English politics 1884-1918*, Cambridge University Press, 1966, p98.

22 Ramsay MacDonald, MP, *Socialism and government*, ILP, London, 1909, p33. The same point was made by Millerand: 'to realise the immediate reforms capable of relieving the lot of the working class, and thus fitting it to win its own freedom, and to begin, as conditioned by the nature of things, the socialisation of the means of production, it is necessary and sufficient for the Socialist party to endeavour to capture the Government through universal suffrage.' Millerand, in Ensor, op cit, p54.

of the bourgeoisie. The previous extension of democratic rights through working class pressure was presented as the way towards real power. In his narrow political outlook Kautsky was at one with the most moderate reformist: 'But if the proletariat in a democratic state grows until it is numerous and strong enough to conquer political power by making use of the liberties which exist, then it would be a task of great difficulty for the capitalist dictatorship to manipulate the force necessary for the suppression of democracy'.²³

Kautsky and other revisionists recognised the need for a political struggle in order to improve the lot of the working class. But this was political struggle in the narrow sense of politics — a struggle between different groups for control of the state. The state was merely seen as the tool of particular interest groups. Control of this instrument would make possible the transformation of capitalism. As Kautsky argued:

'The decisive factor is no longer the material, but the personal one. Is the proletariat strong and intelligent enough to take in hand the regulation of society, that is, does it possess the power and the capacity to transfer democracy from politics to economics?'²⁴

The strategy of state socialism which developed in the first two decades of this century was a direct response to Marxism. The state socialists abstracted a number of propositions from the experience of the period of relative prosperity around the turn of the century and the rise in state intervention that accompanied and followed it. They believed that capitalism had been transformed into an organised system of production. The growth of monopolies and cartels indicated that the anarchy of the market had been curbed.

These propositions entirely paralleled the consciousness of the individual capitalist. Capital's domination was seen only in its forms of appearance — the monopolies and the state. These forms were not regarded as expressions of capitalist social relations, but as institutions which allowed problems to be solved technically, through planning. The separation of control from ownership of capital and state intervention were held to be tendencies which were progressive and which subverted private property. If strengthened by a more democratic state these tendencies could lead to a socialist society. While they agreed that capitalism had become more organised, those who held more radical versions of this theory were concerned that the state often acted against the interests of the working class and that the monopolies abused their position. In order to limit the power of the capitalists the proletariat would have to struggle for democratic rights. The working class would be able to use these rights to curb the power of the monopolies and establish democracy in the economy.

3. Anti-crisis socialism

With the First World War capital's tendency towards crisis was reinforced. In these circumstances evolutionary socialism was transformed. Previously the formal aim of Social Democracy had been socialism. However, under the impact of the capitalist crisis the reactionary content of state socialism took the form of a 'progressive' counter-crisis strategy.

In the late 'twenties and 'thirties the capitalist crisis undermined the credibility of Social Democracy. Throughout Europe social democrats in government carried out anti-working class measures in order to re-establish the basis for capitalist accumulation. Socialism was a promise for another day. The humiliation of the Labour Party that followed the downfall of MacDonald's Labour Government in 1931 was one indication of the crisis of Social Democracy. In Europe the most extreme expression of this crisis was the destruction of the SPD by the Nazi regime.

Given popular hatred for its betrayals, Social Democracy had no choice but to evolve a new strategy. The political line it adopted emerged as an alternative both to revolution and to

the harsh solutions demanded by capital. Social Democracy offered a programme of 'positive' measures — plans and schemes for the rapid resolution of the crisis.

This strategy of planning was developed from state socialist premises. The counter-crisis strategy shared with earlier forms of state socialism a technical conception of capitalist accumulation. A technical solution to the crisis was therefore possible through the intervention of the state. Social Democracy had become practical socialism, promising no more than 'realistic' reforms. State action would solve the crisis while improving the standard of living of the working class. Planning was advocated not as the realisation of socialism, but as a set of necessary progressive measures that pointed in the direction of socialism. As the influential Labour economist Hugh Dalton argued,

'there are difficulties in the application of social planning within the framework of capitalism. But these are not, as some theorists allege, "inherently" insuperable. Such beginnings, moreover, may accelerate the transition to socialism.'²⁵

'Planning' was no more than a term designed to give ideological coherence to the state's attempts to modify the impact of the crisis. The most famous social-democratic planner of the period, the Belgian, Henri de Man, described his proposals as 'Anti-crisis Socialism': 'More precisely, it is that form of Socialism which puts forward in each country a body of immediate measures designed to provide a way of escape from the crisis'.²⁶ The effect of this anti-crisis socialism was to commit the working class to capitalist reconstruction. The technical resolution of the crisis demanded a positive contribution to it from the working class. De Man made this clear in 'The Theses of Pontigny', which he presented at the International Conference for the Study of Socialist Planned Economy in September 1934:

'The working class movement should abandon its passive attitude towards the economic crisis. It should substitute for its determinist doctrine of crisis...a voluntarist policy having the limited but immediate object of reabsorbing the unemployed and of overcoming the crisis.'²⁷

By the 'thirties, state socialists could no longer pontificate on the advantages of organised capitalism. The reality of capitalism as a crisis-ridden system of production could not be ignored. The state socialists now presented the crisis itself as the justification for postponing socialism. For Marx the capitalist crisis had demonstrated the necessity for overthrowing capitalism. The only lesson the state socialists drew was that the crisis should be overcome.

The plans of the state socialists could not save the labour movement from the exigencies of the capitalist crisis — indeed they played an important role in the defeats of the working class in the period before the Second World War. Nevertheless reformism remains, strengthened by the expansion of the world economy in the 'fifties and 'sixties. The enduring character of reformism is shown by the state socialist counter-crisis strategies put forward in the world recession of the 'seventies. In understanding the tremendous resilience of these bourgeois ideas in the labour movement Marx's critique of capitalist society is of central importance. It is to this that we now turn.

23 K Kautsky, *The dictatorship of the proletariat*, University of Michigan, 1971, p9.

24 Ibid, p28.

25 Hugh Dalton, *Practical socialism for Britain*, Routledge, London, 1935, p248.

26 Henri de Man, 'Socialism and planning', in G D H Cole & Henri de Man, *Planned socialism*, issued by the New Fabian Research Bureau, Pamphlet No 25, London, December 1935, p26.

27 Henri de Man, 'The theses of Pontigny', *ibid*, p23.

II THE DICTATORSHIP OF THE PROLETARIAT AND THE MARXIST CRITIQUE OF POLITICAL ECONOMY

'Yet the state continued to be a machine which helped the capitalists to hold the poor peasants and the working class in subjection. But in outward appearance it was free.' (Lenin)¹

Marx's critique of political economy is a critique of the categories through which the bourgeoisie perceives the world. It provides the key for revealing the roots of the world view of state socialism and the means to fight it. State socialism is an expression of bourgeois ideology reproduced in the labour movement. The concepts of state socialism make sense because they correspond to the prevailing bourgeois consciousness of capitalism.

Marx's method is of central importance in the struggle against reactionary politics. Marx himself noted that 'no credit is due to me for discovering either the existence of classes in modern society or the struggle between them'.² The existence of class struggle was well known to bourgeois historians. They had merely to take into account the reality around them. What was distinctive about Marx was his method of analysis, which for the first time revealed that capitalist relations inevitably lead to the struggle between classes and that this struggle 'necessarily leads to the dictatorship of the proletariat'.³

1. Marx's method in Capital

In *Capital* Marx shows that the social forms of bourgeois society obscure the real relations of capitalist production. Through his theory of the fetishism of commodities, Marx shows that a 'definite social relation between men' assumes 'the fantastic form of a relation between things'.⁴ The fetishism of commodities originates in the character of social labour under capitalism.

Under capitalism labour has a dual character. Firstly it is labour which is concrete, creative not of value but rather of objects of use. However, in this concrete form, the labour of individuals does not become part of the labour of society. Labour becomes socialised through exchange, a process in which the specific type of concrete labour is disregarded. In this way the second aspect of labour, abstract, exchange-value positing labour, comes to the fore. The fact that labour only becomes social through the exchange of commodities is the basis for the fetishism of commodities:

'In other words, the labour of the individual asserts itself as a part of the labour of society, only by means of the relations which the act of exchange establishes directly between the products and indirectly, through them, between the producers. To the latter, therefore, the relations connecting the labour of one individual with that of the rest appear, not as direct social relations between individuals at work, but as what they really are, material relations between persons and social relations between things.'⁵

Social relations between producers present themselves in forms in which the social character of labour appears as the objective character of the commodities themselves. These forms are but a materialised expression of these relations. The material forms of value — rent, profit, interest — disguise its origin in social labour. This materialisation of social relations is no mere illusion. The appearances are 'what they really are, material relations between persons and social relations between things'.⁶

Marx noted that the mystifying character of social forms increases with the complexity of the production relations expressed in them. In the act of simple exchange, the social

character of the transaction is fairly clear. However, once the value of a commodity is expressed in the money form, its social character is further concealed.⁷ With the rise of paper money and credit, things get even more complicated. As capitalism develops, the connection between production relations and the complex forms in which they are expressed is increasingly lost.

In order to unravel the links between various production relations Marx begins the presentation of his analysis of capital with the simplest social form in which labour presents itself — the commodity. From this starting point, Marx presents a dialectical reconstruction of capital from its simplest to its more complex forms. Through the analysis of a series of social forms of increasing complexity, *Capital* presents the logical connection between the outward forms of things and their inner source. In this investigation Marx analyses capital from two basic levels of abstraction: *capital in general* and *many capitals*.

In order to bring to light what is essential to the capitalist social relation Marx first analyses *capital in general* and presents what is common to all capitals.⁸ Capital in general is an abstraction from the different forms of capital. It abstracts from these forms what all capitals have in common, 'the quality of being capital'.⁹ The presentation of the general nature of capital must precede the investigation of its concrete movement. In this way Marx sought to present the inner mechanism of capital in abstraction from phenomena which obscured it.

The analysis of *many capitals* relates to the concrete forms which arise out of the movement of capital. It considers the relationship between individual capitalists, the relationship of one capitalist to another, that is, *competition*. The nature of capital in general must be grasped before the relationship between individual capitalists can be understood. Capital can only exist as many capitals — in the competitive interaction of individual capitalists.¹⁰ As a result it is competition that

1 V I Lenin, 'The state', *CW*29, p484.

2 Marx, letter to Weydemeyer, 5 March 1852, in Marx and Engels, *Selected correspondence*, op cit, p64.

3 Ibid.

4 K Marx, *Capital*, Vol 1, Lawrence & Wishart, 1974, p77 (all references to *Capital* are to this edition except where stated otherwise).

5 Ibid, p78.

6 Ibid.

7 'This mystification is still a very simple one in the case of a commodity. Everybody understands more or less clearly that the relations of commodities as exchange-values are really the relations of people to the productive activities of one another. The semblance of simplicity disappears in more advanced relations of production. All the illusions of the Monetary System arise from the failure to perceive that money, though a physical object with distinct properties, represents a social relation of production.' K Marx, *A contribution to the critique of political economy*, Progress Publishers, Moscow, 1970, pp34-5.

8 The concept *capital in general* is an 'abstraction which grasps the specific characteristics which distinguish capital from all other forms of wealth.... These are the aspects common to every capital as such, or which make every sum of values into capital. And the distinctions within this abstraction are likewise abstract particularities which characterise every kind of capital...'. K Marx, *Grundrisse*, Pelican Books, 1973, p449 (all references are to this edition).

9 Ibid, p517.

10 'Conceptually, *competition* is nothing other than the inner nature of capital, its essential character, appearing in and realised as the reciprocal interaction of many capitals with one another, the inner tendency as external necessity. Capital exists and can only exist as many capitals....' Ibid, p419.

appears as the basic capitalist relation and the inner nature of capital remains concealed.¹¹

For the individual, experience of competition is the starting point for a comprehension of capitalism. Social production is understood merely as the interaction between individual capitalists and 'economics' becomes a study of competition. Yet competition explains little; competition must itself be explained. Marx's method of presentation shows the logical connection between the basic capital relations and the forms they assume on the surface of society in competition. That is how Marx establishes why the bearers of capitalist relations apprehend their system of production in the way they do.¹²

[a] The standpoint of the individual capitalist

The bourgeois conception of capitalism is based on surface appearances; it derives from the experience of capitalist relations in the sphere of competition. Here we want to show why this superficial bourgeois view is plausible.

In the investigation of capital in general the relationship of surplus-value to the appropriation of unpaid labour is 'fairly simple'. The only problem is to discover how unpaid labour is appropriated with no equivalent, yet without violating the laws of commodity exchange.¹³ Thus in the immediate process of production the relationship between the appropriation of surplus-value and unpaid labour is reasonably clear. However, this relationship becomes less and less direct once we consider capital in the sphere of circulation. Now the determination of surplus-value cannot simply be related to labour-time. The circulation time of capital now assists in the determination of the mass of surplus-value produced in a given time — 'an element foreign to labour-time seems to have entered'.¹⁴

The relationship between surplus-value and labour-time is further obscured when we look at capital as the unity of the circulation and production processes. Surplus-value now appears in a separate form — as *profit*. The individual capitalist receives profit for a definite period of circulation of capital; a period which is distinct from labour-time. In addition, profit, a converted form of surplus-value, is measured not over the capital expended in the purchase of labour-power for a definite period of time, but over total capital. Profit is not determined by the relationship of unpaid to paid labour, but by the relationship of unpaid labour (surplus-value) to *the sum* of the capital expended on living labour (variable capital) and on the means of production (constant capital).¹⁵ Therefore the capitalist sees the sum of *both* parts of his invested capital as the source of his profit and 'lumps them all together in his imagination'.¹⁶ The origin of profit in the exploitation of the labourer alone is lost.

Through competition an average rate of profit is formed.¹⁷ This equalisation of profit rates completely masks the relation of profit to labour-time. Commodities are exchanged not merely as commodities but as products of capital. Marx showed that the individual capitalist participates as part of total capital in the exploitation of the working class. The capitalist's profit, his share of the total surplus-value of society, is determined by the magnitude of his capital relative to those of other capitalists. The origin of profit in the appropriation of unpaid labour in the sphere of production is 'completely obliterated':

'It is quite obvious that capitals of the same magnitude which set in motion very different amounts of labour, thus commanding very different amounts of surplus labour and consequently producing very different amounts of surplus-value, yield the same amount of profit. Indeed, the basis itself — the determination of the value of commodities by the labour-time embodied in them — appears to be invalidated as a result of the conversion of values into cost-prices.'¹⁸

In the alienated form of profit capital appears more and more as a thing rather than as a social relation. Indeed capital seems to be a technical relation in which '*the capital* appears as a *relation to itself*, a relation in which it, as the original sum of value, is distinguished from a new value which it generated'.¹⁹

The increasingly fetishistic character of social forms finds its ultimate expression in *interest-bearing capital*. The division of profit into *interest* and *industrial profit* suggests that capital exists in isolation from the process of production. The interest-bearing capitalist can apparently expand his capital without it having any relationship to production. Money-capital, not living labour, becomes the goose that lays the golden egg. Yet in reality interest as capital is a means of appropriating other people's labour:

'But it presents this character of capital as something belonging to it apart from the production process itself and by no means as resulting from the specific determinate form of the production process itself. Interest presents capital not in opposition to labour, but on the contrary, as having no relation to labour....'²⁰

The apparent autonomy of interest from capitalist production relations shows the growing materialisation of social relations in the unfolding of capital.²¹ Through its various social forms, capital acquires a 'fictitious life and independent existence'. This development is not just an illusion. On the contrary, the independence of capital 'is the form of its reality, or rather its real form of existence'.²² In its apparently independent forms, capital expands, it seems, because of its material property as capital. Money begets more money because of its properties as money. The ultimate conclusion drawn from these appearances is that wealth is not the result of the exploitation of living labour, but is the product of the material properties of land, labour and means of production.

[b] Competition and the individual capitalist

Chance and conjunctural factors, not general laws, appear to govern reality in the sphere of competition.²³ But in fact the immanent laws of capital are established prior to competition. Competition simply allows these laws to be realised:

'Competition generally, this essential locomotive force of the bourgeois economy, does not establish its laws, but is rather their executor. Unlimited competition is therefore not the presupposition for the truth of the economic laws, but rather the consequence — the form of appearance in which their necessity realizes itself.'²⁴

Bourgeois analysis begins with the superficial phenomenon of competition without attempting to understand its origins in capital accumulation.

Because the individual capitalist only experiences capitalism through competition he takes his competitive struggle for the process of accumulation itself. The formation of an average rate of profit means that the 'rate of return' of the individual capitalist bears little relationship to the amount of living labour that he employs.²⁵ Indeed it is immaterial to the individual capitalist how much living labour he sets in motion. Though he may increase or decrease his workforce he will still realise a profit which corresponds to the total magnitude of his invested capital.²⁶

From the standpoint of the individual capitalist, profit appears to be independent of exploitation.²⁷ His profit appears to be limited, not by the process of value expansion, but by competition. As far as the capitalist is concerned he is an autonomous agent; his decisions determine the outcome of the competitive struggle.²⁸ He may try to raise his rate of profit by cornering the market or by fixing his prices above the average.²⁹ From his efforts to increase profits via interaction with his rivals, the individual capitalist concludes that profits arise out of competition.³⁰

In fact competition cannot create additional surplus-value. No matter how lucky or cunning he is, the individual

capitalist cannot conjure up value that has not been previously appropriated by some other capitalist. If a capitalist receives a rate of profit higher than the average, this represents the loss of a part of another capitalist's profits. For example a capitalist in a monopoly position 'would merely transfer a portion of the profit of other commodity-producers to the commodities having the monopoly price. A local disturbance in the distribution of the surplus-value among the various spheres of production would indirectly take place, but it would leave the limit of this surplus-value itself unaltered'.³¹ Competition alters the *distribution of surplus-value* but not the quantity of surplus-value already produced.³²

Competition redistributes total surplus-value. The individual capitalist experiences this redistribution as the process through which his profit is created. This is why relations of distribution assume fundamental importance to the capitalist. Production is taken as given, as a technical process. The relations of distribution that arise from competition appear as *the distinctive capitalist relations*.³³

Capitalist relations of production present themselves as relations of distribution. It appears that the different parts into which total value is distributed — interest, rent, wages — are themselves the source of value. To this fetish, which arises from the sphere of competition, Marx gave the name the trinity formula.³⁴ The different forms of value (interest, rent, wages) exist in an apparent separation from each other and it seems that the material properties of land, capital and labour determine capitalist relations. These fetishised forms dominate the thinking of the individual capitalist: 'The different relations and aspects not only become independent and assume a heterogeneous mode of existence, apparently independent of one another, but they seem to be the direct properties of things; they assume a material shape'.³⁵

The inner connections of capital become extinguished in this apparent autonomy of social forms. The sphere of distribution is the whole world of the individual capitalist. In his fetishised world of supply and demand the production of wealth is governed by subjective intentions. Social relations are reduced to the interactions that take place in the distribution of surplus-value. The world view of the bourgeois is shared by his vulgar socialist critics. The sphere of distribution is the starting point too of the reformist analysis of capitalism.

[c] Exploitation as a technical relation

In capitalist society the clamorous conflicts of the market place, the sphere of distribution, take attention away from the discreet exploitation of wage-labour by capital in the process of production. This basic social relation is hidden in the forms in which it appears. Capital appears to have the character of capital because of its material properties. But in fact capital only acts as capital through the wage-labour/capital social relation: 'Capital is productive of value only as a *relation*, in so far as it is a coercive force on wage labour, compelling it to perform surplus-labour, or spurring on the productive power of labour to produce relative surplus value'.³⁶

In competition there appears to be little relationship between unpaid labour and surplus-value. This illusion is further nurtured by the division of total value into interest,

12 Ibid, p25. The various forms of capital developed in this book 'thus approach, step by step, the form which they assume on the surface of society, in the action of different capitals upon one another, in competition, and in the ordinary consciousness of the agents of production themselves'. Ibid.

13 This problem was resolved by Marx's development of the category labour-power.

14 K Marx, *Theories of surplus-value (TSV)*, Part 3, Lawrence & Wishart, 1972, p482 (all references to *TSV* are to this edition).

15 The fundamental distinction between constant and variable capital disappears when surplus-value takes the form of profit. The portion of capital invested in the purchase of labour-power is a definite quantity of value, 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, pp164, 188, 202, 206.

16 *Capital*, Vol 3, p42.

17 The analysis of the formation of an average rate of profit through the transformation of values into prices of production is one of the main ways in which the analysis of capital in general and that of many capitals can be linked. See *Capital*, Vol 3, chapter 9.

18 *TSV*, Part 3, p483.

19 *Capital*, Vol 3, p48.

20 *TSV*, Part 3, p494.

21 'The further we follow the process of the self-expansion of capital, the more mysterious the relations of capital will become, and the less the secret of its internal organism will be revealed.' *Capital*, Vol 3, p48.

22 *TSV*, Part 3, p483.

23 'But in reality this sphere is the sphere of competition, which, considered in each individual case is dominated by chance; where, then, the inner law, which prevails in these accidents and regulates them, is only visible when these accidents are grouped together in large numbers, where it remains, therefore, invisible and unintelligible to the individual agents in production.' *Capital*, Vol 3, p828.

24 *Grundrisse*, p552.

25 'His profit appears to him as something outside the immanent value of the commodity.' *Capital*, Vol 3, p168.

26 'How could living labour be the sole source of profit, in view of the fact that a reduction in the quantity of labour required for production appears not to exert any influence on profit? Moreover, it even seems in certain circumstances to be the nearest source of an increase of profits, at least for the individual capitalist.' *Capital*, Vol 3, p170.

27 It appears so because the transformation of profit into average profit and of values into prices of production divorces the average prices of commodities from their values. See *Capital*, Vol 3, p828.

28 Ibid, p253.

29 In fact it is through the individual capitalist's drive for higher profits that an average rate of profit is established. In competition, each capitalist 'naturally tries to secure more than the average profit, which is only possible if others secure less. It is precisely as a result of this struggle that the average profit is established.' *TSV*, Part 3, p83.

30 *Capital* Vol 3, p827. This view is reinforced by the fact that the surplus-value contained in *commodities must first be realised in the circulation process and hence appears to arise out of exchange*.

31 Ibid, p861.

32 Writing about exchange Marx stated: 'The total surplus value, as well as the *total profit*, which is only *surplus value itself, computed differently*, can neither grow nor decrease through this operation, ever; what is *modified thereby* is not it, but only *its distribution among the different capitals*'. *Grundrisse*, p760.

33 Marx wrote of John Stuart Mill: 'A more advanced, more critical mind, however, 'admits the historically developed character of distribution relations, but nevertheless clings all the more tenaciously to the unchanging character of production relations themselves, arising from human nature and thus independent of all historical development.' *Capital*, Vol 3, p878.

34 'Thus land, capital and labour on the one hand — insofar as they are the sources of rent, interest and wages and these are the constituent elements of commodity prices — appear as the elements which create value, and on the other hand, insofar as they accrue to the owner of each of these means for the production of value, i.e. insofar as he derives the portion of the value created by them, they appear as sources of revenue, and rent, interest and wages appear as forms of distribution.' *TSV*, Part 3, p499.

35 *TSV*, Part 3, p514.

36 *TSV*, Part 1, Lawrence and Wishart, 1969, p93.

11 'Thus everything appears reversed in competition. The final pattern of economic relations as seen on the surface, in their real existence and consequently in the conceptions by which the bearers and agents of these relations seek to understand them, is very much different from, and indeed quite the reverse of their inner but concealed essential pattern and the conception corresponding to it.' K Marx, *Capital*, Vol 3, p209.

rent, profit and wages. In the interaction between industrial capital and money capital it is the moneyed capitalist who appears as the real capitalist. The mere ownership of capital enables the money capitalist to realise value (as interest); he does this while remaining outside the production process. Interest 'is something due to capital as such, to the ownership of capital, to the owner of capital.... industrial profit on the other hand, appears to be the result of their labour'.³⁷ Ironically the industrial capitalist appears as a wage worker — a well paid worker who pays his own wages. On the other hand the moneyed capitalist, who plays no direct role in production, appears as the capitalist.

To elaborate on the above. The division of profit presents interest as the 'price of capital' and industrial profit as the 'rate of return' on entrepreneurship. The form of interest gives the other part of profit *'the qualitative form of industrial profit, of wages for the labour of the industrial capitalist not in his capacity as capitalist, but as a worker (industrialist)'*.³⁸ In other words the profit of the industrial capitalist appears 'not as appropriation of other people's labour, but as the creation of value by one's own labour....*The work of the exploiter is identified here with the labour which is exploited*'.³⁹ The division of profit into different forms of revenue transforms the capitalist into an industrial manager. The exploitation of wage-labour becomes a technical matter.

The obliteration of the social character of capitalist production turns it into a technical operation. The process of exploitation appears as an ordinary labour process.⁴⁰ Insofar as the term exploitation is used, it is as a moral objection to the cheating and grabbing of the money-capitalist. Thus the fundamental antagonisms between labour and capital are removed from the process of exploitation and are understood as antagonisms that arise in the sphere of distribution.⁴¹

The moneyed capitalist is the caricature set up by vulgar bourgeois economists and vulgar socialists alike. From the point of view of the bourgeoisie this is not surprising. Interest-bearing capital is the form in which the contradictory nature of capital is totally hidden: 'no contradiction to labour is evident'.⁴² Attacks on this irrational form of capital are safe for the bourgeoisie. The obviously shady character of interest-bearing capital makes it a target for the moralistic left too because it is the form in which capital 'is at its most irrational' and because it 'provides the easiest point of attack for the vulgar socialists'.⁴³

The labour process exists in all societies. Once capital is seen in a technical and ahistorical manner the specific features of capitalist production are lost. The antagonisms between labour and capital are transferred from the realm of production to a distributive relation between rich and poor. The object of attack becomes not capital but speculators, property sharks and shifty financiers. The distinctive character of capitalist exploitation is ignored.

2. The nature of capitalist domination

[a] Capital as social power

Vulgar socialists think that the working class is dominated in bourgeois society as the result of the activity of certain individuals or social groups. For reformists bad laws, bad institutions and bad politicians are the villains. In reality the problem lies elsewhere.

As we have seen capitalist production leads to the materialisation of social relations. The productive power of social labour appears as the material property of capital, which assumes an *independent form*. In this way 'social action takes the form of the action of objects, which rule the producers

instead of being ruled by them'.⁴⁴ The social character of productive activity confronts individuals as an autonomous power.⁴⁵ This is the real problem facing the working class — the domination of capital.

The domination of capital over all sections of society advances with the development of capitalist production. Capital as self-expanding value expresses itself in laws which drive on the process of surplus-value extraction. Capital itself provides the compulsion to accumulate:

'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.'⁴⁶

Through competition the need to produce surplus-value is imposed as a coercive law on the individual capitalist. The competitive struggle forces the individual capitalist to intensify exploitation and expand the scale of production under the 'penalty of ruin'.

The expansion of capital gives it more and more power over the real producers:

'Capital comes more and more to the fore as a social power, whose agent is the capitalist. This social power no longer stands in any possible relation to that which the labour of a single individual can create. It becomes an alienated, independent social power, which stands opposed to society as an object, and as an object that is the capitalist's source of power.'⁴⁷

It is capital as social power that confronts and dominates the working class and compels the individual capitalist to produce surplus-value on an extended scale. But the fact that capital dominates does not mean that capitalists are able to rule and regulate the process of production. The capitalist has no choice but to accumulate. The laws of capital accumulation confront him more and more as natural laws 'working independently' and becoming 'ever more uncontrollable'.⁴⁸

The capitalist holds power only as the personification of capital.⁴⁹ The capitalist 'does not rule over his labourer through any personal qualities he may have, but only in so far as he is "capital"'; his domination is only that of materialised labour over living labour, of the labourer's product over the labourer himself'.⁵⁰ This is a further expression of the fetishism of commodities — the personification of things and the materialisation of persons. Only as the agent of the power of capital is the capitalist able to hold power. Capital is social power and its domination cannot be reduced to the actions of its individual agents.

[b] Confusions caused by the forms of capitalist domination

We have seen how the antagonisms inherent in capitalist social relations are expressed in money-capital, which seems to be independent of the production process. Capitalist property in the form of money represents power, apparently in complete independence from exploitation.⁵¹ The existence of capital as a property relation, as manifest in the division of profit into different forms of revenue, obscures the distinctive character of capital *as a social relation*. This leads to the separation of the juridical aspect of capitalist property, the private ownership of money as rent and interest, from its economic aspect, the power to expand value through the appropriation of surplus-value in production.

The distinguishing feature of capitalist private property, compared with previous forms of property, is that it is not merely 'property' but represents a claim on the unpaid labour of society. This becomes particularly clear in the case of interest-bearing capital. Here we have 'capital as property as distinct from capital as function'.⁵²

Private property is the basis of capitalist production. But the existence of capitalist property in separation from production suggests to the reformist the possibility of separating the capitalist from capitalist production. The role of capital in production appears purely technical. The direction of the labour process can be entrusted to managers and technicians.³⁷ If capitalist production is understood in this narrow way it can be concluded that 'we do indeed require capital but not capitalists'.³⁸ And indeed this is the conclusion drawn by many radical critics of capitalism. However the capitalist is not a mere illusion: capital can only exist through capitalists.³⁹ The confusion of vulgar socialists arises from seeing the role of capital in production as a technical function and not as a social relation.

The personification of capital in the capitalist stems from the accumulation process. Capital can only exist as many capitals; the laws of capitalism are realised through their competitive interaction. Since value forms the foundation of capital and since capital 'necessarily exists through exchange' it is clear that the reciprocal repulsion between capitals 'is already contained in capital as realised exchange value'.⁴⁰ To suggest that capital could exist without the capitalist is to mistake a social relation for a bundle of material goods. Marx replied to the vulgar socialists by pointing out that the elimination of the capitalists would require that 'the means of production cease to be capital'.⁴¹

Capital exercises its control over society through the process of accumulation. The invisible hand of accumulation ensures that in general capital does not require physical coercion:

'accumulation reproduces the capital-relation on a progressive scale, more capitalists or larger capitalists at this pole, more wage workers at that. The reproduction of a mass of labour-power, which must incessantly re-incorporate itself with capital... which cannot get free from capital, and whose enslavement to capital is only concealed by the variety of individual capitalists to whom it sells itself, this reproduction of labour-power forms, in fact, an essential of the reproduction of capital itself.'⁴²

As capitalist relations are spontaneously reproduced it is only in rare instances that capital appears as what it really is — a relation of domination.

Production relations seem to be free and voluntary. Under capitalism — unlike previous modes of production — there is generally no need to exercise force on producers of surplus. Capitalist exploitation assumes the fetishistic form of a free and purely 'economic' affair.⁴³

The wage-labour/capital relation seems to be governed by natural laws rather than by the social power of capital over the working class. The capitalist social relations which perpetuate the conditions for exploitation are veiled by the contractual form of wage-labour.⁴⁴ Formally, people are free to buy and sell and compete with one another in the labour market as in any other market. The illusory nature of this equality and liberty only emerges through analysis of the exploitation that is concealed by the superficial forms of exchange. In production the apparent equality between wage-labour and capital turns into an exploitative relation where the capitalist appropriates the unpaid labour of the worker.⁴⁵ The freedom of the worker to sell his labour-power is the condition for the freedom of capital to exploit it: 'property turns out to be the right, on the part of the capitalist, to appropriate the unpaid labour of others, and to be the impossibility, on the part of the labourer, of appropriating his own product'.⁴⁶

We can now see that capital accumulation is at the same time a process of domination. This domination is social. The capital/labour relation is a 'free' and 'voluntary' one and capital does not generally need political agents to enforce the process of surplus-value extraction. In fact, the bourgeoisie cannot rely on the spontaneous movement of capital alone to guarantee the maintenance of its system of production. But

when it is forced to resort to different instruments of coercion this appears as an exceptional measure — one not necessarily related to the needs of capital.

When the domination of capital involves the erosion of relations of equality and the oppression of the working class this appears as a political act. Political oppression is seen as the result of abuses of property or the manipulations of some external political agency. Often political oppression seems to fly in the face of the freedoms 'guaranteed' by capitalist society. Because production is understood as a technical, non-exploitative process, oppression seems to arise from forces outside production. The inherently coercive powers of capital are mediated by free economic relations, which make politics appear as something autonomous from capital. The separation of social forms under capitalism leads to the

37 TSV, Part 3, p477.

38 Ibid, p495.

39 Ibid, our emphasis.

40 Capital, Vol 3, p382.

41 The preoccupation of the newspapers of the British reformists (like the *Morning Star*) and of the radical left (like *Socialist Worker*) with the unfair distribution of wealth and the unscrupulousness of financiers stems from this moral understanding of exploitation. 'What a bloody nerve! The crisis is the crisis of inequality', *Socialist Challenge*, 11 January 1979, p1.

42 TSV, Part 3, p467.

43 Ibid.

44 Capital, Vol 1, p79.

45 Grundrisse, p157.

46 Capital, Vol 1, p555.

47 Capital, Vol 3, p264.

48 Ibid, p245.

49 'Thus the productive power of social labour and its special forms now appear as productive powers and forms of capital, of materialised labour, of the material conditions of labour — which, having assumed this independent form, are personified by the capitalist in relation to living labour.' TSV, Part 1, p389. See also Capital, Vol 3, p264.

50 TSV, Part 1, op cit, p390.

51 Capital, Vol 3, p555.

52 Ibid, p379.

53 TSV, Part 3, p496.

54 See 'Results of the immediate process of production', in Capital, Vol 1, Penguin edition, 1976, p999.

55 'The concept of capital contains the capitalist.' Grundrisse, p512.

56 Ibid, p421.

57 TSV, Part 3, p296. Marx argued: 'Of course, socialists sometimes say, we need capital, but not the capitalist.... I may well separate capital from a given individual capitalist, and it can be transferred to another. But, in losing capital, he loses the quality of being a capitalist. Thus capital is indeed separable from an individual capitalist, but not from the capitalist, who, as such, confronts the worker'. Grundrisse, p303.

58 Capital, Vol 1, pp575-6.

59 'on the basis of capitalist production, the mass of direct producers is confronted by the social character of this production in the form of strictly regulating authority and a social mechanism of the labour-process organised as a complete hierarchy — this authority reaching its bearers however, only as the personification of the conditions of labour in contrast to labour, and not as political or theocratic rulers as under earlier modes of production — among the bearers of this authority... there reigns complete anarchy within which the social interrelations of production assert themselves only as an overwhelming natural law in relation to individual free will.' Capital, Vol 3, p881.

60 In reality, the labourer belongs to capital before he has sold himself: 'His economic bondage is both brought about and concealed by the periodic sale of himself, by his change of masters, and by the oscillations in the market price of labour-power'. Capital, Vol 1, p542.

61 Ibid, p547.

62 Ibid.

separation of politics from economics. More specifically the separation of capital as property from capital as economic function expresses itself in the separation of political from economic domination.

The apparent autonomy of politics from economics provides the starting point for vulgar socialists. For them socialism means more 'political' freedom. Marx criticised those radicals who saw socialism as the realisation of the bourgeois ideals of freedom and equality — and for whom the original relations of capital were 'perverted by money, capital, etc'.⁶³ For reformists, oppression and injustice are not the inevitable consequence of the existing relations of production, but 'abuses of power' that could be put right through 'politics', through the extension of democracy.

3. Capital and the state

The state has existed in all class societies. The bourgeois state is the institution which enforces the wage-labour/capital relationship. In mediating between subjects who are equal before the law, it provides the conditions for the maintenance of property. The bourgeois state guarantees the right of the capitalist to appropriate the unpaid labour of others.

State intervention has been necessary from the dawn of capitalist production. Certain social conditions are necessary to allow capital accumulation to take place. The state must assist in the destruction of all social and political barriers to capital. Complete freedom of trade and the removal of all obstacles to the movement of capital are necessary. Labour must be subjugated to capital and legal barriers to the free movement of workers must be removed.⁶⁴

The state is not only necessary to establish the basis for capital accumulation. It is also required to guarantee the conditions for the continued expansion of capital. Driven on by the compulsion to produce more surplus-value, the individual capitalist cannot perform the social functions necessary for the maintenance of capitalist relations.⁶⁵ The ability of capitalists to function as capitalists already presupposes the existence of the general social relations of capital.⁶⁶ Marx noted that *capital in general* is an abstraction, but that 'capital in general, as distinct from the real capitals, is itself a *real existence*'.⁶⁷ It is the interests of capital in general that are represented by the bourgeois state.

The state takes on tasks which are unprofitable from the point of view of the individual capitalist, but necessary for the reproduction of capital in general. It establishes the basic infrastructure and other material conditions for production. These social functions are paid out as revenues deducted from total surplus-value. Thus the state arises, not independently of capital, but as an institution essential to the enforcement of its general interest.

The state plays a vital function in the reproduction of capitalist social relations. In representing the interests of capital in general it is not subject to the same constraints imposed on the individual capitalist by value relations.⁶⁸ The state can do what no capitalist can — represent the interest of total capital. It can regulate competition and enforce the general interest of capital against the excesses of a particular individual capitalist. In Engels's words, the state of the capitalists is 'the ideal personification of the total national capital'.⁶⁹ However *the state cannot escape the laws of capital; it merely expresses these laws in a modified way*.

As noted previously the domination of the working class by capital is exercised through the accumulation process. This method of domination is usually adequate to capital's needs. However, when class antagonisms come to the fore the bourgeoisie is forced to resort to 'political' means. The exercise of class violence by private armies would make the inherently coercive nature of capitalist relations too obvious.

Therefore the bourgeois state acquires a monopoly over force. It is through the state that the capitalist class as a whole confronts the working class.

The individual capitalist cannot represent the interest of capital in general against the working class. He reproduces the wage-labour/capital relation only in relation to his own workers; he constantly attempts to restrict their wages and thus their capacity to consume. But he regards the rest of the working class as potential consumers: he wishes them to consume as much of his product as possible.⁷⁰ The laws of capital accumulation ensure that the activities of each capitalist in relation to his own workers lead to increases in the rate of exploitation of the whole working class. But while the reproduction of capital can take place through the activities of individual capitalists, it is only through the state that these capitalists can enforce *the relation of capital in general to labour*.

[a] The fetish of state autonomy

The reproduction of capitalist social relations results in the formal separation of economic and political power. As the mediator of the domination of capital the state appears to lead an autonomous existence. The state appears to be independent of the laws that govern social production. It even seems that the state can regulate and organise the process of production.

The apparent autonomy of the state is reinforced by its activity. Though it often pursues an overtly class policy, it must also mediate between individual capitalists. For example, state legislation curbs the individual capitalist's drive to exhaust his workers, limits capital's plunder of natural resources and regulates financial and property transactions. The state presents itself as a force above classes. The fact that economic power is not directly related to politics strengthens the view that the state can express the interests of society as a whole.

Once the state is seen as an autonomous or relatively autonomous institution, its activities appear to be determined by distinct laws of politics. Indeed the state itself comes to be seen as the product of the subjective interaction of social groups.⁷¹ The essential character of the state as the embodiment of the interests of capital in general is glossed over. It is regarded as a convention between classes — as an institutionalised social contract. In the realm of politics it is the subjective interaction of individuals or classes that is held to determine events; state policy is seen as the outcome of this conflict:

'Where political parties exist, each party sees the root of *every* evil in the fact that instead of itself an opposing party stands at the *helm of the state*. Even radical and revolutionary politicians seek the root of the evil not in the *essential nature* of the state, but in a definite *state form*, which they wish to replace by a *different* state form.'⁷²

Radical critics of the state do attack political institutions: even vulgar socialists are prepared to call the state a class institution. But this conception is based on a narrow political view of the state. The separation of politics from economics accepted, the state is portrayed as a purely political institution. For vulgar socialists the state is not a product of the contradictory movement of capital but an external influence on 'the economy'. The capitalist character of the state is confirmed by the social links of political agents with big business; particular state policies are interpreted as the result of the influence of a particular fraction of capital — say the financiers or the monopolists.⁷³ The essential nature of the state as the form that maintains the general conditions for capitalist production is seen only through the subjective interaction of its political agents. Reformists fail to understand that the domination of capital through the state cannot be reduced to its individual

agents. The existence of the state already presupposes the domination of capital through the wage-labour/capital relation: the state merely provides the general conditions for the reproduction of that social relationship.

The fetishised form of the state has important political consequences. Insofar as the bourgeois state is seen as a class state its class features are held to be the product of the political bias of its agents. From this it is concluded that the direction of the state could be altered by political bias of a different kind. The neutral character of the state is affirmed. Now, the state must be able to respond to political pressure, because as we have seen the conditions necessary for capitalist production do not arise spontaneously. But reformists see in the state's responsiveness to pressure proof of the correctness of their political strategy. In fact, the state responds to pressure only within limits set by capital accumulation. The example of unemployment benefits illustrates this.

The accumulation of capital leads to the establishment of a reserve army of labour. It is a matter of indifference to the individual capitalist what happens to the unemployed. It is not a matter of indifference to capital in general. Capital in general seeks to avoid social instability and prevent the destruction of potential labour-power. Hence society 'undertakes for Mr. Capitalist the business of keeping his virtual instrument of labour — its wear and tear — intact as a reserve for later use'.⁷⁴ The state steps in and provides the bare minimum for the subsistence of the living labourer.

The fact that social legislation is enacted and enforced as a result of working class pressure strengthens the view that the state can encroach on capital and serve the interests of the proletariat.⁷⁵ In this way legislation necessary to the maintenance of the wage-labour/capital relation appears as a concession to the working class. When the state nationalises a particular industry against the opposition of a group of capitalists, reformists will often celebrate the occasion as a victory for the labour movement. Yet class pressure which accepts the legitimacy of the bourgeois state is no threat to capital. On the contrary, it reconciles the working class to the continued domination of capital and limits it simply to defending its interests within the capital relation.

The antagonism between labour and capital finds only a particular expression on the political level. This antagonism is not simply a political one. It is inherent in capital itself: 'what is overlooked, finally, is that already the simple forms of exchange value and money latently contain the opposition between labour and capital'.⁷⁶ Whether this antagonism takes a more or less intense form on the level of politics depends on particular circumstances. But one thing is clear: the struggle for the emancipation of the working class is not 'politics' separated from 'economics'. It is a struggle against capital as social power — it is a social revolution. It cannot be directed against this or that group of capitalists or politicians. It can only be directed against the social power of capital which is enforced through the state.

What is distinct about revolutionary politics is that it is directed not against political relations but against social relations. It is the recognition of the oppression of the working class as not merely political but *social* that constitutes the basis for the Marxist's rejection of all reformist strategies. The destruction of the bourgeois state is one moment in the fight to overthrow capitalist social relations. It is the precondition for the social emancipation of the working class.

4. Capital in the epoch of imperialism

'From all that has been said in this book on the economic essence of imperialism, it follows that we must define it as capitalism in transition, or, more precisely, as moribund capitalism.' (Lenin)⁷⁷

In the imperialist epoch capital accumulation can only continue by modifying its own laws. The rise of monopolies and the tremendous increase in state intervention in the economy have led many to reject Marx's analysis of capital and Lenin's theory of imperialism. In the next section we will examine the trends dominant in revisionism today. Here we want to draw out the relationship between Marx and Lenin in their assessment of imperialism as an era of transition.

Marx's analysis shows the logical development of capital towards its transitional phase. He shows that free competition, the free movement of capital, is 'the adequate form of the productive process of capital'.⁷⁸ In Marx's materialist method, abstractions, such as the abstraction of free competition from the general laws of capital, always 'point to a further definite concrete historical basis'.⁷⁹ Marx's analysis of the relationship between the movement of capital and the development of capitalism is a historical-logical one:

'As long as capital is weak, it still itself relies on the crutches of past modes of production, or of those which will pass with its rise. As soon as it feels strong, it throws away the crutches, and moves in accordance with its own laws. As soon as it begins to sense itself and become conscious of itself as a barrier to development, it seeks refuge in forms which, by restricting free competition, seem to make the rule of capital more perfect, but are at the same time the heralds of its dissolution and of the dissolution of the mode of production resting on it.'⁸⁰

63 *Grundrisse*, p248.

64 *Capital*, Vol 3, p196.

65 See Elmar Altvater's useful remarks on this question in 'Some problems of state interventionism', *Kapitalstate*, No 1, 1973, p98.

66 *Capital*, Vol 3, p351.

67 *Grundrisse*, p449.

68 Marx characterised the relation between capital and the state as 'a specific relation of capital to the communal, general conditions of social production, as distinct from the conditions of a particular capital and its particular production process'. *Grundrisse*, p533. This analysis runs counter to the vulgar views on state capitalism held by the (British) Socialist Workers Party (SWP). The rejection of Marx's analysis of the relation between capital and the state is clearly expressed by SWP theoretician Colin Barker, who tries to treat the state as 'a capitalist'. 'The state as capital', *International Socialism*, Series 2, No 1, July 1978, p25.

69 F Engels, *Anti-Dühring*, op cit, p330.

70 *Grundrisse*, p420.

71 The most sophisticated contemporary exponent of this idealist school is Poulantzas. See his *Fascism and Dictatorship*, New Left Books, 1977, and in particular Part 3, 'Fascism and the dominant classes'. Attempts to reconcile Marxism with political sociology are now pursued by Eurocommunist theoreticians with great vigour.

72 Marx, 'Critical Marginal Notes on the Article "The King of Prussia and Social Reform. By a Prussian"', Marx and Engels, *Collected Works*, Vol 3, p197.

73 Vulgar sociology reduces the rule of capital to its individual agents. It presents the policies of capital as those of a particular interest group — for example, the monopolists. In this way the interest of the capitalist class is depicted as the interest of a particular fraction of capital. This superficial approach leads to the conclusion that basic contradictions exist between different fractions of capital. In this way the sociologists obscure the essential nature of the capital/labour relationship — that it is total capital that exploits the whole of the working class and that every individual capitalist is but an individual element of the capitalist class. See our critique of this standpoint in Part III of this article.

74 *Grundrisse*, pp609-10.

75 See W Müller and C Neustüss, 'The illusion of state socialism and the contradictions between wage labor and capital', *Telos*, No 25, 1975. This article provides a useful line of analysis of the questions under consideration here.

76 *Grundrisse*, p248.

77 Lenin, *CW* 22, p302.

78 *Grundrisse*, p.651.

79 Marx and Engels, *Selected correspondence*, op cit, p99.

80 *Grundrisse*, p651.

Once capital overcame the obstacles to its free movement it expanded spontaneously. As soon as this stage was reached in the nineteenth century, capital became conscious of itself as a barrier to development and was forced to restrict free competition. Marx derived the tendency for capital to contradict and modify its own laws from the general nature of capital. Capital must 'seek refuge in forms' other than free competition in its efforts to overcome the barriers to accumulation.

Marx demonstrates that the development of the productive forces comes into conflict with the social relations of capitalist production. The tendency to increase the productivity of labour comes into conflict with the requirements of profitability. This central contradiction is expressed in the tendency of the rate of profit to fall. This tendency reveals that 'beyond a certain point, the development of the powers of production becomes a barrier for capital; hence the capital relation a barrier for the development of the productive powers of labour'.⁸¹ The very development of the productive process becomes a barrier for capital. The inability of capital to develop the forces of production systematically and its inherent tendency towards crisis — as expressed in the tendency of the rate of profit to fall — bring to light the transient nature of capitalist society. It was for this reason that Marx described the tendency of the rate of profit to fall as 'in every respect the most important law of modern political economy'.⁸² The more capital comes into conflict with its own barriers the more it is forced to seek ways of overcoming them. Here we do not want to examine the way capital seeks to resolve its crisis except to discuss the role of the state and monopolies in this process.⁸³

[a] Free competition and monopoly

The fall in the rate of profit intensifies the competitive struggle between individual capitalists. This leads to the growing concentration and centralisation of capital.⁸⁴ Credit speeds up the process of centralisation. Through credit capital tries to overcome the limitations imposed on the individual capitalist and thus allows an 'enormous expansion of the scale of production and of enterprises, that was impossible for individual capitals'.⁸⁵ Credit is a lever for redistributing capital from the weaker to the stronger capitalists. The process of centralisation is not limited 'by the absolute limits of accumulation'. Capital can 'grow into powerful masses in a single hand because there it has been withdrawn from many individual hands'.⁸⁶

As credit develops joint-stock companies emerge. These huge units of production further accelerate the pace of capital accumulation. To protect themselves from their competitors they seek to restrict free competition by establishing monopolies and cartels. But monopolies cannot overcome the laws which govern capital accumulation. They can only transfer a part of the profit of other capitalists to themselves — through the redistribution of total surplus-value.⁸⁷

Monopolies seek to overcome the barriers to profitable production by altering the form in which an average rate of profit is realised. Monopolies cannot be counterposed to competition, either historically or logically. They suppress free competition *but not competition as such*. Marx derived the tendency towards centralisation and monopoly not from an analysis of a particular historical period but from the general nature of capital. Monopoly capitalism as a scientific concept is based on the analysis of the laws of motion of capital. Derived from capital itself, the tendency towards monopoly has been realised in the historical period characterised as imperialism.

With the concentration and centralisation of capital the social character of production acquires a growing independence from the individual capitalist. Credit stimulates the socialisation of ownership and endows capital 'with the form

of social capital (capital of directly associated individuals) as distinct from private capital'.⁸⁸ Marx described this process as 'the abolition of capital as private property within the framework of capitalist production itself'.⁸⁹ The new forms of competition put the socialisation of production onto a higher level. It is in this sense that they 'constitute the form of transition to a new mode of production'.⁹⁰ At the same time monopolies and joint-stock companies express the contradictions inherent in capitalism in a new form. They show that capital must modify its own laws and that the 'conditions of competition, i.e. of production founded on capital, are already felt and thought of as *barriers*, and hence already *are* such...'.⁹¹

For Marx the rise of joint-stock companies, credit and monopolies was an important sign of the transient nature of capitalist production. The separation between the ownership of capital and its control that had been indicated by Marx became increasingly realised in the historical development of capital. Marx pointed to the transformation of 'the actually functioning capitalist into a mere manager, administrator of other people's capital and of the owner of capital into a mere owner, a mere money capitalist'.⁹² Marx considered that the joint-stock companies represented the *ultimate development of capitalist production*. They were a 'necessary transitional phase towards the reconversion of capital into the property of producers'.⁹³

Capital does not overcome its antagonistic nature in this phase of transition. Nor does 'transition' imply the transcendence of capitalist relations of production. The forms of transition indicate the inability of capital to develop the productivity of social labour in accordance with its own laws.⁹⁴ The revisers of Marx believe that these new forms contradict the essential laws of capital. For reformists the efforts of monopolies to regulate competition endow them with the power to organise production.

[b] Free competition and the state

In order to overcome the obstacles to capital accumulation the bourgeoisie increasingly comes to rely on state intervention in the economy. For Marx state intervention represented a sign of capitalist stagnation. Or, conversely, the more limited the intervention of the state in production, the more developed is the capital relation.⁹⁵ 'The highest development of capital exists when the general conditions of the process of social production are not paid out of *deductions from the social revenue*, the state's taxes.... but rather out of *capital as capital*.'⁹⁶ In the imperialist epoch the conditions for capital accumulation can be maintained only through a major expansion of state intervention. The contradictions immanent in the capitalist accumulation process have led to restrictions on free competition — restrictions imposed by state intervention.

As capital develops, every new barrier to accumulation necessitates further state intervention in the economy. Capital 'forces on more and more the transformation of the vast means of production, already socialised, into state property'.⁹⁷ This tendency has reached massive proportions in the imperialist epoch. State intervention promotes the tendency towards the socialisation of production. This is possible because the state is not subject to the limitations of the individual capitalist. It is, however, constrained by value relations, by the total quantity of surplus-value produced. Thus the socialisation of production carried out by the state is always limited by capitalist social relations.

[c] Capitalism in transition or moribund capitalism

Marx's analysis of the transitional forms of capital acquires a new force in Lenin's analysis of imperialism. In the epoch of

imperialism capital can no longer develop in accordance with its own laws. Monopolistic competition and state intervention replace free competition and the increasingly social character of production is revealed by the growing separation of the ownership of firms from their control — in joint-stock companies and state enterprises. The need for capital to adapt these new forms shows that imperialism is an epoch of transition. The fact that the socialisation of production can only proceed through these forms indicates the material possibility of socialism.

Marx's analysis shows that the barriers to accumulation force capital to modify its own laws and 'seek refuge' in transitional forms. Once capital reaches its highest point on the basis of its own laws, further development has a regressive character: 'As soon as this point is reached, the further development appears as decay, and the new development begins from a new basis'.⁸⁵ It is in this sense that we can characterise imperialism as an epoch of decay, of moribund capitalism. The spontaneous movement of capital becomes less and less able to overcome the barriers to accumulation contained within capital itself.

Lenin characterised the imperialist epoch as one of stagnation and decay but also indicated the increasing unevenness of this process, acknowledging the possibility of episodes of expansion within the general tendency towards decline.⁸⁶ He argued that 'on the whole capitalism is growing far more rapidly than before; but this growth is not only becoming more and more uneven in general, its unevenness also manifests itself, in particular, in the decay of the countries which are richest in capital (Britain)'.⁸⁷ The tendency towards decay is revealed on a world scale in the restricted basis for the expansion of capital. The continuous drive to divide and redivide the world only postpones the assertion of the tendency towards capitalist collapse. What characterises this epoch of transition is that the counteracting tendencies to the falling rate of profit prove increasingly inadequate in overcoming the barriers to accumulation. More and more capital has to use 'extra-economic' means to regulate production and to discipline the working class. In the past 50 years wars, major defeats of the working class and the mass destruction of capital values have been the means by which profitable production has been restored. Lenin's analysis of imperialism as the epoch of transition demonstrated that socialism was not merely possible but *necessary* for the defence of the independent interests of the working class.

Revisionism seizes upon the social forms which signify the moribund nature of capital and interprets them as no longer capitalist, and often as progressive. These features of imperialism, which for Lenin indicated the necessity for the dictatorship of the proletariat, are used to erase the distinction between capitalism and socialism and to justify the abandonment of the tasks of socialist revolution. The revisionists adopt the standpoint of the individual capitalist and imagine that society is regulated by the conscious actions of the state and the monopolies. They reject the more barbaric features of capital in the imperialist epoch and seek to use the bourgeois state to build socialism. We now turn to the theory of SMC, the major form in which the bourgeois standpoint has become established in the labour movement in the post-war period.

81 Ibid, p749.

82 Ibid, p748.

83 For the present-day expression of this process in the British context see *RCP* No 3, pp8-22.

84 The *concentration* of capital pertains to the 'increasing concentration of the means of production' that arises out of accumulation. It is 'only another name for reproduction on an extended scale'. The *centralisation* of capital relates to the growing destruction of one capitalist by another; unlike concentration, 'it only pre-supposes a change in the distribution of capital already to hand, and functioning;

its field of action is therefore not limited by the absolute growth of social wealth, by the absolute limits of accumulation.' *Capital*, Vol 1, pp586-7.

85 *Capital*, Vol 3, p436.

86 *Capital*, Vol 1, p587.

87 *Capital*, Vol 3, p861.

88 Ibid, p436.

89 Ibid.

90 *Capital*, Vol 3, p441.

91 *Grundrisse*, p652. It is almost as if the bourgeoisie senses its transient role. No wonder that sections of the bourgeoisie pay lip service to free competition even today.

92 *Capital*, Vol 3, p436.

93 Ibid, p437.

94 'This simply demonstrates the fact that the self-expansion of capital based on the contradictory nature of capitalist production permits an actual free development only up to a certain point, so that in fact it constitutes an immanent fetter and barrier to production which are continually broken through by the credit system.' *Capital*, Vol 3, p441.

95 'The separation of public works from the state, and their migration into the domain of works undertaken by capital itself indicates the degree to which the real community has constituted itself in the form of capital.' *Grundrisse*, p531.

96 Ibid, p532.

97 *Anti-Dühring*, op cit, p332.

98 *Grundrisse*, p541.

99 Here we take issue with Margaret Wirth, who, in her often correct criticisms of the revisionist theories of SMC, identifies Lenin with these theories. See M Wirth, 'Towards a critique of state monopoly capitalism', *Economy and Society*, August 1977, p296. Wirth's analysis leads her to reject the concept of the imperialist epoch altogether. Marx anticipated the imperialist epoch. See *Grundrisse*, pp650-1.

100 Lenin, *CW* 22, p300.

III THE THEORY OF STATE MONOPOLY CAPITALISM

The theory of SMC provides the basis for the contemporary forms of state socialist strategy. In contrast to the leaders of the Second International, today's revisionists claim that the theory of SMC is consistent with Marxism and Leninism. There are many variants of the theory of SMC, but its purveyors always focus on certain key points. *Competition* is taken as the starting point for the analysis of capitalist production. *Production* is treated as a technical process and social contradictions are relegated to the sphere of distribution. *Monopolies* are depicted as the force behind capitalist oppression. The *state* is presented as an instrument in isolation from capitalist relations.

SMC theorists fail to locate the class struggle in the antagonism between capital and labour that is rooted in capitalist social relations. Instead they focus on competition amongst capitalists and conflicts between capitalists and workers over the distribution of surplus-value. By adopting the standpoint of the individual capitalist, the theories of SMC separate politics from economics and relegate class struggle to a narrow political sphere. Theoretically they have paved the way for the rejection of the dictatorship of the proletariat by today's communist parties.

The evolution of the theory of SMC is at once the history of the rise of Stalinism and of the liquidation of Marxism in the working class movement. A Marxist critique of the theory of SMC is necessary not merely to settle theoretical scores with revisionism — indeed on a theoretical level SMC theories have nothing to add to the views of classical social democracy. The importance of the theory of SMC is that it is the theoretical reflection of the reformism that contains the European labour movement. It gives coherence to the radical bourgeois ideology that dominates the working class. A critique of the theory of SMC is at the same time a political weapon for destroying the existing reformist leadership of the working class.

1. The origins of the theory

SMC has become the central concept of Stalinist theory. According to its proponents, SMC is a distinct stage of capitalism in which the immanent laws of capital as presented by Marx have become transformed. There is considerable disagreement over the distinguishing features of the stage of SMC. But there is a general consensus that the state and the monopolies have suppressed the inherent contradictions of the imperialist epoch.

Stalinist theoreticians have always claimed the authority of Lenin for their definition of SMC as a distinct stage of capitalism. One of the more ingenious attempts to link Lenin to the theory of SMC is to be found in the writings of Paul Boccara, a leading economist of the French Communist Party (PCF). According to Boccara, Lenin had no sooner developed his theory of imperialism than he rejected it in favour of a new theory of SMC.¹ Boccara argues that, a few months after the publication of *Imperialism, the highest stage of capitalism*, Lenin discovered that he was wrong. He now identified SMC as a new historic stage. In the case of Boccara an attempt is made to reconcile Lenin with a view of imperialism as *progressive*. However even those more radical exponents of the theory of SMC who denounce imperialism as reactionary claim the mantle of Lenin.²

A study of Lenin's writings makes clear that the theory of SMC is alien to his method. Lenin used the term state monopoly capitalism to describe the tremendous increase of state intervention in the economy during the First World War. Unlike the revisionists, Lenin did not see this intervention as the result of the pressure of monopolies. For him the state always pursued the interests of the bourgeoisie *as a whole*:

'And what is the state? It is an organisation of the ruling class — in Germany, for instance, of the Junkers and capitalists. And therefore what the German Plekhanovs...call "war-time socialism" is in fact war-time state-monopoly capitalism, or, to put it more simply and clearly, war-time protection for capitalist profits.'

As we saw in Part II, Lenin noted that in its attempt to overcome the tendency towards crisis, capital increasingly relied on the state. He followed Engels's analysis in *Anti-Dühring*, which shows that though it is obscured by private property, the social character of production reveals itself in monopolies and the state. For Lenin the tendency towards the socialisation of production demonstrated the *possibility of socialism*.⁴ The barbarism of capital's drive to overcome the barriers to its expansion was dramatically exposed in the First World War. In these circumstances Lenin used the term state monopoly capitalism to illustrate that, in the epoch of imperialism, socialism was not only possible but necessary for the working class.⁵

For Lenin state monopoly capitalism did *not* constitute a stage distinct from imperialism. Lenin never counterposed 'free competition' to 'monopolies' but conceived of both as different forms of competition:

'Imperialism, in fact does not *and cannot transform* capitalism from top to bottom. Imperialism complicates and sharpens the contradictions of capitalism, it "ties up" monopoly with free competition, *but it cannot do away* with exchange, the market, competition, crises, etc....The essential feature of imperialism, by and large is not monopolies pure and simple but monopolies in conjunction with exchange, markets, competition, crises.'

Unlike theorists of SMC Lenin never abstracted monopolies from capitalist production. He fought the grandparents of today's Eurocommunists and their efforts to isolate monopolies and present cartels and trusts as *the* enemy of the working class. He dismissed this standpoint as 'new Proudhonism'. He wrote: 'a "fight" against the policy of the trusts

and banks... is mere bourgeois reformism and pacifism, the benevolent and innocent expression of pious wishes'.

The theoretical roots of SMC are to be found not in Lenin, but in the writings of Bukharin. The focus of Bukharin's analysis was not the process of capital accumulation but the ways in which capital tried to reorganise itself to overcome the barriers to accumulation. His analysis of state intervention and monopolies is not related to the contradictory tendencies immanent in capitalist accumulation. Lenin criticised Bukharin for his impressionistic method:

'Comrade Bukharin's concreteness is a bookish description of finance capitalism. In reality we have heterogeneous phenomena to deal with....Nowhere in the world has monopoly capitalism existed in a whole series of branches without free competition, nor will it exist....To maintain that there is such a thing as integral imperialism without the old capitalism is merely making the wish father to the thought.'

Bukharin's error was to abstract the activities of monopolies and state intervention from the accumulation of capital. As a result he could argue that: 'Finance Capital has abrogated the anarchy of production within the large capitalist countries'.¹⁰ Bukharin's analysis was restricted to the sphere of competition. Bukharin saw the changing forms through which the distribution of surplus-value took place as changes affecting the substance of capitalism. As a result of the changes, he argued, capitalist anarchy only existed within the framework of the world economy. Within the confines of the nation state, on the other hand, the transformation of an 'unorganised system of commodity capitalism into an *organisation* of finance capitalism' had occurred:¹¹

'Capitalist "national economy" has moved from an *irrational system* to a *rational organisation*, from a subject-less economy to an economically active subject. This transformation has been effected by the growth of finance capitalism and the fusion of the economic and political organisation of the bourgeoisie. At the same time, however, neither the anarchy of capitalist production in general nor the competition of capitalist commodity producers was eliminated. The phenomena have not only remained but have deepened by reproducing themselves in the framework of *world* economy. The system of world economy is just as blindly irrational and "subject-less" as the earlier system of *national* economy.'

Bukharin's separation of an organised national economy from an irrational world economy had important political consequences. His theory suggested that, under proper guidance, a national economy could be organised and planned. It remained for the Stalinist bureaucracy to draw the conclusion that socialism could be built within the borders of the Soviet Union through state planning. Thus Bukharin provided the theoretical basis for the revisionist theory of *socialism in one country*. As leading Soviet bureaucrat Manuisky argued against Trotsky:

'Trotsky said it would be impossible to switch off the socialist system from the world economy as one would switch off electricity from a general network....But what do we see in reality? The crisis creeps across the entire area of western Europe, but stops at the borders of the USSR as though at a magic line.'

Manuisky was neither the first nor the last to conjure up a 'magic line' around the nation state. From Hilferding's 'organised capitalism' to the theories of SMC today, the solution proposed for the working class is a 'national road' to socialism.

Bukharin's theories anticipated the utopian strategy of today's communist parties. By restricting his analysis to the sphere of competition, Bukharin ignored the fundamental contradictions of capital that stem from the process of production. His analysis foundered on the materialised forms of social relations that arise in the sphere of distribution.

2. The theory of State Monopoly Capitalism and Stalinism

The degeneration of the Communist International was paralleled by the erosion of Marxism in the working class. Revisionism came to dominate the official communist movement and Bukharin's errors were incorporated into the ideology of Stalinism. Subjective and empiricist explanations were now presented as 'Marxism-Leninism' — a trend reinforced by the opportunist direction of the Soviet bureaucracy. As the bureaucracy adapted to imperialism it became necessary to throw new light on Lenin's theory.

In the critical period between the two world wars, the Soviet bureaucracy saw its hopes of survival as resting on the formation of alliances with imperialist nations. In order to justify its choice of allies the bureaucracy discovered that inter-imperialist rivalries had changed their character. The rivalry between different imperialisms was now presented as a conflict between 'peaceful' and 'aggressive' national capitals. Workers should now support the 'peaceful' Roosevelt against the 'aggressive' Hitler. In this classless terminology the world was re-divided into a 'camp of war' and a 'camp of peace'. Manuilsky told the Seventh World Congress of the Communist International in 1935: 'The growing menace of world imperialist war is causing all class, national and state forces to separate into two camps: *the camp of war and the camp of peace*'.¹⁴ In attributing peaceful intentions to a group of imperialist states the Comintern threw out the essence of Lenin's theory of imperialism.

The abstraction of particular imperialist policies ('peaceful' or 'aggressive') from imperialism was accompanied by the counterposition of monopoly to capitalist competition. According to the leading Stalinist economist of the period, Varga, 'the economic theory of Marx in general and his theory of crisis in particular, are based upon industrial capitalism, *upon the capitalism of free competition*. Present-day capitalism, however, is monopoly capitalism — imperialism'.¹⁵ Varga's empiricist conception of monopolies led him to ignore the contradiction between labour and capital. Instead he focused on the conflict over the distribution of surplus-value amongst capitalists. Had Marx lived a few more decades, Varga claimed, he would have noticed 'a new element in the development of capitalism: monopoly profit, the *artificial* rise of the share of monopoly capital in the total profit at the expense of the income of the smaller capitalists and the "independent producers" still operating'.¹⁶

The view that monopolies rather than capital dominate the economy is the hallmark of the theory of SMC. In it the enemy of the working class becomes the monopolist bourgeoisie. The adoption of an anti-monopoly perspective by the Communist International represented a political *convergence* with social democracy and radical bourgeois thinking. Populist distrust for big business was given a Marxist veneer. This became the central thrust of the Communist International's *Popular Front* strategy: the strategy which, in the mid 'thirties, sought an all-class alliance against fascism — against particular agents of capital and the more extreme forms of capitalist oppression.

The Communist International adopted the ideas of the bourgeois revolution in its campaign against a small clique of privileged monopolists. Stalinist spokesman Berlioz invoked the spirit of the Jacobins:

'When the French revolution abolished feudal rights it intended to protect from the tyranny of a handful of privileged lords the small property resulting from the labour and thrift of individuals and substitute the national interests for the particular interest of a caste. Are we not now contemporaries of a new feudal order whose actual powers and aspirations run counter to liberty, small individual property and the national interest?'¹⁷

The crisis was due to the rapaciousness of the trusts; the task of the working class was to curb the power of big business. For Berlioz the Popular Front government in France failed 'because no efforts were made to control the trusts and cartels which have a monopoly influence on the workers...'.¹⁸ The reformist strategy that stemmed from this analysis pro-

1 Paul Boccara, *Etudes sur le capitalisme monopoliste d'état, sa crise et son issue*, Editions Sociales, Paris, 1974, pp24-5.

2 For a more radical version of this theory see Stephen Wren, 'State monopoly capitalism', *Communist Review*, April 1951.

3 V I Lenin, 'The impending catastrophe and how to combat it', *CW* 25, p361.

4 'The dialectics of history is such that the war, by extraordinarily expediting the transformation of monopoly capitalism into state monopoly capitalism, has *thereby* extraordinarily advanced mankind towards socialism.' *Ibid*, p363.

5 'Or, in other words, socialism is merely state-capitalist monopoly *which is made to serve the interests of the whole people* and has to that extent *ceased* to be capitalist monopoly. There is no middle course here. The objective process of development is such that it is *impossible* to advance from *monopolies* (and the war has magnified their number, role and importance tenfold) without advancing towards socialism.' *Ibid*, p362. As is to be expected this statement has been presented by revisionists as an indication of Lenin's support for the peaceful road to socialism. In fact Lenin's explicit purpose in this article is to show the necessity for the proletarian dictatorship.

6 V I Lenin, 'Comments on the remarks made by the Committee of the April All-Russia Conference', *CW* 24, p464.

7 V I Lenin, 'Notebooks on Imperialism', *CW* 39, p116.

8 V I Lenin, 'Imperialism, the highest stage of capitalism', *CW* 22, p271. Proudhon was one of the leading vulgar socialists of the First International. His preoccupation with unfair distribution was subjected to a devastating attack by Marx. See Marx's *The poverty of philosophy*.

9 V I Lenin, 'Eighth Congress of the Russian Communist Party (Bolsheviks)', 18-23 March 1919, *CW* 29, p168.

10 Lenin aptly remarked in his marginal note to this sentence 'Has not "abrogated"'. See the Pluto Press edition of Bukharin, *The economics of the transformation period*, 1978, p15.

11 *Ibid*.

12 *Ibid*, p19.

13 D Z Manuilsky in *Pravda*, No 3, 3 January 1930, p2. Cited in X J Eudin and R M Slusser, *Soviet foreign policy 1928-34: documents and materials*, Pennsylvania University Press, Vol 1, 1966, pp36-7. For an assessment of the theory of socialism in one country, see F Richards and P Turner, 'Stalinism, the Communist Party and the RCG's new turn', in *Revolutionary Communist Papers* No 1, March 1977. Today Bukharin's ideas are used to support the Socialist Workers Party's theory that the Soviet Union is 'state capitalist'. To prop up the superficial notion that competition in the world economy forces the Soviet Union to be capitalist, the SWP has recently attempted to give Bukharin a new lease of life. See Mike Haynes, 'The resurrection of Nikolai Bukharin', *International Socialism*, Series 2, No 2, autumn 1978, p11.

14 D Z Manuilsky, *Work of the Seventh Congress*, speech delivered to the active members of the Moscow organisation of the Communist Party of the Soviet Union (CPSU), 14 September 1935, Modern Books, London, 1935, p16.

15 E Varga, *The Great Crisis and its political consequences*, Modern Books, London, 1935, pp26-7.

16 *Ibid*. Of course, Marx had already dealt with the question of monopoly profits in his treatment of capital. The redistribution of surplus-value between different capitals is presupposed in Marx's derivation of the average rate of profit. What is new is Varga's subjective interpretation of this process as 'the *artificial* rise in the share of monopoly capital'.

17 J Berlioz, 'Big business against the nation', *International Press Correspondence (IPC)*, Vol 17, No 1, 2 January 1937, p6.

18 J Berlioz, 'The struggle for economic restoration', *World News and Views (WNV)*, Vol 18, No 33, 2 July 1938, p783. One of the leaders of the American Communist Party called for working class defence of Roosevelt and the New Deal against 'big business'. See A Bittleman, 'The offensive of reactionary capital', *WNV*, Vol 19, No 15, 25 March 1939.

jected a small group of families as the enemy of the working class. Thus French Communist Party leader Thorez described the Popular Front programme as 'the platform which brought together the great mass of the French people against the two hundred families which are devouring and tormenting it'.¹⁹

Separating 'aggressive' from 'peaceful' imperialists and monopolies from capital, Stalinist analysis also abstracted political domination from the requirements of capital. Stalinism defined fascism as 'the open, terrorist dictatorship of the most reactionary, most chauvinist and most imperialist elements of finance capital'.²⁰ Fascism arose not out of the needs of capital, but from the subjective intentions of the 'most' imperialist capitalists. The task of the working class was to support democracy — the policy of the 'less' imperialist capitalists:

'Now the working masses in a number of capitalist countries are faced with the necessity of making a *definite* choice, and of making it today, not between proletarian dictatorship and bourgeois democracy, but between bourgeois democracy and fascism'.²¹

We now have the Stalinist Trinity formula: against aggressive imperialism, monopolies and fascism; for peaceful imperialism, progressive capitalists and bourgeois democracy. This is the type of petit-bourgeois reformism that Lenin condemned as the 'new Proudhonism'.

'The Kautskyites...quote these facts about "healthy", "peaceful" capitalism based on "peaceful" relations, and *counterpose* them to financial robbery, banking robbery, banking monopolies, deals by the banks with the state, colonial oppression, etc, they *counterpose* them as the normal to the abnormal, the desirable to the undesirable, the progressive to the reactionary, the fundamental to the accidental, etc. This is the new Proudhonism. The old Proudhonism on a new basis and in a new form. Petit-bourgeois reformism: *in favour of* a cleanish, sleek, moderate and genteel capitalism.'²²

Once it was accepted that the state could pursue 'peaceful' or 'democratic' goals it followed that the bourgeois state could be used to serve the interests of the working class. This abandonment of Marxism did not give rise to a coherent revisionist theory in the 'thirties. However the premises of the Popular Front provide the foundations for the theory of SMC — a point well recognised by Eurocommunist theoreticians.²³

3. The Stalin formula

The drive behind the formulation of the theory of SMC came from two sources. Firstly, the official communist movement was obliged to explain to its constituency the nature of post-war capitalism. This trend is examined in the next section. Here we analyse the most immediate impulse for theoretical revision — the need to justify the strategy of the Soviet bureaucracy.

The fluid, pragmatic objectives of the Soviet bureaucracy led to changes in the presentation of Stalinist theory. The Soviet Union had managed to survive the war and extend its influence in Eastern Europe through a series of alliances with different sectors of the world bourgeoisie. The Soviet bureaucracy had justified this strategy by using its distinction between 'progressive' and 'reactionary' sections of the bourgeoisie. Originally put forward in response to fascism, this distinction still informed the policy of the official communist movement after the Second World War.

In the post-war period the Soviet bureaucracy presented its anti-monopoly strategy in a radical form. With the onset of the Cold War it was not possible to take advantage of inter-imperialist conflicts. Instead, 'East-West' tensions heightened. In this period the Soviet bureaucracy sought to emphasise not the 'progressive', but the 'reactionary' character of the bourgeois state. Stalinism was still committed to the anti-monopoly strategy. However, it now took a radical

stance and portrayed the state as no more than an instrument of the monopolies. Hence the state could only pursue reactionary monopolist policies. To justify this shift of emphasis, the Soviet bureaucracy staged a show trial.

In 1947 Varga made the mistake of putting forward Marx's position that the state acts in the interests of the capitalist class as a whole. The Stalinist bureaucracy took issue with this formulation because it suggested that all capitalists, 'progressive' and 'reactionary', ran the state. A scholarly conference was at once organised to denounce Varga's newly published book.²⁴ It was argued that not all capitalists dominated the state: only the monopolists did. Attributed to Stalin, this argument was used to explain the tensions of the Cold War. Referring to the relation between monopolies and the state in a speech in 1952, Stalin explained:

'The word "coalescence" is not appropriate. It superficially and descriptively notes the process of merging of the monopolies with the state, but it does not reveal the economic import of this process. The fact of the matter is that the merging process is not simply a process of coalescence, but the subjugation of the state machine to the monopolies. The word "coalescence" should therefore be discarded and replaced by the words "subjugation of the state machine to the monopolies"'.²⁵

Stalin's definition served the purpose of a theory. The theoreticians of the official communist movement now had the job of collecting facts to show how this revision of Marx's theory of the state was justified, given the distinct phase of state monopoly capitalism that had been reached. Dozens of articles were written pointing to the growing power of a 'financial oligarchy' and its use of the state in its own narrow self-interest. A special issue of the PCF's *L'Economie et Politique* devoted to the question of monopolies argued that 'the French state represented the interest of the entire capitalist class' in the nineteenth century, but that in the twentieth century, with the rise of imperialism, this was no longer the case.²⁶ Descriptions were all that was needed to justify the shifts in emphasis of the Stalinist anti-monopoly strategy. Typical of this approach was Aaronovitch's *Monopoly in Britain*. In Aaronovitch's version of SMC, 'the state machinery acting in the interests of the most powerful capitalist groups, subjects the entire economy and resources within its reach, to serve the interests of monopoly capitalism'.²⁷ The absence of any theoretical discussion of the laws of motion of the new stage of SMC can be explained by the apologetic character of this theory. Its only intention was to depict monopoly, not capital, as the enemy of the working class.

In the degenerate world of post-war Stalinism only a definition was necessary to revise Marx. After noting the existence of the ubiquitous 'oligarchy', another CP theoretician argued:

'In these conditions it is obviously impossible that the State should remain the "executive committee" (as Engels called it) of the bourgeoisie *as a whole*; the bourgeois State becomes subordinated to the interests of the dominant clique of capitalists, the finance oligarchy, and is an instrument which they will use not only against workers but also against smaller capitalists and independent producers.'²⁸

The revisionist theory of the state was paralleled by a fetishised conception that reduced capitalist oppression to the activities of a small clique of capitalists. The populist framework of rich versus poor replaced Marx's critique of capital.

[a] The law of maximum profit

The empiricist methods of Stalinism led inevitably to the revision of Marx's *Capital*. In order to justify their focus on monopolies, the Stalinists had to show that capitalism had fundamentally changed. The cornerstone of their argument was that the existence of monopolies had created a new rate of

profit, termed by Stalin the 'maximum profit': 'It is not the average profit, but the maximum profit that modern monopoly capitalism demands, which it needs for more or less regular reproduction...'.²⁹

For Stalin the need for monopolies to obtain the 'maximum profit' was the 'basic economic law of modern capitalism'.³⁰ This new discovery was repeated *ad nauseam* by Stalinist economists. René Creussol claimed that the *average rate of profit* only existed in the era of free competition.³¹ It was argued that monopolies could not accumulate at an average rate of profit; there were now two rates of profit — one for the monopolies (maximum profits) and one for the smaller capitalists (an average rate of profit).

In the revisionist schema the subjective intentions of the monopolists become the driving force of capitalism. Through sheer will, the monopolists overcome the barriers inherent in the accumulation process and escape from the tendency of the rate of profit to fall. As Welland, an American Stalinist economist, argued:

'So far as monopoly capital itself is concerned, these counteracting causes actually become the predominant influence, so that the rate of profit for Big Business not only remains above the average rate of profit, but actually rises over long periods. At the same time, the declining average rate of profit asserts itself forcibly in relation to the smaller capitalists in industry and agriculture, who receive at best only the average rate and are often driven below it.... That which is evaded by Big Business, comes home to roost with a vengeance on the remaining, non-monopolised sectors of the economy.'³²

According to this crude revision of Marx, the immanent laws of capital accumulation operate only in the era of free competition. But Marx's analysis is not derived from the historical phase of free competition; it is based on the abstract concept of capital. The revisionists however do not attempt to derive new laws of accumulation. Instead their impressions of the new forms through which surplus-value is divided among capitalists lead them to reject the laws presented in *Capital*. Thus Marx's analysis of the tendency of the rate of profit to fall became for Welland 'a historical *tendency*' which only existed in the epoch of free competition.³³ Now new counteracting tendencies are supposed to have emerged — 'price fixing, blocking of capital flows, patents'.³⁴ But the individual capitalist used measures like this to try to appropriate surplus-value in the nineteenth century just as in the post-war period; in any case they can have no effect on the tendency of the rate of profit to decline. It needs only to be recalled that Marx derived the law of the tendency of the rate of profit to fall from *accumulation*, independently of the distribution of total surplus-value among capitalists.³⁵

Denials of the formation of an average rate of profit strike at the heart of Marx's *Capital*.³⁶ The Stalinist theory of dual rates of profit led inexorably to the abandonment of Marx's theory of value.³⁷ With this new theory there were no limits to the rate of profit obtainable by hungry monopolists.

The abandonment of Marx's theory of the equalisation of profit rates has crucial political significance. As we have shown in Part II, Marx's exposition of the concept of the average rate of profit shows that capitalists do not obtain the precise quantity of surplus-value that was appropriated

fascism, the war danger and the tasks of communist parties', in J Degras, *The Communist International 1919-43, documents*, Oxford University Press (OUP), Vol 3, 1960, p296.

21 G Dimitrov, *The Seventh Congress of the Communist International*, Red Star Press, London, 1973, p192. For an assessment of this reactionary approach to fascism see F Richards, *Under a national flag: fascism, racism and the labour movement*, second edition, *Revolutionary Communist Pamphlets* No 2, RCT, August 1978, and especially pp12-14.

22 V I Lenin, 'Notebooks on imperialism', *CW* 39, p116.

23 See Jean Fabre, Francois Hincker, Lucien Sève, *Les communistes et l'état*, Editions Sociales, Paris, 1973, p81. This text is one of the more ambitious attempts to present the Eurocommunist theory of the state. George Marchais, general secretary of the PCF, likewise draws together the different strands of Stalinist revisionism; in justifying his party's rejection of the dictatorship of the proletariat, he argues: 'We know for example that Lenin, analysing the situation at the beginning of the century, developed the argument that, contrary to what Marx had imagined, socialism could triumph first of all in a single country.... In the same way, the world communist movement put forward in 1960 the new idea that world war was no longer inevitable in contemporary conditions.... Turning now to the case of France, the idea of the Popular Front, which became a reality in 1936, cannot be found in Marx or in Lenin'. Cited in E Balibar, *On the dictatorship of the proletariat*, NLB, 1977, pp191-2.

24 For the account of the proceedings see, *Soviet views on the post-war world economy: an official critique of Eugene Varga's, 'Changes in the economy of capitalism resulting from the Second World War'*, translated by L Gruliov, Public Affairs Press, Washington, 1948.

25 J V Stalin, *Economic problems of socialism in the USSR*, Foreign Languages Press, Peking, 1972, p43. Originally published in 1952 this work consists of a list of empty definitions. It was greeted with enthusiasm in the official communist world. The fact that it could be taken seriously at all provides a striking illustration of the degradation of Marxist theory in the working class.

26 Jean Pronteau, 'L'oligarchie financière et l'état', in 'La France et les trusts', *L'Economie et Politique (E and P)*, Nos 5-6, 1954, pp181-2.

27 Sam Aaronovitch, *Monopoly in Britain*, International Publishers, New York, 1955, p75.

28 Stephen Wren, *op cit*, pp124-5.

29 J V Stalin, *op cit*, p38.

30 *Ibid*, p39.

31 René Creussol, 'Les profits', *E and P* Nos 5-6, 1954, p171. See also A Kashkarov, 'The drive for maximum monopoly profits', *New Times*, 7 January 1953.

32 C Welland, 'On the law of maximum profits', Part 2, *Political Affairs (PA)*, February 1954, p50.

33 *Ibid*, p48.

34 *Ibid*, p50.

35 Commenting on the law of the tendency of the rate of profit to fall, Marx wrote: 'We intentionally present this law before going on to the division of profit into different independent categories. The fact that this analysis is made independently of the division of profit into different parts, which fall to the share of different categories of people, show from the outset that this law is, in its entirety, independent of this division, and just as independent of the material relations of the resultant categories of profit.' *Capital*, Vol 3, p214.

36 Marx noted: 'There is no doubt, on the other hand, that aside from unessential incidental and mutually compensating distractions, differences in the average rate of profit in the various branches of industry do not exist in reality, and could not exist without abolishing the entire system of capitalist production.' *Ibid*, p153.

37 The leading theoretician of the United Secretariat of the Fourth International, Ernest Mandel, repeats in essentials the Stalinist theory of maximum profits: 'A tendency equivalent to the *equalisation of surplus-profits* thus arises, i.e. *two* average rates of profit come into existence side by side, one in the monopolised and the other in the non-monopolised sector of the imperialist countries.' See E Mandel, *Late capitalism*, NLB, 1976, p95. Mandel's vulgar interpretation of Marx stems from his inability to grasp Marx's method. Throughout this massive text it is competition and not accumulation that is presented as the driving force of capital. One of the earliest and most coherent exponents of this theory in the English language was Paul Sweezy, who argued that the general equalisation of profit rates had been superseded by a 'hierarchy of profit rates'. P M Sweezy, *The theory of capitalist development (1942)*, Monthly Review, New York, 1968.

19 M Thorez, *France today and the people's front*, Victor Gollancz, London, 1936, p192.

20 'Extracts from the theses of the thirteenth ECCI Plenum on

in their own factories.³⁸ Rather, capitalists obtain from the total surplus-value produced a profit corresponding to the magnitude of their own capital as a proportion of total social capital.³⁹

Capitalists only appropriate surplus-value and only exploit wage-labour as fractions of total social capital. It is capital in its totality that engages in the exploitation of the working class. For Marx this social character of exploitation guaranteed the class solidarity of all capitalists: 'capital becomes conscious of itself as a *social power* in which every capitalist participates proportionally to his share in the total social capital'.⁴⁰

The equalisation of profit rates has important implications for the exploitation of the working class. Marx demonstrated that exploitation was not an individual matter between a capitalist and his workers. On the contrary, the social character of exploitation is shown by the fact that 'the capitalists as a whole, take direct part in the exploitation of the total working class by the totality of capital'.⁴¹ This is why, despite the competitive struggle, capitalists are at one against the working class.⁴²

Having rejected Marx's analysis of the equalisation of a general rate of profit, the Stalinists presented competition as the source of fundamental antagonisms. In this way the social character of exploitation was obscured by the bourgeois preoccupation with distribution. So impressed were the Stalinists with the might of big business that they now attributed to the monopolies the power to exploit smaller capitalists:

'It is apparent that maximum profits are not secured alone from the more intensive exploitation of the working class. Monopoly capital is able to "milk" the entire domestic economy so as to exploit the *majority* of the population. This includes the small producers, especially the working farmers, as well as the city middle class (professionals, shop keepers, etc.) and even small industrial capitalists.'⁴³

This is the theoretical basis for the Stalinists' famed *anti-monopoly alliance*. Exploitation is no longer the appropriation of unpaid labour by capital — it has become the monopolist plunder of society. The material basis for class antagonisms between labour and capital is obliterated. The problem is no longer production, but what happens to the wealth produced. By now we have come a long way from Marx and Lenin.

4. The evolution of the theory

The theory of SMC as we know it today is the product of the post-war boom. The formulations of the 'forties and the early 'fifties were stop-gap measures designed to give coherence to the Stalinist anti-monopoly strategy. Superficial analyses were combined with blind assertions about the inherent instability of the capitalist order. In the context of the Cold War, the Soviet bureaucracy attempted to mobilise support by presenting its anti-monopoly strategy in a radical form.

Denunciations of monopolists were accompanied by guarantees that the capitalist crisis would lead to the collapse of the system. According to the Stalinist theoreticians, the rapacious appetite of the monopolies would result in capitalist collapse. As PCF general secretary Thorez argued:

'The bourgeois state, far from being the determining force in the economy and directing it in a methodical planned way, is helpless in the face of the economic laws of capitalism, which operate like

elemental calamities. The domination of monopolies greedy for maximum profit carries to extremes the chaotic character of the national economy.'⁴⁴

These assertions about the coming crisis were part of an attempt to deny that capitalism was expanding and proving more stable than in the past. Unable to challenge the 'mixed economy' of bourgeois ideologues, the Stalinists ignored reality. Articles in the Stalinist press denied the fact that capital had entered a new phase of accumulation. Instead the period was presented as part of a long process of economic downturn. It was argued that the monopolies '*have made impossible any period of relative, partial stabilisation of capitalism comparable to that of the 'twenties*'.⁴⁵

At a time when increases in productivity allowed capital to exchange a growing number of use-values for the commodity labour-power, when the working class experienced a modest rise in its standard of living, the communist parties stated flatly that workers were poorer than ever before. In 1955 Thorez argued that in France 'the purchasing power of an hour's pay is, in general, nearly half what it was before the war'.⁴⁶

During the latter part of the 'fifties it became clear that this inversion of reality could not be sustained much longer. The communist parties felt increasingly uncomfortable about the derision with which workers greeted their views. Luckily Krushchev's 'de-Stalinisation' created the climate in which doubts about the past prognosis could be brought into the open. Soon one American Stalinist was able to write:

'Yet the fact remains that we have had a new boom.... And that fact must raise questions as to the validity of our economic analysis in the whole post-war period.'⁴⁷

Similar reservations about the previous 'analysis' were raised in other quarters.⁴⁸ In some cases they led to the rejection of Marxism altogether. However, at this time most leading Stalinists were reluctant to change the scope of their analysis — instead they looked for new explanations for the coming crisis. Thus an international symposium devoted to the economic crisis and the working class held in Prague in 1958 heard that capitalism was in crisis and that the boom was 'approaching its end'.⁴⁹ But despite bold assertions about 'so-called' prosperity, 'so-called' full employment and the 'so-called' welfare state, Stalinist theoreticians were fighting a rearguard battle. If only implicitly at first, they gradually came round to the bourgeois view that capitalism had indeed changed.⁵⁰

[a] The impact of the boom

The tremendous expansion of production in the post-war boom appeared as proof of the vitality of capitalism — and as a rebuttal to Marxism. Throughout the advanced capitalist world working class politics were eroded in the labour movement. The strength of capitalist ideology forced the reformist organisations to abandon even their formal commitment to socialism.⁵¹ Reality appeared to reinforce the bourgeois contention that capitalism had been reformed and that the state now safeguarded the interests of all. Few could convincingly contradict the spokesmen of the bourgeoisie when they expressed this sort of confidence in the future:

'In the private sector the violence of the market has been tamed. Competition, although it continues to be active in a number of areas, tends to be increasingly regulated and controlled. The effort to secure an enlarged area of predictability for business management, in a period in which technological change is very rapid and individual

business investments are both larger in size and take longer to mature, has encouraged long-range collaboration between firms.³²

Against the prevailing mood of optimism, the official communist movement could only assert that capitalism could not be planned. As sections of the labour movement itself began to identify more and more with the system, the official communist movement began to reassess its analysis of capitalism. It was the Italian Communist Party (PCI) — the largest in Europe — that was most responsive to the changing mood of the labour movement. Following Italy's economic 'miracle', Amendola, one of the leaders of the PCI, warned:

'Owing to its scope and importance, its rate and targets it had reached the process of economic expansion controlled by monopoly groups carries political and ideological consequences, having doubtlessly a growing influence on working people.... Thus, in spite of our criticism the influence exercised by the miracle succeeds in penetrating widely amidst the working class movement and even in the ranks of the Party itself. The view for instance, that the monopolistic expansion will last out indefinitely...is evidence of the influence exercised by the "miracle" within the working class movement.'³³

The post-war boom forced the official communist movement to adapt ideologically to capitalism. The reformist implications of the theory of SMC were now increasingly realised in practice. In Italy this took the form of a coherent strategy of 'structural reforms' — a post-war version of anti-crisis socialism. The aim of this strategy was to win the working class to a 'constructive' programme of reforms. According to the PCI the working class had every interest in fighting for the economic expansion of capitalism: 'Hence our constant and systematic effort to carry out a constructive policy and our definite refusal to consider that the worse things are the better it is for us'.³⁴ The communist parties were forced to recognise that things were 'better' than before and tried to modify their strategy accordingly. In the case of the PCI, prosperity provided the stimulus for an explicitly pro-capitalist strategy.³⁵

The PCI was only one step ahead of the other communist parties. Increasingly articles appeared in the Stalinist press issuing warnings about the dangers of 'dogmatism'. Even the hard-line PCF was forced to abandon its customary descriptions of the immiseration of the proletariat. In 1961, leading PCF theoretician Boccara warned against the dangers of 'sectarian nihilism' in theoretical matters. He noted that imperialism was not simply parasitical; it also had its positive aspects — such as 'technical development'.³⁶ Every new attempt to explain the boom led to a further rejection of Marx and Lenin.

SMC now became a formula for explaining the boom. Numerous 'theories' were advanced to reconcile previous analyses with capitalist prosperity. The only thing the myriad of Stalinist explanations had in common was that they ignored Marx's analysis of capital accumulation and looked to conjunctural factors for guidance. The desperation of the official communist movement was apparent at a symposium of Stalinist economists in Prague in 1963. It was argued that the higher wages and increased purchasing power resulting from working class struggle had averted a capitalist crisis.³⁷ Alternatively the compelling example of rising living standards in the 'Socialist world' was adduced as the impetus to capitalist

surplus-value, or profit, produced in a given time by the social capital in all spheres of production.' *Capital*, Vol 3, p158.

39 Ibid, p175.

40 Ibid, p195.

41 Ibid, p196.

42 In this vein, Marx notes: 'Here, then, we have a mathematically precise proof why capitalists form a veritable freemason society vis-à-vis the whole working class, while there is little love lost between them in competition among themselves.' Ibid, p198.

43 C Welland, 'On the law of maximum profits', *PA*, January 1954, p28.

44 M Thorez, 'Mystification and reality: the economic situation in France', *PA*, July 1955, p63.

45 Mary Norris, 'The economic outlook', *PA*, February 1954, p39. Similarly the PCF argued that the French economy had undergone stagnation for the past fifty years. See P Levy and H Denis, 'La tendance à la stagnation de l'économie française depuis cinquante ans', *E & P*, July 1956.

46 M Thorez, op cit, p63. In the mid 'fifties a major discussion took place in the official communist movement on the impoverishment of the working class. The aim of this discussion was to consolidate working class opinion behind the communist parties. For an example of this approach see M Thorez, *La paupérisation des travailleurs français*, Editions Sociales, Paris, 1961.

47 A Brennan, 'On method in political economy', *PA*, June 1956, p45.

48 See M Dobb, 'Some economic revaluations', *The Marxist Quarterly*, January 1957.

49 See 'Economic crisis and the working class', *World Marxist Review (WMR)*, September 1958, p54. Summing up, Soviet economist Arzumaryan assured his audience: 'In spite of a greater volume of production, capitalism failed to recover even the partial stabilisation it achieved in the nineteen-twenties after the First World War and the economic crisis of the early nineteen-twenties'. Ibid, p64. For a parallel British view see J R Campbell, 'Lost — the "era of full employment"', *Marxism Today*, August 1958.

50 Characteristic of the period was Victor Perlo: 'But it would be wrong to conclude that monopoly capital cannot influence the course of the capitalist cycle. A number of Marxists, including myself, have unduly belittled the effectiveness of state monopoly capitalism in this area'. Victor Perlo, 'State monopoly processes in the US economy', *WMR*, June 1959, p51.

51 For an analysis of these developments in the British Labour Party see M Freeman and K Marshall, *Who needs the Labour Party?*, *Revolutionary Communist Pamphlets* No 3, RCT, September 1978.

52 A Shonfield, *Modern capitalism: the changing balance of public and private power*, OUP, London, 1965, p66.

53 G Amendola, ' "The economic miracle" and the democratic alternative', *Rinascita*, 9 September 1961. For an English translation see *Foreign Bulletin of the Italian Communist Party (FBICP)*, Nos 8-9, August-September 1961, pp46-7.

54 G Amendola, 'Class struggle and economic development', *ibid*, No 3, March 1962.

55 The boom provided the opportunity for the PCI to adopt a comprehensive reformist programme. Amendola argued: 'it must be stressed that the working class has succeeded in safeguarding its autonomy and in waging a relentless struggle to make the economic expansion lead to social and political progress'. Ibid, p37. This approach was codified at the Tenth Congress of the PCI held in 1962. See 'Material on the Tenth Congress', *ibid*, No 4, April 1962.

56 Using Marxist phraseology to cover up his revision of Lenin's theory of imperialism, Boccara wrote: 'The dialectical materialist and revolutionary attitude is able to extract the positive aspects from its contradictions in contrast to economic romanticism and leftist (*gauchiste*) dogmatism'. Boccara, 'Quelques hypothèses sur le développement du "Capital" part 1', *E & P*, February 1961, p23. Boccara was able to extract positive aspects of imperialism so skilfully that he could show that anti-capitalism was only so much 'economic romanticism'.

57 The class struggle in the post-war period contributed to the 'growth of production and the expansion of the home market, and has been an important obstacle to the sharpening of the crisis of overproduction'. Not only was the class struggle the saviour of capitalism but the 'breakup of colonial empires' had stimulated demand for the industries of the advanced capitalist world. Yves Baret and J Men-shillor, 'What is taking place with the world cycle', in A Romyantsev (ed), *Crisis and the capitalist cycle: a symposium*, New Delhi, 1963, p4.

38 'Thus, although in selling their commodities the capitalists of the various spheres of production recover the value of the capital consumed in this production, they do not secure the surplus-value, and consequently the profit, created in their own sphere by the production of these commodities. What they secure is only as much surplus-value, and hence profit, as falls, when uniformly distributed, to the share of every aliquot part of the total social capital from the total social

expansion."⁵⁸ Sometimes the effects of the boom were presented as its causes. Thus technological expansion was used to explain prosperity. But to be on the safe side nearly anything was listed as the motor of the boom:

'The causes are many. Taken together, they add up to the features of the present stage in the general crisis of capitalism. The cardinal factors are the growth of state-monopoly-capitalism, the impact of world socialism and the class struggle of working people, the disintegration of the colonial system, the scientific and technological revolutions underway, and the consequences of the Second World War.'⁵⁹

As confusion led to more confusion and the contradiction between reality and Stalinist theory became more apparent, the cry went up not to reject Stalinist theory, but to revise the analyses of Marx and Lenin still further. Hitherto, Stalinism had tried to reconcile its revisions with Marxism. Under the impact of the post-war boom, Marxism itself had to be re-assessed. Today's Eurocommunist passion for rejecting Marx and Lenin stems from this period.

Revisionism as a trend was still further consolidated at the international conference of Stalinist economists held in Choisy-le-Roi in the summer of 1966. Everybody accepted the need for a new theory. But the new theory turned out to be our old friend, the theory of SMC. Though definitely 'a new phase of imperialism',⁶⁰ and not presented as a totally progressive force, SMC was certainly characterised in ambiguous terms. Previously, the concept of SMC had been employed to justify predictions of the coming crisis; in the 'sixties, it was used to explain why capitalism was crisis-free. As Rumanian Stalinist Urban noted: 'The fact that in many capitalist countries state monopoly growth was accompanied by a relatively long period of good business indicated that state-monopoly capitalism did not stem from wars and crisis alone'.⁶¹ Just what SMC did stem from was left to the imagination.

Illusions in the boom permeated the official communist movement. By the late 'sixties, state intervention was interpreted as progressive — as the first stage of socialism. Typical of this trend was Urban's analysis of SMC. Commenting on increased state activity, he wrote: 'Thus the former tendencies toward stagnation are overcome, stabilisation factors strengthened and more favourable conditions for economic growth created, but only at the cost of capitalism in its classical form being negated, gradually disappearing and becoming extinct'.⁶² The material conditions of the post-war boom brought out the reactionary consequences of Stalinist revisionism. Stalinism was now ready to plan capitalism out of existence. SMC became a concept used to obscure the distinction between capitalist and socialist societies. The fact that SMC could be accepted by many in the labour movement as a theory was an indication of the depths to which working class politics had sunk.⁶³

5. The politics of State Monopoly Capitalism

The more the official communist movement adapted to the boom the more it had to present SMC in a positive manner. The Stalinism of the 'sixties was forced to distance itself from the Stalinism of the past. As a result the reinterpretation of SMC took place through a 'critique' of Stalinist dogmatism. This 'critique' consisted of modifying old Stalinist formulas to bring them into line with the apparently harmonious character of capitalist relations. The reconciliation with capital went furthest in the PCI. It was this party that was most directly integrated into the bourgeois state. The strongest impulse for revisionism in the PCI came from its sections in Tuscany and Emilia — areas in which the PCI was heavily involved in the running of local government. In July 1962, PCI employees of the Commune of Bologna complained:

'The tendency to monopolize political power, the party's exclusivist concept of power, is based on the assumption that only the working class is truly revolutionary. In the reality of Italian society, this is not true.... We are criticizing the center of the party and every comrade who has accepted its positions for all the confusion generated over this concept and for preventing the principle of the PCI's renunciation of monopolizing power from penetrating into the consciences of our comrades.'⁶⁴

This explicit rejection of working class politics was the logical outcome of the new consensus that had come to prevail in the official communist movement. The communist parties considered that the prosperity of the post-war boom had created the possibility of further reforms and benefits. Crises had to be avoided because of their negative consequences for the 'people' and the 'economy'. In Britain the Communist Party's economic subcommittee argued: 'The interests of working people will be best served if this upward trend continues'.⁶⁵ Like the state socialists of the inter-war period, the Stalinist parties began to elaborate 'positive' policies of reform — not, as in the past, in response to the capitalist crisis, but to provide the basis for the continued expansion of capital itself.

The commitment of the official communist movement to positive reforms forced it to modify established Stalinist formulas for SMC. As indicated previously, the traditional Stalinist view maintained that the state was the instrument of the monopolies. But how could the instrument of this most reactionary group be used to bring about reforms? The problem was resolved by redefining the relationship between the state and the monopolies: it was now a *contradictory* relationship. The Stalinists' use of the word 'contradictory' allowed them to suggest that the state could act against the monopolies. Even the reactionary Kennedy administration was forced by 'contradictory' pressures to pursue anti-monopoly policies.⁶⁶ It is worth pursuing the tortuous logic of this argument. As East German economist Reinhold expressed it:

'Unfortunately, some Marxist writers still adhere to the Stalin formula. In effect, however, the thesis that the state is subordinated to the monopolies leads to denial of the growing economic role of the capitalist state in the process of reproduction. It does not throw the correct light on the activities of one or another capitalist government. Take, for example, the Kennedy Administration. It included representatives of a number of monopoly groupings. But although on the whole it sought to pursue, and did pursue a policy serving the interests of monopoly capitalists, in a number of cases when it was forced to make concessions to the working people, it came into conflict with the interests of powerful monopoly groupings.'⁶⁷

Having uncovered the progressive kernel of the Kennedy regime, Reinhold goes on to clinch the arguments:

'The formula that the capitalist state is wholly subordinate to the monopolies bars the way to an examination of these contradictions and a correct assessment of the problem of nationalisation. According to this formula, nationalisation is bound to be a reactionary move in all cases so long as monopoly rule prevails. Yet the fact is that at present the struggle for nationalisation can be used by the working class and the anti-monopoly coalition gradually to curb and eventually to abolish the undivided power of the finance oligarchy. This formula likewise rules out the struggle for reforms, including far-reaching structural reforms benefiting the working class and furthering the struggle for democracy and socialism.'⁶⁸

Reinhold's remarks illustrate the apologetic character of the 'new analysis'. Stalin's formula was rejected not because its claims to explain SMC had been invalidated, but because the struggle for reforms was on the agenda. The traditional definition of SMC had to correspond with the new political strategy.

In fact the new redefinition of SMC was not inconsistent with the premises of the Stalin formula. In this it had been the monopolies that dominated the state. But once the state was

abstracted from capitalist relations and was presented as the agent of a particular social group, it followed that other sectors of capital and even the working class could use the state in an anti-monopolist way.

The adaptation of the official communist movement to the boom forced it to accept the social-democratic view of the state. The *substance* of this position — that the state is independent from capitalist production — was already contained in the Stalin formula. Now the *form* in which it was presented by Stalin — the subjugation of the state to the monopolies — had to be rejected, because in this form the capitalist character of the bourgeois state was still implied.

In the 'sixties the theoreticians of the official communist movement were at pains to point out that the bourgeois state had no essential class content. Soviet economist Mileikovsky argued: 'One cannot say in our days that the state expresses the will of the monopoly bourgeoisie alone. More and more frequently it is obliged to act as the middleman in the class struggle'.⁶⁹ Now that the state was presented as a neutral technical institution its policies could be represented as the outcome of its mediation in the 'class struggle'. The struggle for reforms could force the state to act against the interest of capital itself. In 1962, PCI leader Longo noted:

'It is the class struggle that determines the course and the social content of the economic policy of the State. This policy is at present determined by the power of the monopolies, but their power is not everlasting. Far from it, this power can be attacked and cut down starting from the political plan, indenting the present balance of forces, through the common action and pressure of the progressive forces of the country.'⁷⁰

This is the essence of the strategy of state socialism. For state socialists the aim of class struggle is the implementation of reforms by the bourgeois state.

As a result of the boom the reactionary implications of the theory of SMC became explicit. All-powerful monopolies were now matched by an almighty state. The communist parties accepted the bourgeois view that the state could plan production. The only problem was that at present it was planning in the interests of the monopolies. Commenting on De Gaulle's new policy in 1967, French Stalinist leader Waldeck Rochet complained that 'Economic planning, as exemplified by the Fifth Plan is to a certain extent effective, but it is entirely in monopoly interests'.⁷¹ The aim of the official communist parties was to encourage more planning — in the interests of the working class instead of the monopolies. This strategy was given a coherent form by the PCI in the late 'fifties and was codified at its Tenth Congress in 1962. As Amendola summed it up:

'The battle to decide the political and economic development of the society develops around the problem of planning. Christian Democracy and its theoreticians advocate a type of planning which in practice is but an instrument to continue the current process of economic expansion. On the contrary we claim planning as an instrument of a policy capable of modifying the process of accumulation under way and laying the basis for a democratic alternative to capitalistic development.'⁷²

Working class pressure on the state could push it in an anti-capitalist direction. It might not be socialism, but it would represent a new stage — 'a democratic alternative to capitalistic development'. In reality the content of this strategy was to encourage greater and greater state intervention as part of a thrust towards the utopian goal of state capitalism. This objective was clearly specified in the PCI's theses of 1962. In arguing for economic planning, they noted: 'This means rejecting any pattern of economic planning which regards the present set-up and economic structure as an insuperable limit and therefore tends to bar the road to further extension of state ownership, to a further extension of State capitalism'.⁷³

That the PCI could establish state capitalism as the goal for the working class showed how far the official communist

movement had gone ideologically. Adapting to the boom, it could criticise the use to which the state was put but not the bourgeois state itself. Indeed the bourgeois state was increasingly presented as a *progressive* force. The state intervention of the boom period was not understood as a set of steps necessary to provide the conditions for capitalist accumulation. It was interpreted as a series of progressive measures. Longo argued: 'the investments in the State enterprises in the South; public intervention in agriculture, even though its original aim is distorted or forgotten during its implementation, all these are democratic conquests proving the possibility and effectiveness of a democratic popular intervention in the determination of the course chosen by the State'.⁷⁴ State-induced economic expansion was seen as a vindication of the strategy of structural reforms. By the late 'sixties, most communist parties had adopted this strategy and incorporated its state-capitalist objective — 'advanced democracy'. The monopolies were still the bogeymen but the Stalinists now

58 Ibid, p30.

59 Yuri Ostrovityanov and Otto Reinhold, 'Monopolies, state and crisis', *ibid*, p17.

60 For the proceedings of the conference see 'Le capitalisme monopoliste d'état. Conference internationale, Choisy-le-Roi, 26-9 May 1966', *E & P*, Nos 143-4, June-July 1966.

61 See 'Whither modern capitalism? A round table discussion to mark the centenary of Marx's "Capital" and the half-century of Lenin's "Imperialism"', in *WMR*, No 12, December 1967.

62 L Urban, 'The Leninist concept of state monopoly capitalism and the struggle of progressive forces for democratic state intervention in the economy', *Economic Bulletin of the CP*, No 13, January 1968, p26. Urban and other East European economists made little analytical distinction between capitalist and non-capitalist economies. Rejection of Marx's analysis of capital as a historically specific system of social relations was the condition for the adoption of this technical approach.

63 There have been a few isolated attempts at a theoretical explanation of SMC. Without exception these works attempt to explain SMC from the standpoint of competition. See for example, R Gundel, H Heininger, P Hess and K Zieschang, *Zur Theorie des Staatsmonopolistischen Kapitalismus*, Berlin 1967. The most sophisticated attempt to reconcile Marxist categories with SMC is to be found in the works of Paul Boccara. His theory of over-accumulation and devalorisation of capital is devoted to explaining how surplus-value is redistributed in favour of monopolies. See *Etudes sur le capitalisme monopoliste d'état — sa crise et son issue*, *op cit*.

64 Quoted in G Galli, 'Italian communism', in W E Griffith (ed), *Communism in Europe*, Vol 1, MIT Press, 1964, pp318-9.

65 ' "Britain's crisis and the way out", report by the economic sub-committee and adopted by the Executive Committee of the Communist Party on 19 March, 1965', *Marxism Today*, May 1965, p139.

66 See 'The theses of the Tenth Congress of the Italian Communist Party', in *FBICP*, No 9, September 1962. Of the Kennedy administration, the theses noted 'it would be a mistake, however, to deny the differentiations that continued to show up in the imperialist ruling groups'. *Ibid*, p8.

67 'Our round table: finance capital today', *WMR*, Vol 7, October 1964, p71.

68 *Ibid*.

69 'Lenin's teaching on imperialism', *WMR*, May 1967, p43.

70 'Comrade Luigi Longo's report to the Central Committee on the preparation of the Tenth Congress of the Italian Communist Party', *FBICP*, No 4, April 1962, p28.

71 Waldeck Rochet, 'The October Revolution and the struggle of the French communists' *WMR*, Vol 10, No 11, November 1967, p13.

72 G Amendola, 'United struggles to impose democratic planning', *FBICP*, No 12, December 1962.

73 'The theses for the Tenth Congress of the Italian Communist Party', *FBICP*, No 9, September 1962, p58.

74 'Comrade Luigi Longo's report to the Central Committee on the preparation of the Tenth Congress of the Italian Communist Party', *FBICP*, No 4, April 1962, p28.

confidently predicted that the political power of the state could curb them.

The bourgeois fetish of separating politics from economics became the premise of Stalinist strategy. In France the PCF pursued the millenium through democratic planning and the nationalisation of the monopolies.⁷⁵ 'Advanced democracy' — the fetishised label for state capitalism — became the universal slogan of the official communist movement. The former rhetorical hostility towards the state gave way to the vision of the state as the potential instrument of liberation. The PCF called for the state's democratisation and the extension of state intervention. Even formal opposition to the bourgeois state was out.⁷⁶ Capitalist prosperity — the goal of the bourgeois state — became the locomotive of the communist parties internationally.

75 For an exposition of the concept of 'advanced democracy' see 'Manifeste du Parti Communiste Français: pour une démocratie avancée, pour une France Socialiste', *Cahiers du Communisme*, January 1964, pp124-7.

76 One bourgeois analysis of the PCF's attitude to the state noted: 'But the State, either as an abstract political form or a concrete political form of present-day French society, is never contested as such, and its legitimacy is never denied. The PCF often calls for "defence", desires an extension of its powers, and considers that "public service" ... is the best form of social and economic organisation'. G Lavau, 'The PCF, the state, and the revolution: an analysis of party policies, communications and popular culture', in D L M Blackmer and S Tarrow (eds), *Communism in Italy and France*, Princeton University Press, 1975, p115.

IV EUROCOMMUNISM: REVISIONISM AND THE CRISIS

The onset of the capitalist crisis found the official communist movement already committed to pro-capitalist reforms. Since the crisis began the communist parties have merely reiterated their commitment to the state, arguing that it should be liberated from the clutches of the monopolies. The state is their Saviour to overcome the crisis. During the recession they have merely put the finishing touches on the strategy they formulated in the boom.

Once we understand the previous ideological evolution of the official communist movement the much-heralded 'abandonment' of the dictatorship of the proletariat comes as no surprise. The dropping of this term is simply a hint to the bourgeoisie that the official communist movement is completely committed to bourgeois democracy. The recent attempts of Stalinist theoreticians to reconcile Marxism with the rejection of the proletarian dictatorship have only a symptomatic significance.¹ In theoretical terms the Eurocommunists have added little to previous Stalinist contributions — they have merely identified more 'contradictions' in the state apparatus to be used for progressive ends. It is a *quantitative* not a *qualitative* step which recently led the Eurocommunists to find progressive possibilities in the bourgeois army and in the police.² The trend which finds contradictions almost everywhere except between the proletariat and the bourgeoisie counts Poulantzas as one of its chief spokesmen. In the obscurantist language that finds favour in these circles, he notes:

'We are in a process of breaking with a conception of the State as a monolithic block, without internal cracks and contradictions, against which the only action can be instantaneous and frontal. Instead of this we propose the notion that while traversed by class contradictions the State manages to conserve its materiality, which means that it transforms itself by a series of specific practices; the result being that a modification of the relations of forces can have decisive effects on the

State but does not automatically end in changes in the internal structure of the state.'³

What Poulantzas is trying to argue for is structural reforms.

Those Stalinists who have opposed relinquishing the term the dictatorship of the proletariat only provide a more lucid exposition of the politics of Eurocommunism. Without exception they accept the premises of reformism. Vociferous in his objection to the PCF decision to abandon the term dictatorship of the proletariat, Althusser dismissed Lenin's theory of the bourgeois state as 'pathetic'. As for his views on Marx: 'We have to be very frank about it: there does not *really* exist any "Marxist theory of the State"'.⁴ Etienne Balibar, who has written a whole book replete with quotations from Marx and Lenin defending the term dictatorship of the proletariat, holds to the Stalinist (née Kautskyst) view that the state is the product of the class struggle.⁵ He is just as committed to a state socialist strategy as his more open revisionist co-thinkers:

'But at the same time, because the class struggle of the proletariat is not fought out independently of existing social relations...the Party of the working class cannot remain outside of the bourgeois State "machine"...Now once it is inside that machine, it can function either like a cog, or like the grain of sand which causes it to seize up.'⁶

All sides in the discussion accept the state socialist approach to the state; *the real difference is about how much pressure needs to be brought on the state to force it in a progressive direction.*

To pursue the theory of SMC further would be fruitless. Our analysis has shown that the theory of SMC has become a formula for building a utopian state capitalism. Whether it is held that monopolies rule the state or that the state is relatively autonomous from the monopolies makes little difference. All Eurocommunists are agreed that the state is potentially progressive and that its potential will be realised once monopoly power is curbed. In this schema capital is left out of the picture — or rather it becomes a spectator in the battle between monopolies and the state. It is in this regard that Santiago Carrillo's recent book is significant.

Eurocommunism and the state is the product of the degradation of Marxism in the working class — a process which was consolidated during the years of the post-war boom. For Carrillo, capital has delivered the goods in the past and there are no social obstacles in the way of future prosperity. Carrillo may talk about SMC but only as an unpleasant parasite on the back of a healthy system of production:

'The development of science and technology — save for a nuclear catastrophe — cannot be halted; it is equivalent to the development of the means of production. Formerly we Marxists thought that, when a certain ceiling was reached, the capitalist system would become an almost insurmountable obstacle to its own development. But practice has shown that, one way or another, the law of human progress breaks the strait-jacket of the social system. To maintain and reproduce itself, capitalism needs the development of the productive forces, even though this may be distorted by the laws of profit, giving rise to fresh conflicts and social contradictions.'⁷

Why be a communist if 'the law of human progress' is only 'distorted' by capitalism? Carrillo amply reveals the reactionary consequences of the theory of SMC.

The importance of the theory of SMC lies in the fact that it provides the foundation for contemporary state socialist strategy. For Eurocommunists the crisis is a technical problem which can be put right by the intervention of the bourgeois state. Relying on state planning, their 'alternative' strategies can only act as obstacles to the defence of the proletariat. The official communist parties are prepared to make the working class pay for the crisis; in return they merely ask the bourgeoisie to promise to make its share of the sacrifices. For the PCI this guarantee 'must be given in order to create more favourable conditions for a whole-hearted effort by the work-

ers to increase productivity on both the plant and national level, to affect mobility from one job to another and also to contain wage claims'.⁸ 'You can cut the standard of living of the Italian working class', says the PCI, 'so long as the State promises to act in the interest of all'. In conditions of capitalist crisis the only policy which the state can implement is a savage attack on the working class. Demands for 'progressive reforms' give way to capitalist reality. State socialism reconciles the working class to a programme of austerity.⁹

In today's crisis Marx's analysis of capital and the state are indispensable weapons in the struggle for the political independence of the working class. As our analysis shows, the labour movement's relationship to the state is legitimised by pseudo-Marxist theories. Expressed through the concept of SMC, these theories are not merely the product of intellectual elaboration. They have a real material foundation in the experience of the working class — the erosion of the political independence of the working class and the eradication of Marxism in the proletarian movement. This process was consolidated in the post-war boom and led to the convergence of classical social democracy and Stalinism. The concepts of SMC are ideological forms which express the past defeats of the working class. The strength of state socialism in the labour movement today is not due to the theoretical persuasiveness of the theory of SMC. Rather, this ideology is accepted because it appears to correspond to the experiences of the working class.

Today the fight for the political independence of the working class is not merely a struggle against the ideology of SMC. It is a struggle against the political tradition of reformism in which the theory originated and developed; the tradition of reformism which, in the new form of Eurocommunism, is still sustained by the theory of SMC. In training a new working class leadership it is insufficient to denounce state socialism. The past experiences of the working class and their reflection in the reformist tradition must be made conscious. Only in this way can we combat the revisionists and reformists. Today the struggle for Marxism in the working class remains a vital step towards the establishment of the proletarian dictatorship.

Frank Richards

1 The Japanese Communist Party (JCP) has gone to great lengths to transform Marx into a well-meaning liberal. Tetsuzo Fuwa, the JCP's general secretary, argues: 'From the time of Lenin and Stalin the formula dictatorship of the proletariat was utilised to institute an authority by force, implying the suppression of Parliament. But the founders of Marxism in reality wanted...a democratic regime based on universal suffrage and having Parliament as the supreme institution. This accords with the programme of the Japanese communists, when they take power'. Quoted in *Le Monde*, 4 June 1976. For a more elaborate justification of this opportunism see Fuwa's 'Scientific socialism and the question of dictatorship', extracts in *Marxism Today*, June 1977. Probably the most coherent Eurocommunist assault on the Marxist theory of the state is contained in Fabre, op cit. This book was written to justify the decision of the 22nd Congress of the PCF to drop the term 'dictatorship of the proletariat'.

2 See the arguments for 'reforming' the police in Fabre et al, ibid, p148.

3 N Poulantzas, 'The crisis of the state', *Eurored*, No 6, CP, 1978, p9.

4 L Althusser, 'The crisis of Marxism', *Marxism Today*, July 1978,

p219. An explicit defence of revisionism, this article makes clear that Althusser's attachment to the dictatorship of the proletariat is purely sentimental.

5 E Balibar, op cit, pp94-5.

6 Ibid, p92. Reflecting, no doubt, on the history of his movement, he adds: 'But we must admit that there exists an opposite tendency, a permanent risk to which the party is subjected, and from which it cannot escape without a constantly repeated internal struggle — the tendency for it to become the prisoner of the State apparatus against which it is fighting'. Ibid.

7 S Carrillo, op cit, p34.

8 See E Berlinguer: 'An emergency government to tackle a crisis of exceptional gravity' in PCI, *The Italian Communists*, January 1978, p11.

9 See Keith Tompson, 'Wage control and class independence: the record of British Stalinism', in this issue of *Revolutionary Communist Papers*.

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Wage control and working class independence: the record of British Stalinism

In the crisis the British state has set about the task of cutting workers' wages. The imposition of wage restraint by statutory incomes policy has been followed by the establishment of the Social Contract — a voluntary agreement between the Government and the trade unions to limit pay rises. Today capital's offensive against the working class is centrally organised by the state.¹ As phase has succeeded phase, the working class has struggled to maintain its standard of living. In these conditions the fight against declining real wages assumes special significance, for it provides the working class with the experience from which it can begin to understand the class nature of the bourgeois state.

The Communist Party of Great Britain (CP) claims a militant tradition of defending the working class against Government wage restraint. Each time the Government has attempted to control wages in the post-war period the CP has voiced its opposition. It spoke out against the measures imposed by Cripps in 1947 and against the plans put forward by Selwyn Lloyd in 1962. It rejected the incomes policies of Wilson and George Brown between 1964 and 1970; subsequently it campaigned against Heath's statutory policy. Since 1974 the publications of the CP have denounced the voluntary wage agreements between the Labour Government and the trade unions. *Bury the Social Contract* was the tough-sounding title of the pamphlet written in 1977 by CP industrial organiser Bert Ramelson.

The CP's reputation for opposition to the Social Contract commands respect among many workers. To see whether this reputation is justified we need to survey the CP's record in the post-war period. But first we must understand how wages are determined in the process of capital accumulation.

I WAGES AND CAPITAL ACCUMULATION

Capitalist production rests on two fundamentally antagonistic classes. The capitalist class possesses the means of production, the working class owns the commodity labour-power. The worker must sell this commodity to the capitalist in order to obtain the means of purchasing the necessities of life.² The capitalist must buy labour-power in order to extract surplus-value from the worker.

1. The value of labour-power

The value of a commodity is determined by the labour-time socially necessary for its production. This is true also for the commodity labour-power. Its value is equal to the value of the necessities of life consumed by the worker in order to produce and reproduce his ability to work for the capitalist. However, this value is different from the value created by the labourer when the capitalist consumes his labour-power in the process of production — the capitalist can extract unpaid labour in the form of surplus-value from hiring workers.

Wages are the money expression of the value of labour-power. They are the price of labour-power. Wages can deviate from the value of labour-power, but the extent of this

deviation is determined by the accumulation process, as we shall indicate below. It must be borne in mind, however, that the value of labour-power declines continually throughout the accumulation process. While 'real wages' may rise, or the price of labour-power may rise above its value, the value represented by the wage still falls.

2. Wages

Capital accumulation necessitates expanding the scale of production through the investment of surplus-value in new quantities of labour-power and means of production. It is this process which dictates the need to maximise the production of surplus-value. This is the aim and object of capitalist production.

If the intensity of labour and the size of the workforce are constant, the amount of surplus-value extracted from the working class can be increased in two ways. The worker can be forced to work longer by the extension of the working day: this is the production of absolute surplus-value. But because this method is limited by the fact that there are only 24 hours in a day, capital is compelled to shorten that part of the working day during which the worker produces commodities of a value equivalent to the value of his means of subsistence. This, the production of relative surplus-value, requires that the means of production are revolutionised through technical innovation.

However the production of relative surplus-value also comes up against barriers, barriers inherent in the capitalist accumulation process. The production of relative surplus-value demands mounting investments in means of production (constant capital) relative to labour-power (variable capital). The organic composition of capital therefore rises. The amount of surplus-value each worker produces increases, but fewer and fewer workers are employed by a given amount of capital. The surplus-value is measured over an ever greater mass of constant capital and the rate of profit tends to fall.³ Falling profitability brings capital accumulation to a halt. The condition for further investment is the restoration of capitalist profitability.

Profitability can be restored only by a more ruthless plunder of the working class than takes place with the production of relative surplus-value. Capitalism turns increasingly towards the extraction of absolute surplus-value, the intensification of labour and the depression of wages below the value of labour-power.⁴ Capitalist production can only continue by denying the working class the wages required to purchase the customary necessities of life.

The movement of wages is determined by the process of accumulation. In a period of boom capital can grant wage rises to the working class. At a time of crisis capital tries to force down wages to restore conditions for profitable accumulation. These tendencies are reinforced by the changing size of the reserve army of labour. When capitalist production expands, unemployment falls and the changed conditions in the labour market allow the working class to benefit from its increased productivity through wage rises. During a crisis the existence of a pool of unemployed workers makes it easier for capital to reduce wages below the value of labour-power.

3. The class struggle

There is no simple mechanism by which wages rise or fall as capitalism goes through booms and slumps. The extent of the movement of wages is mediated by the class struggle. The capacity of workers to take advantage of a boom depends on the political and organisational strength of the labour movement. The outcome of the bourgeois offensive on working class living standards in a crisis is determined by the strength and cohesion of the employers and the state and the resistance of the trade union and political organisations of the working class.¹

Trade unions are the traditional defensive organisations of the working class. They came into existence to maintain or improve the wages and conditions of workers through 'collective bargaining' with employers. The demand that this process should be *free* from the interference of the state is fundamental to trade unionism. It is the embryo of independent working class politics.

However, trade unions are limited in their struggles by the wage-labour/capital relation. Their aim is to prevent the reduction of wages below the value of labour-power² — a goal which leaves the barrier to a general improvement in living standards, capital, intact. In 1865, Marx advised the international labour movement not to fight for higher wages at the cost of neglecting its fundamental task, the overthrow of capitalist production: Workers

'ought not to exaggerate to themselves the ultimate working of these everyday struggles. They ought not to forget that they are fighting with effects, but not with the causes of those effects; that they are retarding the downward movement, but not changing its direction; that they are applying palliatives, not curing the malady. They ought, therefore, not to be exclusively absorbed in these unavoidable guerilla fights incessantly springing up from the never-ceasing encroachments of capital or changes of the market. They ought to understand that, with all the miseries it imposes upon them, the present system simultaneously engenders the *material conditions* and the *social forms* necessary for an economical reconstruction of society. Instead of the *conservative* motto, "A fair day's wage for a fair day's work!" they ought to inscribe on their banner the *revolutionary* watchword, "Abolition of the wages system!"'

The demand for free collective bargaining does not itself challenge capitalist social relations. It is generally consistent with a reformist strategy. At a time of crisis, however, capital must drive down the wages of the working class. In the current recession it is the state which leads the bourgeois offensive by imposing wage restraint, with or without the consent of the labour movement. In these circumstances the demand for free collective bargaining comes into sharp conflict with the needs of capital accumulation advanced by the bourgeois state. Sooner or later, reformists come to accept falling wages and rising unemployment, because to do otherwise would involve them in a direct challenge to the state. In practice this means that reformism cannot sustain trade union struggles for the simple reason that they contradict the needs of capital. At a time of crisis reformists seek to hold back trade union struggles, pleading with workers to postpone their wage claims.

The crisis shows the need for the struggles of the working class to go beyond trade unionism to confront the bourgeois state. This is essential if living standards are to be defended and the possibility created of destroying capitalist social relations. When reformists drop their support for free collective bargaining the immediate interests of the working class can only be advanced by giving that demand a decisive revolutionary direction.

II THE COMMUNIST PARTY AND POST-WAR RECONSTRUCTION

1. The state and the war effort

The international working class emerged from the Second World War defeated. Its political leaders had proved unable to face up to the challenge of the period and as a result the lives of millions of workers had been sacrificed. Like the other parties of the official communist movement, the British CP had given in to capital on every major question of domestic and foreign policy.

In the years leading up to the war the communist parties internationally were preoccupied with the defence of bourgeois democracy. Pursued by the Comintern after 1934, the Popular Front strategy relied on collaboration of the communists with bourgeois parties to defend 'democratic' capitalism against fascism. During the war this strategy turned into open patriotism. In Britain the CP supported the alliance of the working class with the British bourgeoisie against Germany — and against the German working class.³

1 Whether the regulation of wages is performed by the state or by the individual capitalist depends on the stage which capital accumulation has reached. In the imperialist epoch, when capital seeks refuge from its stagnation in forms which contradict free competition, the state has a *tendency* to assume overall control of wages. On the historical development of state intervention in general, see F Richards, 'Revisionism, imperialism and the state: the method of *Capital* and the dogma of state monopoly capitalism' in this issue.

2 Though the tendency towards statutory wage restraint is evident throughout North America and West Europe today, it is always mediated by the class struggle. Quite often it is opposed by sections of the capitalist class itself, as Conservative Party leader Margaret Thatcher has shown in her declared support for free collective bargaining.

3 The necessities of life include an element necessary to ensure the physical survival of the worker and his family (food, clothing, shelter) and an element determined by the custom and practice of the working class in a particular historical period.

4 See RCT, *Revolutionary Communist Papers* No 3, July 1978, p9.

5 Despite the calls for a 35 hour working week, there has been an *increase* in the length of the working day in the present crisis. The number of hours worked per week by 'operatives' in manufacturing rose by 3.4 per cent between January 1976 and January 1978; the number of 'operatives' working overtime rose from 27.5 per cent to 33.6 per cent over the same period (*Department of Employment Gazette*, May 1978, pp626-7). The drive towards increased intensity of labour is indicated by the numerous speed-ups and productivity deals presently being negotiated.

6 In chapter xvii of *Capital*, Vol 1, Marx deals with the case in which, 'in consequence of the increased productiveness of labour, the value of labour-power falls'. He points out that 'subsidiary movements may occur', in which the price of labour-power (wages) may possibly not fall as much as its value. The amount which wages fall 'depends on the relative weight, which the pressure of capital on the one side, and the resistance of the labourer on the other side, throws into the scale'. K Marx, *Capital*, Vol 1, Lawrence & Wishart, 1974, p489.

7 'The *value of labour-power* constitutes the conscious and explicit foundation of the *trade unions*, whose importance for the English working class can scarcely be overestimated. The *trade unions* aim at nothing less than to prevent the *reduction of wages* below the level that is traditionally maintained in the various branches of industry. That is to say, they wish to prevent the *price of labour-power* from falling below its *value*'. K Marx, *Capital*, Vol 1, Penguin edition, 1976, p1069.

8 K Marx, 'Wages, price and profit', in Marx & Engels, *Selected Works*, Lawrence & Wishart, 1968, pp225-6.

9 The CP was in favour of re-armament for war until late in 1939. Following the Hitler-Stalin pact it opposed Britain's involvement in war against Germany. After Hitler's invasion of Russia in 1941 it immediately changed its policy to support for the British war effort. It sustained this support for the duration of the war.

The CP was enthusiastic in its support for British capitalism's war effort. It played an active role in winning the acquiescence of workers to the sacrifices made necessary by war. In the factories it was in the forefront of campaigns to maximise productivity, notably in the Joint Production Committees where workers' representatives met employers to discuss how to implement 'speed-ups on the shop floor — how to intensify labour and increase surplus-value.'

The major intervention of the state in the war economy was necessary to ensure maximum national efficiency for the imperialist conflict. The CP welcomed increasing state involvement in British capitalism:

'Economically, under the stress of war, significant developments have taken place in British industry, which, if continued after the war, can quickly lift Britain into the front line rank of industrial efficiency. Under State control, there have slowly emerged more effective forms of co-ordination and planning.'

For the CP the role played by the state during the war was a vindication of its theory that the state could be made to plan society in the interests of the working class. If bourgeois democracy could be relied upon to prosecute the war against fascism, then equally the bourgeois state could be the instrument for developing the productive forces and raising working class living standards.'

As victory against Germany came within Britain's reach, the CP increasingly concerned itself with post-war reconstruction. Towards the end of the war working class militancy intensified. The role of the CP was to scab on many important trade union struggles, since they could only damage Britain's efforts to restore itself as a world power. It was quite prepared to countenance the intervention of the state in outright repression against the proletariat.

Early in 1945, 30 Manchester gas workers were imprisoned under the Emergency Powers Act for striking for higher wages. When 140 of their fellow workers came out in protest, the Government sent in troops to destroy the sympathy action. The CP accepted the use of the Army and complained: 'The Manchester "sympathy" gas strikers are still on strike despite the release of their 30 colleagues from Strangeways jail last night and despite the fact that they admit the trouble and hardship they are causing the people of Manchester'.¹² In effect the CP applauded the state's violent attack on a section of the working class. In any conflict between national capitalist survival and the interests of the working class, the CP took the side of the bourgeois state.¹³

2. Planning and incomes policy

For the CP post-war Britain could avoid the capitalist crisis. The state had planned the war; now it could plan the peace. Harry Pollitt, General Secretary of the CP, called on the newly elected Labour Government to 'at once state its national plan, both for production as a whole and with regard to wages'.¹⁴ The CP was enraptured with the miracles of organisation worked by the state at Dunkirk and at every other mobilisation of the people during the war. The state's intervention in workers' incomes thus seemed the natural accompaniment to its continued peacetime controls over trade, investment and the mobility of labour. Socialism to the CP meant planning — obviously wages would have to be planned like everything else. Thus the Communist Party, which has the reputation of opposition to wage controls, entered the post-war period as their most enthusiastic advocate.

What the CP failed to notice was that Attlee's success in the 1945 elections did not represent the seizure of state power and the dictatorship of the proletariat. Capital and the law of value still ruled the British economy. 'Planning' could therefore only be conducted at the expense of the working class. Nevertheless the CP supported every aspect of the post-war austerity demanded by the Government. But for capital this was not enough. In 1947, the economic crisis forced Labour to

introduce a statutory incomes policy.

The CP now swung into opposition to wage restraint.¹⁵ Yet Cripps' wage freeze was rejected not as part of the fight for independent working class politics, but because it did not form part of an overall state plan for the British economy. State regulation of wages was permissible, provided it was linked to government restrictions on prices and profits. At the 1950 Trades Union Congress (TUC), CP member W C Stevens, General Secretary of the Electrical Trades Union (ETU), moved a resolution from his union opposing incomes policy

'until such time as there is a reasonable limitation of profits, a positive planning of our British economy, and prices are subject to such control as will maintain the purchasing power of wages at a level affording to every worker a reasonable standard of living.'

For the CP, as for the ETU, 'positive planning of our British economy' remained the essential goal. Three years of falling real wages had not caused it to change course.

III INCOMES POLICY AND THE RISE OF THE BROAD LEFT

The bourgeoisie had no need of incomes policy during the expansion of capital accumulation in the 'fifties. But by 1962, Tory Chancellor Selwyn Lloyd was firing the opening salvos in what was to become a concerted and prolonged attack on workers' living standards. The response of the CP gave an indication of the role it would resume as boom turned to crisis. It criticised the Tories not for trying to impose an incomes policy but for the 'one-sidedness' of its proposals.¹⁷ It complained that the 1963 report of the Government's National Incomes Commission spent 'most of the time in enumerating the problems that are still to be solved, before profits restraint can be applied'.¹⁸ The CP's 'opposition' to the pay pause in force at the time amounted to this: incomes policies must go hand in hand with restraint on profits, and not before it.

In the run-up to the 1964 election the CP campaigned for a 'new type of policy'. A new Labour government should 'attempt to plan the resources and productive power of the country for the needs of the people'.¹⁹ New Labour Chancellor George Brown proceeded to attempt to do just that by introducing a 3.5 per cent limit on wage rises. The CP was truly incensed. Some months later it complained that 'no concrete plan ... has yet been put forward (we agree that it is a bit early) by the Labour Government'.²⁰ But what could be more 'concrete' an example of planning under capitalism than allowing money wages to rise just 3.5 per cent per year — in times which were already inflationary? Indeed if anybody was being abstract it was the CP. As a leading CP analyst of incomes policy reported to the official communist movement, 'The Communists and the Left in some trade unions are demanding that the Government, while abandoning the attempt to restrict increases in wages and salaries, should promote a *positive wages policy* in certain directions'.²¹ What a positive wages policy consisted of, how it contrasted to the abandonment of attempts to restrict increases in wages, and in which of the 'certain directions' alluded to it was to be promoted — all of this was purposefully left vague. What was definite was that the CP was not opposed to state intervention in wage bargaining in principle. It resisted the *version* of incomes policy that the Government put forward. That was all.

In its resistance to Labour's incomes policy the CP reflected the mood of a substantial section of the labour movement. As the Government's offensive on wages moved from voluntary restraint to statutory controls, the scale of trade union resistance increased. This provided the opportunity for the CP to regain the influence in the unions it had lost since the war.²²

The Broad Left — the CP's alliance with left wing Labour supporters — had considerable success in union elections in the late 'sixties. Its two most spectacular coups allowed sym-

pathisers of the CP to become figures of national prominence. Hugh Scanlon was elected President of the Amalgamated Union of Engineering Workers (AUEW) in 1967 and Jack Jones won the leadership of the Transport and General Workers Union (TGWU) in 1969. These men, later to be pillars of Labour's Social Contract, were elected with CP support on a platform of militant resistance to wage restraint.

Resistance to the anti-trade union legislation proposed in the Government's White Paper *In place of strife* was mobilised by the CP-controlled Liaison Committee for the Defence of Trade Unions. This body organised unofficial strike actions involving hundreds of thousands of workers and demonstrations of tens of thousands in London and several provincial cities. In the early stages of the recession workers could use traditional trade union methods to defend living standards without challenging the state directly. It was thus possible for the CP to support militant strikes and demonstrations without altering its political commitment to the bourgeois state as the agency of socialist transformation.

However, even in this period the practical consequences were evident of the CP's inability to provide the political foundations for the defence of the working class. In 1966, the CP defended the seamen in their claim for higher wages not because they — like any other group of workers — were fighting to maintain living standards, but because they were a special case. Describing the background to the seamen's strike, J R Campbell made a subtle observation:

'The Government had agreed to an increase in doctors' remuneration (quite justifiably, in my opinion) going far beyond the incomes policy norm. So it decided to make up for this breach of incomes policy by standing firm as far as the seamen were concerned. Yet the seamen had a clear case for being also treated as exceptions.'²³

The doctors' case was justifiable; the seamen's was clear. But what clearly was not justifiable was support for the *whole* working class, *without* exceptions, in its struggle for higher wages. That would have required the CP to lead the working class into battle against the state. Instead Bert Ramelson advised leading militants in the seamen's union to call off the strike.

Workers do not all struggle at once. When a section of the working class begins a battle, that battle is — by definition — 'sectional'. Whether it remains so depends on the direction revolutionaries are able to give it. But once it is accepted that the state can weigh up the pros and cons of each particular grievance raised, the road is paved for setbacks and defeats. Carried into the recession of the 'seventies, the CP's deference to the state becomes more reactionary still.

IV THE COMMUNIST PARTY AND THE RECESSION

The last few years have seen a growing recognition of the need to restructure British industry. For the CP this has meant that workers should no longer regard wage increases as their main objective. As early as 1974 the CP argued for radical measures to revitalise the economy:

'The root cause of the country's lack of productivity, its appalling trade deficit, its low level of incomes and chronic unemployment is the antiquated state of much of the country's industry. There is no way around this fact. Modernisation is the only answer.'²⁴

What the CP was and remains unable to understand is something the bourgeoisie has no difficulty in grasping. Modernisation and productive investment, though radical measures, require a still more radical restoration of capitalist profitability. For this, capital needs to increase the rate of exploitation, expand the reserve army of the unemployed by forcing through massive redundancies in industry — and drive wages below the value of labour-power. Before the low level of workers' incomes can be reversed, capital has to make the proletariat endure years of harder work, scarcer jobs and

grinding poverty.

The CP would rather it did not have to do this. It wants to see modernisation, not economic dislocation. And it does not want the dislocation that the seizure of state power by the working class would entail either! The smooth way out is to end wage restraint — or so it says. Higher wages would increase 'purchasing power' and enable more goods to be sold as a consequence. A great boost would in turn be given to production. In short, higher wages would result in what the CP really does take seriously: modernisation. For the CP the merit of higher wages no longer lies in their 'affording to every worker a reasonable standard of living', as W C Stevens had it in 1950. Their merit is that they are a part (and only a part at that) of the Broad Left's 'alternative economic strategy' for the survival of British industry on the world market, a strategy which the Government and the state must be compelled to implement.²⁵ That is what motivates the CP's opposition to

9 A pamphlet produced by the London District Committee of the CP reported a bright idea for boosting productivity, thought up by a Party convenor in a north London factory: 'He went to the Soviet Embassy and obtained some of the photographs of German atrocities in Russia. He persuaded the management to have them enlarged to a huge size and posted in the factory. The result was an immediate spurt all-round in production'. Ted Bramley, *We are many*, CP, c1943, p12.

10 *Victory-Peace-Security*, Report of the 17th National Congress of the Communist Party, 1944, p22.

11 Thus the CP greeted William Beveridge's *Full employment in a free society* — a sequel to his plan for the reorganisation of social insurance and other welfare services — wholeheartedly. Crises and unemployment, it argued, could 'only be eliminated, short of a complete change to Socialism, by the most drastic interference with the normal working of capitalism... the effective measures which Beveridge proposes, to cure unemployment are not measures to bolster up capitalism, but measures to *interfere with capitalism*, to bring the political power of the people to bear in such a way that capital is unable to follow its own laws, and is *compelled* to serve the people'. Emile Burnis, 'Full employment', *Labour Monthly*, December 1944, p383.

12 *Daily Worker*, 25 January 1945, p4.

13 The CP scabbed on major strikes by dockers for higher wages in March, August and October 1945. When the Government dispatched soldiers to smash the August strike at Surrey docks, the *Daily Worker*, the CP's paper, gave only a short factual account of events, refusing to denounce the strikebreaking. See the *Daily Worker*, 1 August 1945, p1.

14 *Communist policy for Britain*, Report of the 18th National Congress of the Communist Party, November 1948, p13.

15 We cannot go into the reasons for the CP's 'left turn' of 1947 here. For an analysis of the general evolution of the CP, see F Richards & P Turner, 'Stalinism, the Communist Party and the RCG's new turn', in RCT, *Revolutionary Communist Papers* No 1, March 1977, and in particular pp32-3.

16 *Report of 82nd Annual Trades Union Congress*, 1950, p467.

17 J R Campbell, 'The Siamese twins — Neddy and Nicky', *Labour Monthly*, September 1963, p407.

18 *Ibid.*

19 *Labour Monthly*, October 1963, p434.

20 J R Campbell, 'The development of incomes policy in Britain', *Marxism Today*, March 1965, p73.

21 J R Campbell, *World Marxist Review*, Vol 8, No 5, May 1965, p32, our emphasis.

22 Many factors had played a part in the earlier decline of the CP. They include the impact of the Cold War, the invasion of Hungary and the publication of Khrushchev's 'secret speech' on Stalin. Bans and proscriptions on CP activity in the unions and the consequences of the prosecution of leading CP members of the ETU for ballot-rigging were important domestic factors.

23 J R Campbell, 'Seamen and the state', *Labour Monthly*, July 1966, p307.

24 John Mathews, 'Mini-measures won't solve maxi-problems', *Comment*, 10 August 1974, pp242-3.

25 For an example of this argument, see 'Who do you think you are kidding Mr Healey', lead article by the editor, *Morning Star*, 16 July 1977, p1. On the scurrilous role played by CP trade unionists and their defence of British industry, see 'The recession: capitalist offensive and the working class', *Revolutionary Communist Papers* No 3, pp38-40.

wage restraint today.

The CP's implicit support for incomes policy is further reflected in its faith in the Labour Government. As soon as it was issued the CP greeted the Labour Party's 1974 election manifesto as a 'socialist' programme. In the five years of austerity since then, the CP has not found cause to revise its opinion.

The CP has, however, come out against the Social Contract and in favour of free collective bargaining. But Bert Ramelson has grown older and wiser too — wiser even than he was at the time of the seamen's strike. Again he offers advice:

'Free collective bargaining is not a free-for-all, with the sky the limit. Trade unions always have been, and are, responsible bodies with their membership having the power, if it uses it, to decide policy. In deciding what its wage claims should be a trade union takes into consideration a number of factors, including the changes in the cost of living and the economic capacity of the employer to pay.'¹⁶

The trade unions must sagely 'take into consideration' the economic capacity of the employer to pay. What could be more innocuous than that? But the capitalist's ability to grant higher wages depends on his profitability. Ramelson recommends not the ruthless defence of the interests of the working class, but the subordination of those interests to the maintenance of profit rates. He recommends a familiar recipe: 'responsible' free collective bargaining.

The disputes in the motor industry towards the end of 1978 showed the dangers of responsible free collective bargaining. When the Ford dispute was at its height, Sid Harraway, shop stewards' chairman at the Ford body plant and a longstanding member of the CP, backed the strike by explaining that Ford's 'ability to pay' was 'well demonstrated by its successful and profitable leadership in the market of the British motor industry'.¹⁷ Harraway argued what the TGWU at Ford was arguing: that the firm was peculiarly profitable, making the strikers' wage demands quite worthy ... as a special case.¹⁸ Soon after, workers at Vauxhall Motors showed how impressed with this logic they were. At mass meetings, shop stewards recommended strike action to back a pay claim in excess of Labour's five per cent limit. But the workers took management's point that Vauxhall was unprofitable and in no position to cover the increase in its wage bill. They voted by huge majorities to stay at work. The trade unions' acceptance of the doctrine of 'responsible' collective bargaining has led to a series of similar reversals.

The CP's reaction to the TUC in September 1978 shows that it continues to accept the legitimacy of state intervention in the wage-labour/capital relation. When the TUC rejected the Government's five per cent limit on wage rises the CP greeted this as 'a step in the right direction'.¹⁹ It was indeed a step in the direction of the policy of the CP. The Congress rejected the terms of the Government's proposals — but not the underlying principle of incomes policy. The Labour Party-TUC Liaison Committee document *Into the 'eighties* which recommended some form of *permanent* incomes policy, was endorsed by the Congress. The TUC's acceptance of the right of the state to intervene in wage bargaining in perpetuity was in turn implicitly endorsed by the CP.

Four years of wage-cutting have not diminished the enthusiasm of the CP for the return of another Labour Government. In early December 1978 it grew excited by what it found in the first draft of the Labour Party's manifesto for the 1979 election. *Morning Star* reporter Martin Gostwick concluded that the draft was 'a major programme for advance towards Socialism in the next five years'.²⁰ But, as he acknowledged in a brief aside, the draft contained a statement that the Labour Party would 'seek an understanding with the trade unions' on pay. In other words Labour's draft manifesto looked forward to another five years of Social Contract between government and unions. This was the advance towards socialism that it was preparing.

No matter. Within a week, *Morning Star* editor Tony Chater was also writing about the advance towards socialism. 'Obviously', he argued, 'there must be a close relationship between a Labour government and the trade union movement in the process of moving from here to Socialism'.²¹ In case of any anxiety that a 'close relationship' between government and unions would simply be another Social Contract, Chater reassuringly added that 'this can never mean reducing the trade unions to an appendage of the government, however left it may be'.²² Nor could it mean the emasculation of free collective bargaining. On the contrary, 'far from restricting or suspending collective bargaining, this all implies an extension of its scope'.²³ Again, any anxiety about the nature of this 'extension' would be unfounded. Collective bargaining, Chater went on:

'must continue to deal with wages and hours. There can never be any question of abandoning that....

'But having said that, collective bargaining during the transition to Socialism needs to go beyond wages and hours.

'It needs to extend the area of its concern, raising the workers' demands about what should be done on wider questions related to forward planning. This would include such matters as investment policy, the location of new plants, development of the production range, and so on.

'In short, collective bargaining needs to stake a claim in the arena usually regarded as reserved for the management.'²⁴

By the phrase 'collective bargaining' most trade unionists understand bargaining about wages and hours. So why does Chater say that trade unionists engaged in collective bargaining must never abandon the issues of wages and hours? Because Chater's call to 'go beyond' collective bargaining 'extends' collective bargaining out of existence. It means that workers must get into the management arena. They must concern themselves with management problems. But what is the main problem that exercises Michael Edwards, Arnold Weinstock and managers throughout Britain? The need to reduce wage costs. *This is the arena Chater wants workers to plunge into.* The CP's extension of collective bargaining means its extinction.

Again Chater is slightly worried about working class reaction to his 'broadening' of the concept of collective bargaining. He continues:

'It might be argued that all this amounts to saying that the unions would be accepting the incomes policy or social contract, since in the demands they advanced they would be taking into account a whole range of questions — including the overall political programme of the government.

'But this is playing with words.'²⁵

Quite so. As Chater plays with the meaning of free collective bargaining, the CP toys with the livelihoods of thousands of workers. That is what its reputation for opposing the Social Contract represents. That is what its militant tradition of defending the working class against government wage restraint amounts to.

We have shown that though the CP has differed with post-war governments over incomes policy, all it has differed over has been the terms on which incomes policy has been introduced. The form of the CP's 'opposition' to wage restraint has changed with changing material conditions. Nevertheless in content the CP has consistently accepted the need for the bourgeois state to intervene in wage bargaining. The CP has objected to the state's unwillingness to plan profits as well as pay; to its unfair dismissal of the seamen's 'special case' for a wage rise; and to its refusal to regenerate British industry by raising wages and boosting demand. But the CP's objections to wage control reveal only its loyalty to the capitalist class.

The recession and the Social Contract have given unprecedented strength to that loyalty. When the CP last advocated a national plan for wages, it did so in the

left-reformist heyday of Labourism that ensued just after the war. Today, under the most crisis-ridden and reactionary Labour Government since the war, the CP's practical activity reinforces incomes policy. The CP may support a particular wages struggle — if it is a 'special case'. But while it only backs those strikes which conform to its framework of national responsibility, the CP condemns others as 'sectional'. When toolroom workers at British Leyland went on strike in defence of wage differentials in 1977, the *Morning Star* condemned their actions on the grounds that they could 'only lead to division'.³⁶ As the crisis deepens the CP will make more and more attacks on workers for being 'divisive'. But it is the Communist Party, the unswerving advocate of 'Left Unity', which now divides and debilitates the working class movement.

Keith Tompson

26 Bert Ramelson, *Bury the Social Contract — the case for an alternative policy*, CP, 1977, p34.

27 Sid Harraway, 'Fords: why we are striking', *Morning Star*, 26 September 1978, p2.

28 See *The Ford wage claim 1978*, TGWU, p3. *Socialist Worker* went further. The Ford Motor Company was in no trouble, nor was British business generally. 'They can all afford it!' was the euphoric realisation prompted by the strike and emblazoned on banner headlines. See *Socialist Worker*, 30 September 1978, p1.

29 *Comment*, 30 September 1978, p322.

30 Lead article, *Morning Star*, 9 December 1978, p1.

31 Tony Chater, 'Incomes policy and the fight for Socialism', *Morning Star*, 15 December 1978, p2.

32 Nor can it ever mean reducing the CP to an appendage of the Labour Party — or so Chater tells us, calling for 'a much bigger Communist Party alongside the other political forces of the left'. *Ibid.*

33 *Ibid.*

34 *Ibid.*

35 *Ibid.*

36 *Morning Star*, editorial, 12 March 1977, p1.

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Seán MacStiofáin: Memoirs of a Revolutionary

One of the most shameful features of the politics of the British radical left is its failure to defend unconditionally the struggle of the Irish for national liberation. For the Revolutionary Communist Tendency, unconditional support for the national liberation struggle is inseparable from building an anti-imperialist movement in Britain. Our criticism of MacStiofáin's book is advanced to assist political clarification within the anti-imperialist movement.

When the Civil Rights demonstrations began in Six Counties in 1968 republicanism was little more than a romantic memory. All attempts to arouse support for a united Ireland had failed since the Partition of 1921. But when the nationalist working class turned to the republican movement to defend it from loyalist and British army attacks, republicanism once more became a political force in Ireland. The Provisional wing of the Irish Republican Army (IRA) now took the lead in the struggle against the British army. The memoirs of former Provisional IRA Chief of Staff Seán MacStiofáin provide an opportunity to assess the role of republicanism in the present war in Ireland.

Seán MacStiofáin is proud to claim the republican tradition as his political heritage. This tradition has its origins in the eighteenth century, with the United Irishmen. Under the leadership of Wolfe Tone, the United Irishmen represented the national bourgeoisie in the era of progressive capitalism. They were directly influenced by the ideas of the great bourgeois revolutions that had just taken place in America and France. They sought to forge an alliance with all oppressed classes — an alliance that would create the conditions for the development of capitalist social relations in an Ireland free from English interference. Because the bourgeoisie had the potential to extend the productive forces beyond the constraints imposed by Britain, the United Irishmen could present its particular interests as the general interest of all classes in Irish society.

The rebellion of the United Irishmen and several uprisings in the nineteenth century failed to rally sufficient support and were defeated by Britain. The dramatic expansion of capitalism into a system of global economic domination culminated at the end of the nineteenth century in a protracted period of stagnation and decay — the age of imperialism. The bourgeoisie could no longer unite with the working class to overthrow the barriers to capital accumulation.

In the imperialist epoch capital can only survive by periodically defeating the working class. However, in countries oppressed by imperialism, the antagonism between labour and capital is modified by the nature of national oppression. In oppressed nations such as Ireland the struggle for democratic rights takes the form of a national liberation movement against the oppressor nation.

In the twentieth century an independent bourgeois republic can no longer provide a solution for the Irish people. The national bourgeoisie cannot systematically develop the productive forces in an oppressed country constrained by the imperialist world economy. Socialism is necessary to advance the development of society. The working class, the agent of socialist transformation, is the only class whose interests dictate an unrelenting struggle against imperialism.

As this class grew in size and strength with the development of capitalism, the Irish national bourgeoisie

became more aware of the need to ally itself with the proletariat — even though only the defeat of that class would ensure its own survival. In the period of heightening class and national conflict that led up to the War of Independence in 1918, the radical wing of the republican movement came to appreciate the need to modify its programme to win the support of the working class for the struggle against Britain.

In the writings of the republican leader Pádraic Pearse the republicanism of Wolfe Tone was expressed in socialist terms. Pearse asserted that, under republican control, the state would guarantee workers' interests by retaining the right to nationalise any key sector of the economy.¹ But for the republican movement nationalisation merely meant the extension of a practice already common among small businesses and farmers. Pearse wanted to extend 'co-operativism' — the common ownership of means of production such as warehouses and creameries — to the level of the bourgeois state. This conception of nationalisation has become the essence of the republican programme today.

The War of Independence of 1918-21 revealed the inability of the national bourgeoisie to advance consistently the cause of Irish freedom. Following the national bourgeoisie's defeat of the emergent working class in the 1913 Dublin Lockout and the crushing of the 1916 Easter Rising, divisions within the republican camp led to defeat at the hands of Britain. The bourgeois leadership of the republican movement accepted Partition — the compromise with imperialism which led to the integration of six counties into the United Kingdom and an illusory independence for the rest of Ireland. As a result of Partition the struggles of the working class became confined to trade unionism. The programme of republicanism continued to dominate the national struggle and the resolution of the national question was postponed.

For almost half a century Partition condemned the republican movement to political impotence. After the republican leadership had compromised with the Free State regime in the 'twenties, only a small group of republicans persisted in efforts to keep the struggle for national independence alive. This group launched a series of bombings which reached its climax in the Border Campaign of 1956-62. The isolation of the republican movement from the working class ensured that these activities were little threat to British imperialism.

The republican movement was already isolated when Seán MacStiofáin joined it shortly after the Second World War. His first active military service — an arms raid on an English public school — landed him with a six year prison sentence. He spent his time learning Irish and absorbing the republican tradition. MacStiofáin took a keen interest in contemporary national liberation struggles — in Kenya, Indochina and Cyprus — and supported them from his own nationalist perspective. The negative example of international Stalinism led him to reject Marxism as the political basis for anti-imperialist movements in Ireland and elsewhere.² He became a radical bourgeois nationalist rather than a working class revolutionary.

After his release from prison MacStiofáin moved to Ireland and gradually rose up through the IRA hierarchy. Unprepared for the sectarian onslaught on the nationalist population of the Six Counties that came in 1969, the IRA split into two wings — the Officials and the Provisionals. By 1970 MacStiofáin was Chief of Staff of the Provisionals and leading their military defence of the Catholic community. The ability of the Provisionals to defend the Catholic areas ensured that they would assume leadership of the national liberation struggle. As the Provisionals were the only organisation able to defend the oppressed minority, they were able to win mass support and a pool of recruits. But developments in Ireland since the struggles of the pre-Partition period posed new political problems for the republican movement. As leader of the military wing of the movement MacStiofáin was

closely involved in drawing up a new programme appropriate to the circumstances of the seventies.³

The expansion of the world economy in the 'fifties and 'sixties had provided the opportunity for a limited development of capitalism in Ireland. Programmes of state-induced foreign investment had resulted in accelerated industrialisation on both sides of the Border.⁴ The most important result of this process was the increase in the size of the working class. For the first time there existed in Ireland a class of substantial social weight: a class whose interests demanded an uncompromising struggle against imperialism. Objectively the potential now existed for the successful prosecution of the national liberation struggle.

Whilst the nationalist population needed the IRA for physical defence, the republican movement now had to rely on the working class if it was to realise its goal of a united independent Ireland. The Provisionals gave workers weapons and established their leadership of the national struggle against British imperialism. As MacStiofáin puts it:

'If we provided defence for an area that came under attack, our prestige in that area and in general would be greatly enhanced. We could then exploit this initiative, move over from the defensive to offensive action, and concentrate on the main national objective of ending British rule in Ireland.'⁵

Though the Provisionals recognised the importance of working class support for their struggle, this did not mean that their political goal had changed. They remained committed to an independent Ireland; but for them the *class character* of an Ireland free of British domination remained that defined by Pearse — a capitalist economy, a bourgeois state and common ownership of certain industries.

In order to consolidate working class support, the Provisionals modified their traditional bourgeois nationalist programme. The solution they adopted in 1971 was the 'Democratic Socialist Republic' of *Éire Nua*, the programme launched by Provisional Sinn Féin, the political wing of the Provisional IRA.⁶ For MacStiofáin, *Éire Nua* 'acted as a tonic to thousands who realised that Republicanism could indeed present a constructive political way forward'.⁷ In reality the new programme was only an updated version of the radical populism of Pearse.

Just as MacStiofáin sees British imperialism not as the necessary form of capitalist domination in Ireland, but as a military policy opted for by sections of the British ruling class, so he sees the interests of world imperialism as compatible with those of an oppressed nation. Speaking of the ceasefire declared by the Provisionals after Britain's massacre of 14 civilians on Bloody Sunday, 1972, MacStiofáin notes:

'Politicians in London, Belfast and Dublin had a common interest in bringing the fighting to an end as quickly as possible. The British wanted to end the embarrassment which the Derry massacre, interrogation under torture and other brutalities had exposed them to in the face of world opinion.'⁸

For MacStiofáin the strategy of British imperialism results not from the needs of capital accumulation but from the subjective motives of bourgeois politicians. It follows that persuasion could change imperialist policy. As the politics of imperialism are simply 'world opinion' to MacStiofáin, he hopes to use this influence to modify the oppression meted out to Ireland.

It is for this reason that republicanism tends towards a compromise with imperialism. This has become clear on a number of occasions. Michael Collins, one of the military commanders during the War of Independence, accepted Partition in 1921. Later de Valera abandoned his opposition to the Treaty and led Fianna Fáil into government in 1932. In the 'seventies republicanism has again made compromises with imperialism. Under the leadership of MacStiofáin, the Provisionals made a truce with British imperialism in which they tried hard to prove their credentials as respectable

members of the world community. MacStiofáin notes that since the June 1972 ceasefire, British sources had

'admitted that we did our utmost to honour the truce....And on this occasion too they conceded that we had "policed it completely".'

The efforts of the republicans to oblige British imperialism went further still. MacStiofáin comments that

'We would not have complained about extending the completion of withdrawal by a year to 1976. This would have given the British three and a half years to arrange an orderly withdrawal of their forces from the North.'

In the course of negotiations Northern Ireland Secretary William Whitelaw pointed out that the British Government had several times given 'constitutional guarantees to the majority in Northern Ireland.'

'I said that it was the Ireland Act of 1949, passed in the British House of Commons, which guaranteed that constitutional position. There was no act of parliament which could not be set aside by another....All that was required to remove them was a simple majority in the same House of Commons.'

For MacStiofáin the emancipation of Ireland need not be the task of the working class; it can be achieved by a parliamentary majority at Westminster.

MacStiofáin's assessment of British imperialism stems from the republican programme. A significant section of the republican movement opposed the truce of 1972. However, although some opposed the truce they were not able to offer the class alternative which alone can provide the basis for a consistent struggle against imperialism. MacStiofáin's book reflects the contradiction that continues to haunt the republican movement. Although it is determined to rid Ireland of British oppression, its programme cannot provide the foundation for realising that objective.

Over the last 10 years the republican movement has put up a heroic resistance to British imperialism. But this should not blind us to the political perspectives contained in this book. Those sections of the working class in the Six Counties now struggling against British imperialism will not free themselves from imperialist domination and achieve socialism through *Éire Nua*. The revolutionary potential of these struggles will only be realised through the building of an independent working class party in Ireland.

Andrew Clarkson

1 Pádraic Pearse, *The sovereign people*, Pobal Teoranta, June 1974.

2 Seán MacStiofáin, *Memoirs of a revolutionary*, Gordon Cremonesi, 1975, p52.

3 Ibid, p278.

4 This point is developed in Mary Masters and Phil Murphy, 'British imperialism and the Irish crisis', *Revolutionary Communist Papers*, No 2, May 1978.

5 Op cit, p113.

6 *Éire Nua*, Sinn Féin, Dublin, January 1971, p3.

7 Op cit, p278.

8 Ibid, p259.

9 Ibid, p287.

10 Ibid, p283-4.

11 Ibid, p283.

12 Ibid, p283.

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