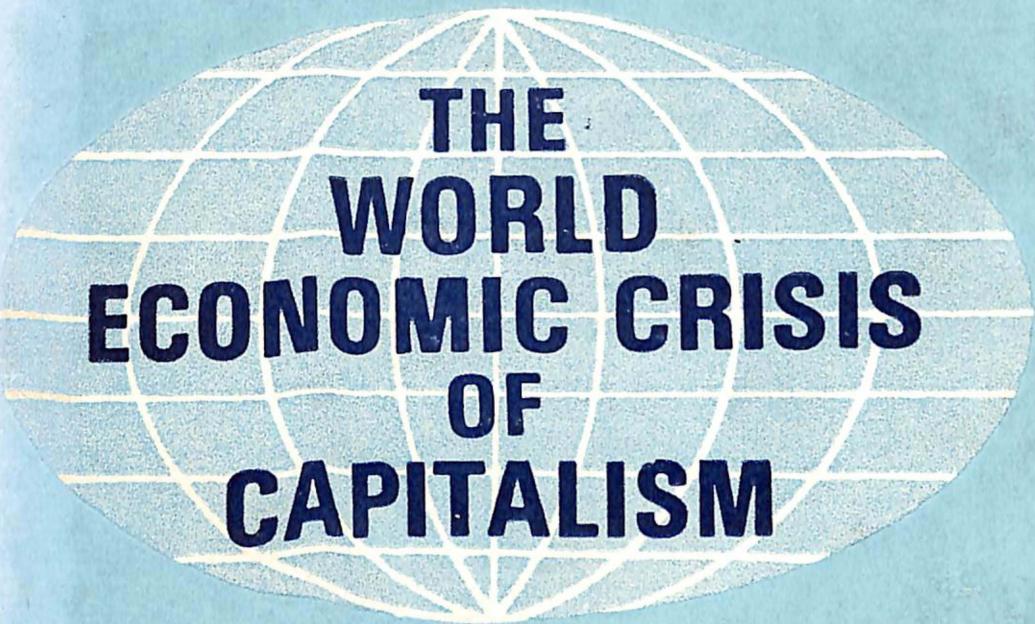


JURGEN KUCZYNSKI



**THE
WORLD
ECONOMIC CRISIS
OF
CAPITALISM**

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THE WORLD ECONOMIC CRISIS OF CAPITALISM

The World Economic Crisis of Capitalism

by
Jurgen Kuczynski

Foreword by
Mohit Sen



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FOREWORD

For more than four decades Professor Jurgen Kuczynski has helped the working class, all the other exploited strata and the oppressed peoples to better know the world so as to more effectively change it. World capitalism knows few critics as powerful and devastating as the author of this book. He belongs to the great tradition of Marxist scholarship in political economy and economic science along with the late E. Varga and Maurice Dobb.

To English-knowing readers he has been well known for his seminal and voluminous works on the living conditions of the working class and labouring people in the capitalist countries from the moment of the birth of capitalism and of its gravedigger. A rather distorted English translation of his history of the working class has also been available for some time. Readers of *Labour Monthly* would remember his name at once as would the many thousands who read his booklet on fascism written specially for the international antifascist conference at Patna held in December 1975.

One would like to add, somewhat unnecessarily, that Professor Kuczynski has not only written about and for the class struggle but suffered and waged it. He has known exile when nazism thought it had blotted out the very destiny of the working class in the homeland of Marx and Engels. He knows the joy of being in a land where the working class now builds the advanced socialist society. Among the many gifts that the German Democratic Republic gives to the world struggle for socialism the work of Professor Kuczynski is one.

In this book the author has made a deep analysis both historico-logical and contemporaneous of the extremely complicated but enormously important phenomenon called the economic crisis of world capitalism. In the turbulent

and troubled times in which we work and struggle in India it is of the utmost importance that we grasp the main contours and, indeed, contortions of the world capitalist system of which our country continues to be an exploited part. Our national-economic development and the battle for deepgoing structural transformations which would set India on the path of transition to socialism require that we study deeply the underlying and contradictory trends of world capitalism.

The present work of Professor Kuczynski is simultaneously a brilliant exposure of the rottenness and horror of world capitalism—which is important for our ideological struggle—and a cool scientific study of what precisely is the present phase of its general crisis. In the conclusion of the book he has made an overall assessment of the immediate prospects of the world capitalist system—decay interrupted by short bursts of life—which requires close attention and discussion being very intimately relevant to the all-pervasive crisis of our country's capitalist path of development.

It is with a measure of feeling of presumptuousness but with unalloyed eagerness that one commends this work.

MOHIT SEN

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Introduction

The capitalist world has seen major changes in the last five years.

The political changes which our planet has undergone are legion: victory against aggressive American monopoly capital in South Vietnam, Laos and Cambodia; the overthrow of the fascist dictatorship in Greece; the advances made by the popular forces in Portugal; victory in Angola; blows dealt at capitalist domination in Latin America and Africa; the great victory achieved by the peace forces at the Helsinki Conference on Security and Cooperation in Europe. Throughout the whole of history, progress has never run a smooth course, and today's world is no exception in this respect. The events in Chile awaken not only anger in us, but also pain. What is more we are fully aware that Helsinki has not brought about a ceasefire, but rather provides firmer ground for a more intense struggle to maintain peace and to bring about disarmament.

Who would have thought five years ago that the socialist world of today would be so very much stronger politically—take for instance the international recognition of the GDR—and that capitalism would be so much weaker on a world scale? We should nevertheless keep in mind that a wounded animal is especially dangerous.

Progress is on the move, with all its contradictions, twists and turns. The last five years have seen far swifter advance by the progressive forces than the previous five.

The world crisis of capitalism has caused the area under its control to shrink and curbed its political aggressiveness to a certain extent. In some ways, however, rather more serious for capitalism is the manner in which its foundations have been rocked by an extensive economic crisis.

which must be seen against the background of an intensification of the general crisis of capitalism.

Capitalism's cyclical crisis of overproduction gripped it once again from 1973 to 1975. It was not only the biggest since that of 1929-33, it was in fact the greatest world economic crisis for a hundred years since the one which erupted in 1873. Marx predicted the 1873 crisis when he wrote the afterword to the second edition of *Capital*, volume 1. He said: "That crisis is once again approaching, although as yet but in its preliminary stage; and by the universality of its theatre and the intensity of its action it will drum dialectics even into the heads of the mushroom-upstarts of the new, holy Prusso-German empire."¹

Just as the 1873 crisis drummed dialectics into the German capitalist class, so the crisis which started towards the end of 1973 drummed a few home truths into world capitalism. Speculation about continuous growth of industrial production has died down, we no longer hear about an end being put to the army of unemployed, about regulating the economy. All these ideas dominated capitalist propaganda in the fifties and sixties.

Marx predicted the 1873 crisis, and in a similar way the leadership of the Socialist Unity Party of Germany (SED) pointed out to us that events in the seventies would take a course different from that of the fifties and sixties. At a large gathering held by the SED county committee in Leipzig on 10 March 1972, Erich Honecker said: "In the whole of the postwar period, the capitalist economy has never been so unstable and crisis-ridden as it is now in the early nineteen-seventies."²

A very sharp contrast to this picture is provided by the way in which the socialist countries which are members of the Council for Mutual Economic Assistance (CMEA) are going full steam ahead with their economic development.

1 Karl Marx, *Capital*, vol 1, p 29 (Progress Publishers, Moscow, English Edition).

2 Erich Honecker: "The 8th Congress and the Tasks That Lie Ahead" (*Neues Deutschland*, 11 March 1972, p 3).

A look at the pattern since 1973 will show that:

The national income of the socialist countries has risen, and that of the imperialist countries has dropped. The standard of living in the socialist countries has grown, and that of the working people in the imperialist countries has dwindled.

We work with confidence in our future. In contrast, a meeting of big bankers and financial experts from 22 advanced capitalist countries is quoted as saying:

that the crisis should be made good use of, as the upturn to be expected afterwards would be terrible.³

Does this not show that the future augurs badly for finance capital? These gentlemen are surely right when they think the situation can only get worse ... for them!

As Marx so pertinently put it, the crisis has certainly drummed dialectics into the big businessmen.

We, however, who have gained an understanding of dialectics from Marx, Engels and Lenin and from the lessons of real life, know different. Led by our communist and workers' parties, we in the socialist countries are working to build a future in which all our people are guaranteed a fine and dignified life. And we know that such a future will be won throughout the whole world in the struggle led by the communist and workers' parties.

Chapter 1

Industrial Production: the Backbone of the Capitalist Economy

The basic difference between the capitalist system and all other previous social systems is that the backbone of its economy is not provided by agriculture but by industrial production.

From 1860, when statistical information was first compiled, right up to the first world war, industrial production in the capitalist world showed steadily accelerating growth rates:

ANNUAL GROWTH RATES IN INDUSTRIAL PRODUCTION

1860 to 1880	3.2 per cent
1880 to 1900	4 per cent
1900 to 1913	4.2 per cent

A drop in growth rates set in with the first world war and the ensuing decades :

1913 to 1938	2.2 per cent
1938 to 1975	3.8 per cent*
1969 to 1975	2.2 per cent

* United Nations statistics show a growth rate of 4.6 per cent. These, however, are based on the fiction that the territory ruled by capitalism is the same in 1975 as in 1938. For example, industrial growth rates for the Federal Republic of Germany are calculated on the basis of comparing with the region under Germany in 1938. No account at all is taken of the manufacturing losses suffered by the capitalists through the socialist countries no longer being under their sway.

Growth rates in output slowed down as the general crisis of capitalism really began to bite, not least because ever

larger areas dominated by capitalism began to be wrested from its control.

As a matter of fact, the share contributed by the capitalist-dominated part of the world to the world's total industrial production has shown a steady reduction:

CAPITALISM'S SHARE IN WORLD INDUSTRIAL PRODUCTION⁴

Year	percentage	Year	percentage
1913	100	1950	80
1918	97	1975	60
1938	90		

In the 20 years from 1918 to 1938, capitalism's share in world industrial production dropped by 7 per cent, and in the next 12 years, from 1938 to 1950, it sank by another 10 per cent and in the following 25 years it plummeted by another 20 per cent.

We shall soon reach the stage where the socialist countries turn out over half of all manufactured goods, and the capitalist countries less than half.

If we break the capitalist world down in line with UN statistics into advanced (imperialist) and developing countries, we note the following:⁵

SHARE IN CAPITALIST WORLD OUTPUT (IN PER CENT)

Year	Advanced (imperialist) countries	Developing countries (mainly colonies or semi-colonies before 1945)
1937	90	10
1965	87	13
1970	86	14
1975	84	16

4 Cf *Probleme de Friedens und des Sozialismus*, No 1, 1975, p 73.

5 All statistics for which no source is quoted have been calculated by me on the basis of figures in the *Monthly Bulletin of Statistics* issued by the United Nations, pre-1938 on the basis of League of Nations statistics (I.K.).

The imperialist countries' share in total output by the capitalist world has dropped permanently, as the national bourgeoisie in the countries liberated from colonialist subjugation have pressed through a strengthened programme of industrialisation in their countries.

Let us now take a look at a breakdown of total industrial production throughout the world:

SHARE IN WORLD INDUSTRIAL PRODUCTION (PERCENTAGE)

	1937	1975
Socialist countries	10	40
Imperialist countries	81	50
Developing countries	9	10

This table is very revealing. It shows that alongside the gigantic advances made by socialism, the developing countries have also increased their share in the output of manufactured goods. And the imperialist countries?

In 1937, they had four-fifths of all industrial production, today they only account for half! This is striking proof of the moribund nature of capitalism and of the general crisis of capitalism.

In 1915, Lenin tackled those proposing the formation of a "United States of Europe". In doing so, he reviewed developments in the capitalist world over the previous fifty years, saying "... strength changes with the course of economic development. Following 1871, the rate of Germany's accession of strength was three or four times as rapid as that of Britain and France, and of Japan about ten times as rapid as Russia's."⁶ He then draws the conclusion that "Uneven economic and political development is an absolute law of capitalism."⁷

We shall now take a look at the unevenness of economic development (cf table on p 9).

⁶ V. I. Lenin: "On the Slogan for a United States of Europe", *Coll Works*, vol 21, p 341, Moscow, 1964.

⁷ *Ibid*, p 342.

There has been an exceptionally uneven pattern of development.

Great Britain's share in world output has sunk visibly from one-third of the grand total to one-twentieth of the capitalist countries' total. The share of the United States saw a steep increase up to 1948, accounting for over half of all the capitalist world's output, and then its record showed as sharp a drop as Great Britain's had before.

SHARE OF A NUMBER OF COUNTRIES IN TOTAL PRODUCTION BY THE CAPITALIST WORLD (IN PER CENT)

Year	US	Germany	Fed Rep of Germany	Great Britain	France	Japan	EEC*	EEC**
1870	23	13	—	32	10	0	—	—
1913	36	16	—	14	6	0	—	—
1920	47	9	—	14	5	2	—	—
1937	42	12	8	11	5	4	21	33
1948	54	—	4	11	4	1	13	25
1965	45	—	9	8	5	6	20	28
1970	41	—	9	6	5	9	19	26
1975	38	—	8	5	5	9	17	24

* Six countries

** Nine countries

German capitalism's share has dropped due to both unsuccessful world wars and territorial losses, France's share has stagnated for some 60 years and Japan's is higher today than ever before, despite its being on the losing side in the last world war. Capitalism has not benefited much in western Europe from bringing six and then nine countries together to form a socalled economic community. The share of the countries involved in the capitalist world's output is now lower than the prewar figure.

Unevenness of economic development can also be seen clearly from the relatively short period of the last decade:

SHARE IN TOTAL PRODUCTION BY THE CAPITALIST WORLD (IN PER CENT)

	1965	1975
US and Great Britain	53	43
EEC*	20	17
Japan	6	9
Developing countries	13	16

* Six countries

Both great imperialist powers, the US and Great Britain, have seen a swift lessening of their economic importance even within the capitalist-dominated region; the EEC has barely kept up its level of performance and Japan and the developing countries have gained relatively in significance.

The uneven pattern of economic development over the last few decades has specific features which throw a different light on events. Until the second world war, it was possible to compare varying levels of economic strength among the great powers without paying too much attention to the standards reached by technology in each country. This approach is no longer possible today.

When Lenin analysed the balance existing in the world, one could point to a trend towards an equalising of technological levels in the various countries, a trend that had been going on for decades. This trend brought Japan out of agricultural feudalism to become an imperialist industrial power at a rapid pace. This tendency towards levelling out was so remarkable in the twenties that some thought it worked against Lenin's law of uneven economic development. What they did not realise was that this equalisation of technological levels only accentuated and promoted uneven economic and political development in line with the law formulated by Lenin—Japan being a clear example.

Nowadays, we can point to an opposite trend in technological development, marked by a rapidly increasing unevenness which does not run parallel to the unevenness to be seen in quantitative economic development. When one views the divergence between purely quantitative economic development—the size of the gross national product

or industrial output—and equalitative economic development, which also embraces technology as a productive force, the relative strength displayed by the imperialist powers can be seen in a different light.

Let us take a look at the three great centres of imperialism—the US, the EEC and Japan—using this approach.

We saw that the US has suffered a noticeable reduction in its economic power within the capitalist world. In fact, *the American share in total industrial output by the capitalist world is at its lowest point for 60 years.*

However, *the technological level of American industry when compared with the other capitalist countries has never before been so high as it is today.*

Some of the technological achievements seen there today can only be afforded by a capitalist country as large as the US and with such powerful economic resources. This is of course excluding the Union of Soviet Socialist Republics. The American space programme is a particular example, and also the production of largescale and highly-efficient electronic equipment in the US.

In this connection, and as a result of the overall pace of technological progress, new advances which could be applied in all countries are introduced in the United States much more rapidly and on a much broader scale than in western Europe. A typical statement was made by the "Economist" on 13 July 1968 (which means the west European countries when it talks of Europe). It said that the European engineering industry employed almost twice the manpower required in North America (in more than double the number of enterprises) ... yet it turned out only half as many goods. Output per employee was less than a third of that in North America. Labour productivity in Europe was lagging way behind Japan, although in the fifties it was twice as high.

When lining it up against the other imperialist countries, the United States' economic position looks stronger than ever before. Although its share in output by the capitalist world dropped from approximately 54 per cent in 1948 to

40 per cent by 1975 (i.e. about the 1915 level), its economic position within the capitalist world is far stronger than before the second world war. The reason is the quality of production taken from the standpoint of manufacturing techniques.

The transformation from economic quantity into (technological) economic quality has never played such an important role in the history of capitalism as it does now.

When singling out this factor, one is also seeing the Common Market (EEC) in proper perspectives. Its economic capacity in quantitative terms seems very large, being more than half that of the United States; why is it that the appropriate transformation from quantity into quality is not to be found?

The reason is clear. Ignoring foreign trade for the time being, we can see that in the sphere of industrial production, the backbone of capitalism, a genuine process of integration has not taken place within the EEC. Instead, the Common Market is racked by competition among the nine member countries. The EEC is well behind the US, far more than shown by actual data on quantity of output. For the same reasons why output within the EEC is not integrated industrially, it has not been possible for the Nine to turn Common Market quantity into Common Market quality.

Japan, the third centre of imperialism, is different still.

Quantitatively, it has reached the level of France and Great Britain taken together, and has surpassed the Federal Republic of Germany. Its population is about twice that of any of the major West European imperialist countries. In other words, as its economic strength in quantitative terms represents, say, a fully integrated France and Britain (with twice the population of Federal Germany), Japan has been able to effect a transformation from economic quantity into quality in a manner of which the EEC has been unable. A glance at a few facts shows this trend. Some fifty per cent of the tonnage of all ships built in the capitalist world over the last few years was turned out by Japan. The country leads the world in cameras (photo and

cine), radios and weavers' looms. Japan is second only to the US among the capitalist countries in the production of steel, power, motor vehicles, cement, aluminium, plastics, wool and synthetic fabrics, sulphuric acid and many other manufactured goods. Its overall technological level places it between the US and the EEC.

The above analysis, however, leaves out an exceptionally important factor. We must differentiate among the various imperialist countries as regards the gearing of industrial production towards armaments and relevant supply industries on the one hand and ordinary manufacture (civilian production) on the other. We must also look at the significance of these structural differences for the relative economic strength of the three centres of imperialism.

In November 1917, an international conference was held in Berlin by the World Federation of Scientists. The theme was "ABC weapons, disarmament and the responsibility of scientists". At the conference, the following statistics were presented regarding the development of major economic indicators and armaments.⁸

Country	Investment as per Annual growth of Arms spending as cent of GNP		labour productivity per cent of GNP
	1960 to 1969	in per cent	1965 to 1970
	1965 to 1970		
US	13	2.1	9
Great Britain	14	3.6	7
France	18	6.6	5
Fed Rep of Germany	20	5.3	4
Japan	27	14.2	1

No matter how circumspectly one approaches these figures, their impact is so great and unambiguous that the conclusions drawn may be regarded as scientifically accurate. We can reasonably categorise the countries listed

8 J. Kuczynski: "Soziale und ökonomische Folgen der Abrüstung", in: *ABC-Waffen, Abrüstung und Verantwortung der Wissenschaftler*, Berlin 1972, pp. 128-29.

into three groups: those with an intensive armaments programme such as the US and Britain, those with medium arms spending such as France and Federal Germany, and Japan, which budgets very little for armaments. The figures show that the highest level of arms spending leads to relatively low investment and relatively small growth in labour productivity, that countries with medium level arms spending carry out investment at a medium level and show productivity increases of a medium value; and that Japan, with minor spending on arms, has an exceptionally high rate of investment and an enormous rate of growth in labour productivity. In other words, *the more intensive the armaments programme, the weaker the situation in civilian production*. In the long term, armament must cause civilian industry to fall back technologically, thus lessening its international competitiveness and bringing about a general dislocation of the economy. This trend is particularly clear in the United States, quite apart from the effects of specific crises of overproduction.

Victor Perlo published his book *The Unstable Economy* in 1973. It contains a table which compares figures in a somewhat different manner, but nevertheless his statistics completely justify the above conclusions. His data compare the rate of growth in industrial production and military spending:

Country	Military spending as per cent of GNP 1966	Annual rate of growth in industrial production	
		1953 to 1969	
US	8.5		4.0
Great Britain	5.8		3.3
France	5.2		6.3
Fed Rep of Germany	4.1		7.1
Italy	3.5		8.0
Japan	1.0		13.6

In connection with his chart, Perlo said: "*The order of economic growth is exactly the opposite of the order of militarization*".⁹

9 Victor Perlo: *The Unstable Economy*, New York, 1973, p 170 f.

At the time the German fascists were rearming, their slogan was 'guns instead of butter'. In other words, they knew that a strong armaments programme meant a cutback in the provision of consumer goods. It was impossible for a capitalist country to arm itself on the scale fascist Germany did without the output of consumer goods suffering as a result.

Today, we could put the position as follows: ultramodern weaponry seriously holds back scientific and technological advance in the civilian sphere of industrial production. In other words, if an imperialist country carries out such an intensive arms programme as the US does and attempts to carry out its scientific and technological revolution in arms production, then it will not be in a position to bring about advances in civilian production which match up to the standards expected in the capitalist world.

Of course, the dropback of the scientific and technological level in US civilian production is to a certain extent only relative. The lead which the US began to gain over Western Europe a hundred years ago, reaching its apex after second world war, is being cut back.

The dropback of the scientific and technological level in US civilian production is to a certain extent also absolute. The US lead is being turned into an absolute lag behind West Europe and Japan—as regards certain branches of civilian production.

In 1971, Seymour Melman wrote about the United States' absolute dropback:

1. By 1968, United States industry operated the world's oldest stock of metal-working machinery: 64 per cent was 10 years old and over.
2. No United States railroad has anything in motion that compares with the Japanese and French fast trains.
3. The United States merchant fleet ranks 23rd in age of vessels. In 1966, world average-age of vessels was 17 years, United States 21, Japan 9.
4. While the United States uses the largest number of research scientists and engineers in the world, key United

States industries, such as steel and machine tools, are in trouble in domestic markets: in 1967, for the first time, the United States imported more machine tools than it exported. As civilian industrial technology deteriorates or fails to advance, productive employment opportunity for Americans diminishes.¹⁰

Melman is absolutely right, and his observations can be supplemented by the following figures and information.

GROWTH IN OUTPUT: PER WORKER PER HOUR IN AMERICAN INDUSTRY
FROM DECADE TO DECADE

Decade	Growth (in per cent)
1900-19 to 1910-19	12
1910-19 to 1920-29	43
1920-29 to 1930-39	33
1930-39 to 1940-49	23
1940-49 to 1950-59	27
1950-59 to 1960-69	32

If we look at the US arms industry, reckoning the range and destructive capacity of its products per employee per hour, we can safely say that output over the past thirty years has grown tenfold, even hundredfold. In civilian industry, however, although output grew as compared with the previous thirty years, it did so at a lesser rate than in the first few decades of the 20th century. In other words, the high armaments spending over years has held down the growth of labour productivity in civilian industry in the United States.

Of course, productivity in a number of branches of US civilian industry is still way above that in western Europe or Japan. However, its superiority and the number of such industries are also dwindling.

In the computer industry, so vital for armaments, the US clearly leads the field, but the position in automotive

10 Seymour Melman: *Pentagon Capitalism*, New York, 1971, p 3.

engineering is dubious to say the least and it has dropped all claims to being the biggest in radio manufacture.

Of course, in the socialist countries the relatively strong concentration of science and technology on the production of weaponry for defence against the aggressive designs of imperialist monopoly capital also has an influence on the growth of productivity in civilian industry. And looking at concrete facts and figures throws a new light on our efforts to bring about disarmament on a worldwide scale. Our desire to achieve disarmament is of course primarily directed towards maintaining peace. However, it would be wrong to lose sight of the second factor involved: that the whole of mankind would benefit enormously from disarmament; that disarmament both quantitatively and qualitatively would lead to a rapid growth of productivity in civilian industry. Without any doubt, the standard of living in socialist countries would be raised at a faster pace with every disarmament measure undertaken on a world scale. *Our struggle to maintain peace and bring about disarmament is not only geared to preserving the lives of hundreds of millions of people, but also to bringing about a better life for thousands of millions.*

Chapter 2

The New Phase in the General Crisis of Capitalism

Before we analyse scientifically the cause of the general crisis of capitalism, and separate aspects and provide statistics to back up our conclusions, it would be useful to take a look at today's world through the eyes of a politically-aware worker using his commonsense anywhere in the world, whether it be Kiev or Chicago, Dresden or Delhi. He knows, of course, that at the turn of this century the world was full of minor wars, that there were "mother countries" and colonies, that disputes and competitive struggle prevailed among the various countries, and, very important this, that everywhere on the globe class struggles were taking place between labour and capital. But what is more, the world was a closed shop, one in which capitalism ruled the roost everywhere.

But capitalism's total grip on the world has been broken, and new areas are breaking away from its control all the time.

And immensely more important is the fact that while capitalism's world is becoming ever more fragile, a new world, that of socialism, is forging ahead, growing ever stronger and more powerful.

The power and strength of socialism become manifest to anyone who looks at the chaos and anarchy prevailing in the capitalist economies, marked by slow or steep booms and similar slumps, by mass unemployment, inflation and currency difficulties and compares this picture with the steady and secure march forward within the socialist

world, where each and everyone has a guaranteed job and security of livelihood.

The power and strength of socialism also become obvious to anyone who observes the impact which socialist ideas are having on that part of the world which capitalism still has a grip on, and who at the same time looks at the ideologically confused campaign conducted by capitalism under the banner of anticomunism, a rearguard fight which suffers ever newer defeats.

The power and strength of socialism also become clear to anyone who observes the way in which the socialist countries afford help to every country which is working to free itself from the fetters of capitalism.

And last, but most certainly not least, this power and the strength of socialism become abundantly clear to anyone who personally experiences the growth in the capitalist world of the communist and workers' parties, the vanguard of those who dig the grave of capitalism.

Every stage of growth in the power and strength of socialism is balanced by an appropriate increase in the general crisis of capitalism.

Thus, each and every one of us can see what the general crisis of capitalism basically means.

The general crisis of capitalism, which emerged so clearly with the first world war and the great October socialist revolution in Russia, is an expression of the heightening contradictions within the capitalist system, a process which leads to domination by monopolies and the development of imperialism, which only causes these contradictions to sharpen even more. This is a fact: the uncontrollable antagonistic contradictions which exist between the individual capitalists, the law of the jungle which leads them to gorge on one another and gobble up each other's enterprises, all this brings about an ever stronger concentration of capital in ever fewer hands and finally monopoly capitalism. The terrible anarchy to be found in an economy dominated by capitalism's law of the jungle does not lessen because the number of predators becomes

fewer, each in turn becoming stronger. On the contrary, the contradictions within a capitalist economy which has attained the stage of imperialism are greater than they ever were.

Engels defined one of the aims of forming a monopoly as to "regulate production, and thus prices and profits".¹¹ So monopolies are formed in order to overcome through regulation the ever growing contradictions racking the anarchic capitalist economy. At the same time, however, monopolies as the highest form of concentration of capital heighten to an even greater extent the very contradictions which they are supposed to overcome. Marx writes about the process of concentration in premonopoly capitalism as follows: "Along with the constantly diminishing number of the magnates of capital, who usurp and monopolise all advantages of this process of transformation, grows the mass of misery, oppression, slavery, degradation, exploitation; but with this too grows the revolt of the working class, a class always increasing in numbers, and disciplined, united, organised by the very mechanism of the process of capitalist production itself. *The monopoly of capital becomes a fetter upon the mode of production*, which has sprung up and flourished along with, and under it. *Centralisation of the means of production and socialisation of labour at last reach a point where they become incompatible with their capitalist integument*. Thus integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated."¹²

What a dialectical stage capitalism is in when it is on the wane. Monopoly, or more precisely state monopoly capitalism, is the inevitable product of capitalism itself. It is viewed by the capitalist class which puts so much effort into forming monopolies as a way to cure economic anarchy. In the final analysis, however, this process has

11. Cf Karl Marx, *Capital*, vol 3, p 120 footnote (Progress Publishers, Moscow, 1971 edition).

12. Karl Marx: *Capital*, vol 1, p 715 (Progress Publishers, Moscow) (emphasis—J. K.).

no other result than to intensify anarchy and speed up the decay of capitalism.

In the last few decades, this very process of monopolisation has taken on a scale previously unimaginable. This has been caused by the ever stronger interlocking of the monopoly apparatus with that of the state—Lenin spoke of “combining the colossal power of capitalism with the colossal power of the state into a single mechanism and bringing tens of millions of people within the single organisation of state capitalism”¹³ —and through the ever stronger emergence of what we, like Lenin, call “state monopoly capitalism”.

Recent developments have gone even further than this, revealing a wealth of contradictions. The more the monopoly apparatus becomes intertwined with that of the state, the more a new form emerges, the largest monopolies becoming “suprastate”, international, multinational organisations.

B. Komsin spoke about the power of these international or multinational concerns at a session of the Scientific Council of the Institute for World Economics and International Relations held in Moscow. He said, “While international monopolies already existed before the second world war, their influence on the international capitalist economy has grown tremendously in the last few decades. The new role played by multinational corporations must be taken account of in analysing both the long-term development trends in the capitalist economy and the concrete crisis situation prevailing in the economies of the leading capitalist countries at any particular time. The limited avenues open to state monopoly capitalism of today in its efforts to turn to account the objective potentialities of socially productive forces become particularly clear when one looks at the intensive socialisation and internationalisation of production which is going on within the frame-

13. V. I. Lenin: “War and Revolution”, in: *Coll Works*, vol 24, p 408 (Progress Publishers, Moscow, 1964 Edition).

work of powerful international industrial associations and at the economic crisis which is eating away at capitalism.

"One of the major trends in monopolist concentration in the period after the second world war was the internationalisation of the production apparatus and the creation of a network of foreign enterprises. Practically all industrial corporations based in the major capitalist countries and having an annual turnover of between one and three thousand million dollars are switching over to building their own factories on the territory of other countries. In many cases, the critical sum required to be able to develop a production and distribution apparatus and appropriate after-sales services abroad is an annual turnover of 500 to 1,000 million dollars. In the leading capitalist countries today, the largest industrial corporations are all either multinationals or well on the way to being so."¹⁴

The Institut für Internationale Politik und Wirtschaft, Berlin, has published a study of the multinational corporation which states:

"The size of a concern and the degree to which it is internationalised usually tally up with one another to a great extent. The leading places, in terms of size, are without exception taken by concerns which are represented right throughout the capitalist part of the world. These include General Motors, Ford, Chrysler, General Electric, IBM, ITT, Du Pont, US Steel and the US oil companies, Royal Dutch/Shell and Unilever as British Dutch undertakings, British Petroleum, ICI and British Steel (GB), Volkswagen, Siemens and Hoechst (Federal Republic of Germany), Philips (Holland), Nestle (Switzerland), and Nippon Steel, Hitachi Electrics and Toyota Motors in Japan."¹⁵

14. B. Komsin: "Die transnationalen Kapitalgesellschaften und die kapitalistische Wirtschaft", in: *Sowjetwissenschaft, Gesellschaftswissenschaftliche Beiträge*, Berlin 1975, No 8, p 866.

15. Gretchen Binus, Klaus Kannapin, Helmut Zschocke: "Strategie und ökonomische Rolle der internationalen Konzerne", in: *IPW-Berichte*, Berlin, 1975, No 8, p 3.

Let us take a look at the "national distribution" of the 100 biggest international corporations, grouped according to their head offices.

DISTRIBUTION OF INTERNATIONAL CORPORATIONS
ACCORDING TO HEAD OFFICE

Country	1962	1973
US	67	49
Great Britain	10	9
Federal Germany	13	12
Japan	2	11
France	3	9
Italy	2	3
Others	3	7

The exceptional lead taken by the US is obvious. However, at the same time the Institut remarked that "Non-American concerns have brought about a significant improvement in their position with Japanese and French companies muscling their way into the top 100. These figures, however, do not reveal everything. Numerous west European concerns have pushed nearer the top within the leading 100 corporations. This has been due to wide-ranging centralisation measures which have pooled the potentialities of giant companies.

In the period under review, mergers included the following:

- Montecatini with Edison to form Montedison (Italy);
- Leyland with British Motors to form British Leyland and several steel companies to form British Steel (GB);
- the development of the large Pechiney-Ugine-Kuhlmann group in chemical and aluminium (France);
- AKU with Zout-Organon to form AKZO (Holland);
- Thyssen with Rheinstahl (1973-74), Mannesmann with Demag, Bayer with the Metzeler-Gruppe and VEBA with Gelsenberg (Federal Republic of Germany);
- Dunlop-Pirelli and ESTEL (Hoechst plus Hoogovens) were formed through merging concerns from different countries.

"Japan has also seen similar mergers, such as that between Yawata and Fujitsu to form Nippon Steel. The fact that west European and Japanese monopolies are catching up with those in the US in the international struggle for first place can be seen from their rapid rate of expansion in the export of productive capital... Although US monopolies have stepped up their capital export in the seventies, the average annual growth rates of three of the country's major competitors have been still higher. This process has even seen acceleration in comparison with the sixties. However, the balance-sheets show that, in absolute terms, US direct investment abroad remains 11.2 times greater than Japan's, 9 times Federal Germany's and 3.6 times Great Britain's, and 2.1 times that of all the other three countries taken together."¹⁶

These data and information clearly show the competition and exceptional sharpening of the conflict between the international monopolies and thus between the imperialist countries where they base their operations.

The Institut also commented on the influence exercised by such international concerns in countries other than those where they have their head offices, even when the other countries are themselves imperialist:

"The influence of foreign capital has varying degrees of strength in the individual imperialist countries and centres of power. It is strongest in Canada and Australia, and weakest in the US and Japan. On average, the west European countries take a middle place. One third of all US direct investment is placed in such countries.

"In the Federal Republic of Germany, France, Italy and the Benelux countries, US companies control on average:

- 15 per cent of synthetic rubber production;
- 30 per cent of car production;
- 40 per cent of titanium dioxide production;
- 55 per cent of tyre production;
- 80 per cent of electronic calculator production; and
- 95 per cent of integrated circuit production."

16. *Ibid*, pp 3-4.

With regard to Federal Germany in particular, the Institut says: "In 1973, one in three joint stock companies was under foreign influence. 78 of the 100 multinational corporations with the biggest turnover are represented by 478 enterprises in the Federal Republic of Germany. Nine subsidiaries of foreign companies cover 7 per cent of the total industrial turnover. Three-quarters of the mineral oil industry is in the hands of 4 oil giants."¹⁷

A recent event in the Federal Republic of Germany revealed just how these foreign companies, especially the US monopolies, interfere in the affairs of other imperialist countries. Discussion was under way on "industrial democracy", and when this was intensified, the American Chamber of Commerce in Frankfurt-on-Main, geared specifically towards the interests of US monopolies in Federal Germany, requested the foreign ministry in Washington to intervene officially with the Federal German government against any "extension of industrial democracy". If this intervention were to be unsuccessful in general terms, then the ministry should at least try to get American concerns exempted from any such "extension".

In other words, in the struggle waged by the working people in the Federal Republic of Germany for genuine industrial democracy they not only have to reckon with capitalism in their own country, not only with a multinational capitalist set-up, but in fact also with two state powers, namely the US and the Federal Republic of Germany. This is where one can really talk of "multinational state monopoly capitalism", where, as Lenin would say, the power of multinational capitalism is combined with the power of several states to form one single mechanism.

We have still not exhausted the ever newer forms of capital concentration which intensify the general crisis of capitalism as they are developed. After the second world war, as soon as NATO had been formed (4 April 1949) as a military coalition under the leadership of the US, to be

17. *Ibid*, pp 4, 6.

used for attack against the socialist countries, it occurred to American monopoly capital that it would be extremely useful to provide this military complex with an economic basis in Europe. Thus, efforts of the leading west European monopolies to bring their countries together into one economic association were encouraged. After lengthy negotiations, the European Community for Coal and Steel was formed on 18 April 1951, and on 25 March 1957 the Treaty of Rome was signed, providing for the establishment of a European Economic Community.

Lenin pointed out just how monopolies are rent by internal contradictions and how they can split up from time to time. In this way the EEC, originally designed to unify the monopolist countries of western Europe to support NATO economically under the leadership of the US, was transformed during the course of the sixties, with the western European countries being strengthened, to become an economic competitor for the US.

We should take a look at the following figures relating to industrial production:

SHARE IN WORLD CAPITALIST OUTPUT (IN PER CENT)

Year	US	EEC
1938 (Year before NATO founded)	55	13
1956 (Year before EEC founded)	48	17
1964 (Begin of EEC "revolt")	44	20
1970 (Intensified rivalry)	41	19

Open trade wars in specific fields keep breaking out between the US and the EEC, especially as regards agricultural produce. We also observe major arguments on currency questions and on the tactics and strategy to be observed when dealing with developing countries.

Contradictions are however not limited to relationships between the US and the Common Market. As this "community" consists of imperialist countries, there are of course sharp contradictions among them.

In the struggle for the leadership of the EEC, the shar-

pest competition takes place between the Federal Republic of Germany as the economically strongest of the Nine and France as the politically cleverest and relatively most anti-American. England and Italy, the weaker partners, vacillate between France and Federal Germany. Despite stiff competition on the world market, the Federal Republic of Germany tries to play the US off against France, taking care not to go so far as to endanger its own future role as "leader of a united western Europe which can assert its independence against the US and Japan".

In other words, no matter where we look in the capitalist world we find an exceptionally strong concentration of capital to be the basis for the general crisis of capitalism. Lenin said "Monopoly! This is the last word in the latest phase of capitalist development"; that "Imperialism is capitalism at that stage of development at which the dominance of monopolies and finance capital is established"; and that "... in its economic essence imperialism is monopoly capitalism."¹⁸

Thus, we understand that monopoly can be viewed as the dominant factor and the product of the laws governing and contradictions prevailing within premonopoly capitalism, and that it is also the basis for the exceptional sharpening of the contradictions which we sum up as the "general crisis of capitalism". We also understand therefore what significance is held for capitalism's contradictions when "simple monopoly" capitalism develops into a system which has at its heart multinational state monopoly capitalism, also integrated in western Europe at a national level in the individual countries.

As we have seen, the general crisis of capitalism is the product of capitalism itself. So far, we have only followed one side of the law governing the concentration of capital. Marx also spoke forcefully of the other side of the law quoted previously referring to the increasing "mass of

18. V. I. Lenin: "Imperialism, the Highest Stage of Capitalism", in: *Coll Works*, vol 22, pp 210, 266, 298 (Progress Publishers, Moscow, 1964 edition).

misery, oppression, slavery, degradation, exploitation", and to the "*revolt of the working class, a class always increasing in numbers, and disciplined, united, organised by the very mechanism of the process of capitalist production itself*".

It is this very revolt, when taken to victory, that has tremendously heightened the general crisis of capitalism. The effects of victorious "revolts" have been so powerful that we can delineate the history of the general crisis as follows:

It came openly onto the scene with the outbreak of the first world war and was intensified to an incredible extent and *in a completely new quality* by the great October socialist revolution. A further qualitative sharpening of the crisis was brought about by the victory of socialism in a number of eastern European countries, in China and in Korea after the second world war, or, to put it more precisely, as the result of the glorious victory by the Soviet Union over German fascism. The political collapse of the imperialist system of colonialism also represented another stage in the sharpening of the general crisis of capitalism. And a new phase in the general crisis of capitalism set in with the beginning of the nineteen-seventies.

Before we go into detail on the new phase, let us take a look at a few figures showing the development of the general crisis as a result of the effect and as an expression of victorious revolutions (cf table on p 27).

We must note that the area dominated economically by monopoly capital has not shrunk as much as the area in which it reigns politically supreme, because monopoly capital based in the country of which it was previously colonial boss still holds a strong position in many of its former colonies. Nevertheless, this short survey carries a great impression of the effects of the general crisis of the territory and population dominated politically by capitalism.

Year	Share in the total surface area of all countries (in per cent)	Share in the world's population (in per cent)
World socialist system		
1913	—	—
1923*	17	7
1939	17	8
1960	26	34
1975	27	34
Major imperialist powers** including colonies		
1913	62	63
1923	45	53
1939	45	55
1960	24	22
1975	17	18

*1923 is chosen instead of 1917, because it was only during 1922 that the last of the interventionists were driven out of the Soviet Union's territory.

** US, Great Britain, France, Germany (Federal Republic of Germany), Japan, Italy, Belgium, Holland, Portugal, Spain, South Africa, Australia.

Of course, the general crisis does not only embrace the sphere of capitalism's political and economic domination. It covers all aspects of social life: politics, the economy, culture in the broadest sense of the word, including the arts and science, the habits of life and feelings of the people, the relationship between man and nature, the public side of life as well as the most private, in a word everything that affects the individual and society at large.

Still, in the following text we shall limit our analysis to the economic aspects of the general crisis of capitalism, and to the years since the second world war, more particularly since the beginning of the seventies.

In order to understand the economic features of the development of the general crisis of capitalism since the second world war, we shall compare the way in which capitalism's share in the world's population and the area under its political domination have changed with the rate of growth in industrial production. For reasons which will immediately be understood, we shall have to reach a little

further back into history as regards industrial production and make our calculations in a way different from that used at the beginning of the last chapter.

Let us look then at the pattern of development in industrial production, only this time with the territory remaining constant, that is to say we shall not take account of the loss suffered by capitalism through the emergence of the socialist countries.

ANNUAL GROWTH RATES IN INDUSTRIAL PRODUCTION
IN THE CAPITALIST WORLD

<i>Period</i>		<i>per cent</i>
1860	to	1880
1880	to	1913
1913	to	1938*
1950	to	1969
1969	to	1975

* 1913 to 1917 excluding capitalist Russia.

The astonishingly contradictory pattern of political and economic development in the fifties and sixties strikes us at once. We see what a remarkable rate of growth of industrial production was achieved while the territory under capitalism's political thumb shrank from 1945 to 1960. And when we compare both, we note the outstanding and completely unexpected unevenness of political and economic development.

How can we explain the large growth in industrial output in the fifties and sixties on a total area ruled by capitalism which was much smaller than that of the pre-1945 years?

First of all, let us look at the United States, accounting for half of all capitalist production.

INDUSTRIAL PRODUCTION IN THE US (1957-59=100)

1929	(Peak reached just before the great crisis)	38.4
1937	(Peak reached before the second world war)	39.7
1943	(Peak reached during the war)	82.9
1952	Peak reached after 1943)	84.3
1959		105.6
1969		176.6

This pattern of development is quite unexpected after the statements made above, especially after reading the table provided.

It may come as a surprise that there is practically no difference between the peaks reached in the twenties and the thirties. This is not because such a trend was unexpected, but because the trend towards a drop in growth rates came to the fore so forcefully that it practically brought about stagnation (the crisis years from 1930 to 1933 being most hard hit).

The war years up to 1943 saw production more than double, then came a new slump, and in 1952, in the wake of the war against Korea, production even topped that of the peak reached during the second world war. And even by 1959, i.e. sixteen years after 1943, production was only some 25 per cent up on the 1943 war peak.

There was no particularly remarkable growth of industrial production in the US during the fifties. In fact, in the US, which accounted for half the total output of the nonsocialist countries, the annual growth figure was somewhere round the mark of the bad years which hit the capitalist world in the twenties and thirties—approximately 2 per cent.

However, in the sixties the growth rate more than doubled, reaching five per cent! It will be obvious where the catalyst which raised production came from when one looks at the fact that US military spending doubled in the sixties, especially because of the Vietnam war. This repeats the pattern shown in the second world war.

Thus if we look at the US after the second world war, turning out half the capitalist world's industrial production, we see that economic developments there up to the end of the fifties were not particularly distinguishable in world terms from those of the twenties and thirties. The relatively higher rates of growth seen in the sixties, reminiscent of the powerful developments which took place during the nineteenth century, are only to be explained by the exceptional intensification of armaments and war equip-

ment production. Only this helped the US to top the meagre growth rate of two per cent.

In the meantime, what was happening in the rest of the capitalist world? Let us start by a look at the trend in the Federal Republic of Germany.

ANNUAL GROWTH RATES OF INDUSTRIAL PRODUCTION
IN FEDERAL GERMANY

<i>Period</i>	<i>per cent</i>
1950 to 1959	7
1960 to 1969	5

When viewing these figures, we must note the following:

Industrial output by German capitalism was of course much smaller after 1945 because so much productive capacity and territory had been wrested from it and employed for the construction of socialism. Analysing the official index of industrial production (1938=100) we will see that it lay at 170 for the Federal Republic's territory in 1955. This would appear to represent a growth of 70 per cent. However, compared to the quantitative output achieved in the German Reich (1937 borders) we see that the 1955 figure is lower. In other words, instead of a growth of 70 per cent, there was in fact by 1955 no overall increase in output in the area dominated by German monopoly capital as compared with its territory of 1938.

If we look at the pattern of production in the Federal Republic of Germany alone, we note that the strong growth rates achieved in production in the fifties were mainly attributable to replacing the buildings and equipment destroyed by the war and to bringing things up to modern standards. The same applies to France and Italy, where growth also lay at 4 per cent and more: comparable to the powerful growth achieved in the nineteenth century. Very revealing, and backing up our contentions, is the fact that growth rates in the fifties in Great Britain were also only around 3 per cent, the effects of the war having been less pronounced there than in the other countries mentioned.

However, the relatively high growth rates continued in the sixties, both in the Federal Republic and throughout western Europe in general, although the question of reconstruction and making up lost ground was no longer very important. In West Germany, as in the US, the more intensive armaments programme being pursued played a major role in boosting production. According to calculations by SIPRI (Stockholm International Peace Research Institute), arms spending by European NATO members was, at fixed prices, some 18,000 million dollars a year from 1952 to 1959. However, from 1959 to 1969 this figure rose by a third to attain a level exceeding 24,000 million dollars,¹⁹ and it must be noted in this connection that an increasing part of this amount was spent on items produced in the individual countries instead of being purchased in the US as before.

So the particular situation to be seen among the imperialist countries on the continent of Europe in the fifties and sixties can be explained by two special factors: first of all through reconstruction after the war and making up for lost ground, and secondly through stepping up arms spending, which can always stimulate production for a certain period.

This is the background before which we make the observation that particularly sharp increases in industrial production were recorded in the fifties and sixties in the countries ruled by monopoly capital, while at the same time the territory dominated politically by world monopoly capital had shrunk tremendously and capitalist colonial domination, after some 350 years, had broken.

This very growth in industrial production, however, led to exceptionally sharp contradictions emerging in the seventies. One of the most dangerous results of these contradictions, one which hits the working people hardest and is a special feature of the new phase in the general crisis during the seventies, is rampant *inflation*.

¹⁹ "World Armaments and Disarmament", *SIPRI Yearbook 1974*, Stockholm, 1974.

Let us take a look at the trend in the cost of living (see table below). We see that more and more countries move from the left side of the chart to the right, reflecting the increasing rate of inflation. In the sixties, only one major imperialist country had an annual inflation rate of more than 5 per cent. From 1960 to 1965, two countries had an inflation rate of less than 3 per cent. From 1965 to 1970, one country remained in this bracket. By 1971, most major imperialist countries had inflation rates of more than five per cent. During the first six months of 1975, only one major imperialist country had an inflation rate of less than 10 per cent and two topped 20 per cent.

ANNUAL COST OF LIVING INCREASES (IN PER CENT)

Period	less than 3						
	3	4	5-9.9	10-14.9	15-19.9	20 or more	7
1	2	3	4	5	6	7	
1960-65	US	FRG	Japan	—	—	—	—
	France						
		Britain					
		Italy					
1965-70	FRG	US	Japan	—	—	—	—
		France					
		Britain					
		Italy					
1971	—	US	Japan	—	—	—	—
		Italy	FRG				
			France				
			Britain				
1972	—	US	FRG	—	—	—	—
		Japan	France				
			Britain				
			Italy				
1973	—	—	US	Japan	—	—	—
			FRG				
			France				
			Britain				

1	2	3	4	5	6	7
1974	—	—	FRG	US France	Italy Britain	Japan
1975†	—	--	FRG	Japan France		Britain Italy

† First six months

What are the most important causes of inflation? The main roots are formed by the ever growing demands made by the monopolies on all government authorities, including those at regional level, when combined with the prices policy pursued by the monopolies. State monopoly capitalism enables such demands to be met. These demands can be broken down into two major categories:

1. A most varied range of subsidies: tax rebates or investments, relatively low prices charged to industry by nationalised enterprises (rail freight services, power, coal etc.); the large contribution made by the state to the infrastructure of the economy (road-building etc.); direct cash subsidies (e.g. for research and development).

2. The state buying goods from monopolies at super-prices. This does not only relate to military equipment, but also to orders placed with the monopolies by the state, for example for road and house building programmes. In fact, this affects all material expenditure by the state. The enormous profits to be made from government contracts can be seen for example from the fact that in the Federal Republic of Germany the prices paid by the state to the monopolies for such material goods have risen 3 times as much as the cost of living since 1950.

Prices charged to the state by the monopolies can be broken down as follows:

- price with normal profit,
- surcharge for monopoly profit and
- surcharge for delivery to the state.

The second surcharge can be regarded as the *monopolies taxing the state*.

These exceptional services provided to the monopolies by the state bring about a situation where the taxes recovered do no longer meet government expenditure. Central and regional government thus falls more and more into debt. However, in order to obtain credits, the government must ensure that there is sufficient "credit flow". This in turn requires an increase in the amount of money in circulation and inflation is the result.

In this connection, it is interesting to observe the way in which the US federal debt has developed (cf table below). Federal debts remained relatively stable before the second world war, and in fact tended to diminish. Between both world wars they were significantly reduced, then showed somewhat of an increase. During the course of the second world war they shot up, and—what is particularly important—continued to increase after the war ended. The federal debt is now far more than double the 1945 figure. If the monopolies really wanted to hold back inflation they would have to forgo a major part of the help rendered by the state (subsidies, surcharges, etc.). So far, no monopoly grouping has revealed its willingness to suffer such a change.

US FEDERAL DEBT

Year	thousand million dollars	Year	thousand million dollars
1900	1.3	1935	28.7
1905	1.1	1945	258.7
1910	1.1	1955	274.4
1920	24.3	1965	317.3
1925	20.5	1975	544.1
1930	16.2		

The situation in the other imperialist countries is no better. The Federal Republic of Germany has had to find more and more credit over recent years.

ADDITIONAL DEBT INCURRED BY CENTRAL AND LOCAL GOVERNMENTS

Year	thousand million marks
1973	11.4
1974	27.6
1975†	50.0

† provisional figure.

Total debts owed by central and local authorities in the Federal Republic in thousand million marks show the following pattern:

1955	40.9	1970	125.9
1960	52.5	1975	256.0†
1965	84.3		

† provisional figure.

The rate of borrowing accelerated as follows:

1955 to 1960	30 per cent
1960 to 1965	60 per cent
1965 to 1970	50 per cent
1970 to 1975	over 100 per cent

When one takes the 1975 borrowing into account, interest on the incurred debt alone totals 5 per cent of all public expenditure (central and local authorities). Interest payments total 18 thousand million marks, far more than is spent out of public funds on higher education and research or on health, sport and recreation.

As the greater part of public debts is owing to finance capital we have the following situation: the monopolies demand superprices for the increasing deliveries of arms and other goods to the state, and at the same time receive government subsidies and pay minimal prices for the products of the nationalised industries such as coal and power and for rail freight services. In this way they oblige the state to fall into debt. In order to match up to the situation the state increases the amount of cash in circula-

tion. This makes it easy for the monopolies, in particular the banks and insurance companies, to purchase government promissory notes, receiving thousands of millions in interest while the working people have to cope with ever-rising consumer prices and rents.

This is how the mechanism of galloping inflation works, a feature distinguishing the new phase in the general crisis which set in during the early seventies.

Let us look back at the growth of industrial production between both world wars: a rate of some two per cent., just as later on in the seventies. But what about inflation during that period? In the years following the first world war, inflation was to be found everywhere. However, let us glance at the pattern of development of the cost of living from 1924 to 1939 in two selected countries:

COST OF LIVING INDEX ACCORDING TO OFFICIAL STATISTICS
(1924 = 100)

Year	US	Germany
1929	100	118
1934	78	93
1939	81	97

Inflation was thus not a major trend either in the US or Germany. On the contrary, if we ignore the latter half of the twenties in Germany when prices shot up we will see that in general the trend was rather one of deflation, or price stability.

If we compare the two periods, we see a special feature of the new phase in the general crisis in the international economic field:

In both periods industrial production rose very little. However, from 1924 to 1938 the cost of living showed a downward trend, whereas from 1970 to 1975 the cost of living rose sharply.

Need we expect inflation to intensify in the next few years? Can we say that steadily rising inflation is a basic

feature of modern-day capitalism? As far as the general trend is concerned, we must answer both these questions in the affirmative. Still, we must remember the lesson of history, that no ruling class abdicates of its own free will. History has also taught us, however, that if a ruling class is under pressure from the class which intends to replace it, it will under certain circumstances be prepared to give up some "privileges". Thus the right sort of offensive on the part of the working people could force the monopolies to forgo some of their demands on the state, thereby removing one of the main causes of steadily accelerating inflation. Such a process would tend to curb the monopolies and could be regarded part of the struggle for a democratic set-up directed against the monopolies.

At the same time anarchy reigns on the international currency market, sharply intensifying the contradictions which exist among the imperialist powers on the world trade market.

Over the last 150 years, there has always been one form of currency which could be regarded as particularly stable, and according to which the prices for a wide range of goods on the international market were reckoned. At first this was the pound sterling, then the US dollar. Since the new phase of the general crisis set in, however, no capitalist has had confidence in any particular form of currency which is quite understandable.

In fact, it is a characteristic feature of the new phase in the general crisis of capitalism that no single currency is safe. *Complete anarchy reigns on the international currency market.* In order to give method to their madness, a number of countries, headed by the US, is trying to relieve gold, the only stable international coinage, of its monetary character.

The result is obvious: the anarchy on the world currency market is matched to a complete anarchy of prices on the domestic market.

And both aspects have an influence on and tend to intensify one another. The enormous rate of inflation to be

found on the home market in Britain during 1974 and 1975 led to a further devaluation of the pound, and conversely the devaluation of the dollar in 1973 led to the rate of inflation increasing in the US.

Let us look at the rates of exchange among a number of currencies at the stock exchange in Frankfurt-on-Main. The figures show the number of marks of the Federal Republic of Germany paid for:

Year	1 dollar	1 sterling	1 Franc	1000 Lira	100 Yen
1970	3.65	8.74	0.66	5.82	1.02
1971	3.48	8.51	0.63	5.63	1.00
1972	3.19	7.97	0.63	5.47	1.05
1973	2.66	6.51	0.60	4.57	0.98
1974	2.59	6.06	0.54	3.99	0.89
1975	2.46	5.45	0.57	3.77	0.83
1976†	2.43	3.99	0.49	2.84	0.84

† October

Let us look at the percentage variations over two year periods:

1970-72	-13	-9	-5	-6	+3
1972-74	-19	-24	-14	-27	-15
1974-76†	-6	-34	-9	-29	-6

† October

Thus we observe the way in which the speed of fluctuations in relative currency values has accelerated during the seventies. The slide shown by some currencies slowed somewhat in 1975. 1976 showed that this was just the calm before the storm. At the same time, however, the relationship of the individual currencies to one another showed continuous change.

From 1970 to 1972, all currencies except the pound sterling heavily gained in value against the dollar.

From 1972 to 1974 and from 1974 to 1976 the pound sterling and the Italian lira lost in value against the dollar,

the gap between the French franc and the Japanese yen on the one hand and the dollar on the other widened somewhat. However, as against the Federal German mark, the dollar dropped swiftly.

The anarchy to be found on the currency market has led to the complete disruption of any firm balance among the various currencies. There are two main reasons for this anarchy:

On the one hand, we can point to the great unevenness in economic development which has taken place during the new phase in the general crisis of capitalism; the hefty upheavals which took place in the US economy through the Vietnam war; the way in which the English economy has lagged behind that in the rest of western Europe for years (coupled with the effects of the loss of its colonies which gradually made themselves felt throughout the economy); the repercussions throughout the Italian economy from the growing incompetence and corruptness of the country's government headed by the Christian Democratic Party. This should all be matched up against the relatively steady upward trend shown in the economies of the Federal Republic of Germany and Japan up to 1973 and in the French economy since the war in Algeria came to an end.

On the other hand, we have seen currency being used as a weapon in trade war for the first time in the history of capitalism. This led to a heightening of the contradictions among the imperialist countries on the world market. Each country thought that devaluation of its currency would make it easier to sell on the world market or else that it would push up the value of its competitors' currencies, thus making sales on the world market more difficult for them. A "transvaluation of all values" occurred. From 1800 till 1969 a country which had to devalue its currency was correctly viewed as economically weak and not trustworthy from a financial point of view. This is no longer necessarily true in the new phase of the general crisis. Quite often, and quite rightly, devaluation is regarded as a

trick on the part of a competitor in order to improve his position on the world market.

Without doubt, both times the dollar has been devalued during the new phase of the general crisis (December 1971 and February 1973) this was objectively necessary. However, when the dollar dropped in value by almost 15 per cent as against the Federal German mark from September 1974 to March 1975, this was an example of manoeuvring by the US to gain advantages in trade. When it then increased in value by 11 per cent from March to August 1975, this was the result of an offensive launched *against* the dollar by the other imperialist countries, headed by monopoly capital in the Federal Republic of Germany, in order to prevent American monopoly capital from gaining further advantages on the world market.

However, once the special factors operating in the fifties and sixties disappeared from the scene, the most important aspect of the new phase in the general crisis of capitalism can be seen as the onset of the first international cyclical crisis of overproduction since 1929-33.

One could quite rightly point out that we have experienced a number of international or world economic crises since 1857. What is new, however, is the international cyclical crisis of overproduction based on such a sharp intensification of the general crisis of capitalism. On the one hand the cyclical crisis of overproduction is lent special features by the exceptional way in which the general crisis of capitalism is sharpening; and dialectically, on the other hand, the international cyclical crisis of overproduction is tending to heighten the contradictions working within the general crisis of capitalism.

One must draw a clear line between the general crisis which emerged in 1914-17 to embrace the whole stage of imperialism, the morbid stage of capitalism, and cyclical crises, which have come and gone as a matter of inevitability during the 150 years of capitalism's existence. However, the dividing line must not be so sharp as to hide the reciprocal influence each has on the other, nor to

prevent us from recognising that the development of a cyclical crisis of overproduction on an international scale can signify a new phase in the general crisis.

In the rest of this publication we shall look at the cyclical crisis which set in mainly in the US in 1973 and then spread out to the rest of the capitalist world, firstly against the background of the new phase in the general crisis of capitalism and then by analysing the effects of the cyclical crisis on the development of the new phase in the general crisis.

Chapter 3

The Cyclical Crisis of Overproduction

1975 was exactly 150 years on from the time when the first cyclical crisis of overproduction occurred in capitalism to embrace the whole of a country's economy. 1975 saw the present-day capitalist economy likewise caught in the grip of such a crisis. The worlds of then and now are radically different. 150 years ago the powers that let the crisis loose were limited to Britain, and what the rest of the world felt were only repercussions. Nowadays, each and every imperialist country has to go through its own crisis, its wake adding to that of the other countries. The industrial revolution, the childhood of industrial capitalism, was coming to an end when the first crisis struck. In today's world, we see capitalist domination marching to its doom everywhere across the world. Last century free competition began to bloom, today state monopoly capitalism is starting to weave its shroud. Last century the workers, driven to deepest despair, wrecked the machines which appeared to rob them of their livelihood and their daily bread. Today, when capitalists intend to turn off machines, close down factories and throw the workers onto the street, the workers often respond by occupying the premises and keeping the wheels of industry turning. 1825 and today are indeed worlds apart; one sees this if one compares the world dominated by capitalism 150 years ago and that under its thumb today; one sees this even more if one looks at the socialist countries, where capitalism has been destroyed by its gravediggers, the proletariat, just as the *Manifesto of the Communist Party* predicted, where cyclical crises of overproduction with attendant

misery are impossible, where unemployment has been eradicated and where real wages rise.

What are the causes of cyclical crises of overproduction?

Such crises are founded on the basic contradiction existing in capitalist production relations between the social nature of production and the private nature of appropriation. They manifest themselves as a contradiction between the trend, first discovered by Marx, towards unlimited expansion of production on the one hand and the restricted development of the market for goods produced on the other, revealed so clearly to the capitalists during the first cyclical crisis of overproduction.

In their craze for ever higher profits the capitalists expand production more and more—only to find that their warehouses become fuller and fuller, because although they can sell an ever larger number of goods they can only sell part of the increasing amount of goods being turned out. Crisis follows, as to a certain extent there is insufficient storage space and capital for the mounting stock-piles of unsellable goods. Production must be cut back, workers sacked, economic activity reduced in all sectors. Production, showing a steady decline, can only be allowed to rise again when most of the goods stored have finally been sold.

One of the best and most simple explanations of the Marxist theory on crisis is provided by Fred Oelssner. He says: "Production and the market tend to veer off in different directions. When the gap becomes wide enough, that is to say when production has overtaken sales to such an extent that it becomes more and more difficult to dispose of the goods, then the inner unity between production and market is restored by force—through crisis. For the moment, the crisis restores the equilibrium by cutting back production, destroying capital goods and products on a massive scale, reducing prices, and keeping this up till production is at a level the market can cope with..."

"The cause of the crises is the contradiction which develops between the trend to unlimited expansion of pro-

duction and the restricted expansion of the market, in which underconsumption by the mass of the people plays a major role. 'The ultimate reason for all real crises always remains the poverty and restricted consumption of the masses as opposed to the drive of capitalist production to develop the productive forces as though only the absolute consuming power of society constituted their limit.'²⁰

"The Marxist theory of crisis recognised underconsumption by the mass of the people as an important stage in the crisis. However, Marxists do not define underconsumption as the cause of the crisis, as some economists have done (Sismondi, Rodbertus, Tarnow). The mass of the people had had to suffer from underconsumption long before capitalism came into existence. To a certain extent, one could say that early mankind had permanent underconsumption; the minimally-developed productive forces almost never provided people with enough food. Crises of underconsumption also existed before capitalism appeared on the stage of history. They were the result of natural disaster, conflagration, war. Such crises brought the masses hardship because too little was produced. They suffered hunger because there was not enough to eat.

"However, capitalist crises are different. They are not of underconsumption, but of overproduction. They originate from underconsumption by the mass of the people while capitalist production surges ahead boundlessly. They do not stem from the underconsumption which was always there, but from the contradiction between output and market, a contradiction which crisis forcefully thrusts to the fore from time to time. Capitalist crises are not marked by empty warehouses and lack of goods, but by bursting warehouses, by too many goods. The mass of the people do not go hungry during a crisis because too little has been produced but because they have produced too much. The external feature of a capitalist crisis is the massive

20. Karl Marx, *Capital*, vol 3, p 484 (Progress Publishers, Moscow, 1971 edition).

scale on which goods cannot be sold, goods which gather-dust in the warehouses.”²¹

In a very lucid and impressive manner Marx and Engels described in the *Manifesto of the Communist Party* just what madness such crises of overproduction are, and thus how it is high time capitalism was finally buried. They said:

“In these crises there breaks out an epidemic that, in all earlier epochs, would have seemed an absurdity—the epidemic of overproduction. Society suddenly finds itself put back into a state of momentary barbarism; it appears as if a famine, a universal war of devastation had cut off the supply of every means of subsistence; industry and commerce seem to be destroyed; and why? Because there is too much civilisation, too much means of subsistence—too much industry, too much commerce. The productive forces at the disposal of society no longer tend to further the development of the conditions of bourgeois property; on the contrary, they have become too powerful for these conditions, by which they are fettered, and so soon as they overcome these fetters, they bring disorder into the whole of bourgeois society, endanger the existence of bourgeois property. The conditions of bourgeois society are too narrow to comprise the wealth created by them. And how does the bourgeoisie get over these crises? On the one hand by enforced destruction of a mass of productive forces; on the other, by the conquest of new markets, and by the more thorough exploitation of the old ones. That is to say, by paving the way for more extensive and more destructive crises, and by diminishing the means whereby crises are prevented.”²²

The steep increase in industrial production during 1973 paved the way for the current crisis. In their greed for profits, the capitalists stepped up output far beyond the

21. Fred Oelssner. *Die Wirtschaftskrisen*, vol 1, Berlin, 1950; pp 40-41.

22. Marx-Engels. *Selected Works*, vol 1, p 114 (Progress Publishers, Moscow, 1969 edition).

capacity of the market. Industrial production in the major imperialist countries developed along the following lines:

INDUSTRIAL PRODUCTION (1970=100)

Country	1971	1972	1973
US	100	108	118
Japan	103	110	129
Fed Rep of Germany	102	106	113
Great Britain	100	102	110
France	104	112	120
Italy	100	104	114

Industrial production in the US, Japan and Italy went up by 10 per cent or more during 1973. For the first time in postwar history, industrial production in the advanced capitalist countries increased more or less as much in one year as in the socialist countries. But if history lets one such year emerge, it always gets its own back. The contradictions in capitalist society make it inevitable that production increases in capitalism can only match those in the socialist countries for a single year.

INDUSTRIAL PRODUCTION (1970=100)

Country	1973	1974	1975
US	118	117	107
Japan	129	126	112
Fed Rep of Germany	113	110	103
Great Britain	110	107	101
France	120	123	112
Italy	114	119	107

Only France and Italy saw growth in 1974, and the other countries experienced a reduction in industrial production to be followed by a swift drop-off in 1975.

Let us compare the pattern of production in the advanced capitalist countries with that in the socialist countries:

INDUSTRIAL PRODUCTION (1970=100)

Year	advanced capitalist countries	socialist countries (CMEA)
1971	102	109
1972	109	118
1973	119	129
1974	120	140
1975	110	153

Industrial production in the socialist countries rose by a steady 8 to 9 per cent a year. In the advanced capitalist countries, it rose by a paltry 2 per cent from 1970 to 1971, practically stagnated from 1973 to 1974 and from 1974 to 1975 dropped by almost the same percentage which the socialist countries recorded as an increase.

By 1975, industrial production in the advanced capitalist countries was some 10 per cent up on 1970; in the socialist countries it was up more than 50 per cent.

The new phase in the general crisis of capitalism, in which the economic superiority of the socialist countries over the developed capitalist countries becomes manifestly clear, is moulded to no mean extent by the current cyclical crisis of overproduction and the ones to come.

Of course, industries turning out capital goods are hit hardest by such crises, because less and less is being produced, so machinery and equipment in operation are more and more underused, thus reducing the demand for new investment.

The US issues the most extensive statistics, so it would be useful to take a look at these developments there:

DEVELOPMENT OF THE CRISIS OF OVERPRODUCTION IN THE US²³

Year	Industrial production (1970=100)	Utilisation of capacity (per cent)	Stock fluctuation (million dollars)	Capital investment (million dollars)*
1	2	3	4	5
1970	100	88.8	+2.6	77.6
1971	100	86.0	+5.3	76.6

23. *Survey of Current Business*, Washington DC (various issues).

1	2	3	4	5
1972	108	90.0	+ 7.0	83.7
1973	118	95.7	+10.8	94.0
1974	117	91.1	+ 8.7	94.0
1st quarter	117	92.6	+10.6	96.3
2nd quarter	118	92.6	+ 8.2	96.5
3rd quarter	118	91.9	+ 5.0	94.1
4th quarter	114	87.5	+10.9	89.2
1975				
1st quarter	105	79.2	-11.7	83.8
2nd quarter	103	77.6	-17.1	80.3

* Only factories (this excludes mining, construction, power, etc.).

** At constant prices. See *Survey of Current Business* (various issues).

This gives a very clear picture of crisis mechanism. It reveals how the level of goods stored by industry increases and then later subsides, how the extent to which capacity is utilised drops off, and how capital investment in particular suffers.

If we take a month for month look at the second half of 1973 and the whole of 1974, we observe another interesting trend (see Table below).

By January 1974 at the latest it was clear that a cyclical crisis of overproduction had broken out in the US.

However, bourgeois economists predicted in March-April 1974 that it was only a minor crisis that would soon be over. By the end of 1974, they realised exactly what they were up against. They had failed to grasp that such crises develop unevenly within one country and even within one branch of a national economy.

INDUSTRIAL PRODUCTION IN THE US (1970=100)

1973			
September	124†	May	121
October	124†	June	123
November	122	July	115
December	116	August	119
1974		September	123
January	115	October	122
February	119	November	116
March	120	December	107
April	120		

† Production peak.

Of course, they should have known better. One only has to look at developments in Germany in 1931, when the crisis brought about the collapse of the banking system in July of that year. We should scrutinise the trend in industrial production in the months preceding and following the collapse.

INDUSTRIAL PRODUCTION IN GERMANY, 1931 (1928=100)²⁴

January	68	July	72
February	69	August	68
March	74	September	67
April	76	October	64
May	74	November	64
June	74	December	59

Early 1931 bourgeois "prophets of boom and doom" by the score said that the crisis was at an end. They just did not grasp that there is no single sphere of social life, and certainly no capitalist crisis of overproduction, where the pattern of change is even. Engels had long since pointed out the contradictions, twists and turns which take place in development.

The same is true of the current cyclical crisis.

One just has to look at the periods of time when industrial production in the six major imperialist countries dropped sufficiently to indicate that the current crisis had erupted there:

US	Late	1973
Japan	Summer	1974
Federal Germany	Summer	1974
Great Britain	Autumn	1974
France	Autumn	1974
Italy	Autumn	1974

The crisis hit the largest imperialist country, the USA, first. It then embraced the next biggest, Japan and the Federal Republic of Germany. By Autumn 1974, all six major imperialist countries were in its throes. It thus be-

24. *Vierteljahrshefte zur Konjunkturforschung*, Berlin, 1932, No 1.

came a genuine international crisis of overproduction gripping capitalist economies throughout the world.

The international character of the crisis carried special effects with it, which can perhaps best be observed by looking at the international monopolies. In the contribution delivered by B. Komsin before the Scientific Council of the Moscow Institute for World Economics and International Relations, from which extracts have already been quoted previously in this text, he said:

"When transferring production to branches abroad and regulating the scope of production there, the boards of directors of the multinational joint stock corporations base their calculations on the specific features of the national economy in the country under consideration. Most of the great international monopolies tried to turn to account the asynchronous development of postwar economic cycles which was taking place in the major capitalist countries as well as the varying levels in their scientific and technological progress. Take the following statement made by the president of a US capitalist multinational: 'By distributing our productive capacity over a number of countries and having our factories in each land specialise production in line with a global scheme, we ensure really stable economic growth irrespective of the economic fluctuations affecting each country concerned. This is how our corporation escaped being harmed by the 1962 crisis in Italy, and the West German and French crises of 1966 and 1968 respectively. What is more, during the recession in the American economy from 1970 to 1974, our corporation's average turnover growth rates did not drop below 16-18 per cent.' "²⁵

Of course, when an international crisis sets in, affecting all countries, the monopolies are no longer able to pursue such a strategy. It does not in fact come as a surprise that a large number of international monopolies has been very

25. B. Komsin: "Die transnationalen Kapitalgesellschaften und die kapitalistische Wirtschaft", in: *Sowjetwissenschaft, Gesellschaftswissenschaftliche Beiträge*, Berlin, 1975, No 8, p 868.

badly hit by the crisis in recent years. They include the Philips light bulb company in Holland, which had a turnover in respect of its electric products of more than 5,000 million dollars and subsidiaries in 29 countries before the crisis set in, and also the Federal German AEG company, which the Siemens concern would be only too pleased to gobble up in part or whose unprofitable branches it would be only too glad to destroy.

What applied to the international monopolies in the past still applies with equal force to the separate countries. That the cyclical crisis of overproduction did not hit the US as strongly in the fifties and sixties as before was due to the fact that it was able to shift part of the burden of the crisis onto western Europe. This did not cause any great harm to western Europe because production there was on the increase first of all as a result of these countries making up for the setback brought about through the war and later as a result of greater arms spending.

Such a possibility of "exporting" the crisis without harm to others has disappeared with the discontinued operation of the special factors mentioned in western Europe since the seventies began. As the economic crisis takes on an international character, every attempt to shift the burden only heightens the crisis in the country at the receiving end, in turn intensifying the crisis raging throughout the whole of the capitalist world.

In the fifties and sixties one heard a great deal about a growing asynchronism trend or a desynchronisation of the international capitalist economy. These ideas could not hold water, because the capitalist economies were becoming more and more intertwined. Chance historical factors caused the great differences in development in the US and in western Europe, not by any means tendencies inherent in or laws governing capitalism. Once these special, chance factors lost their impetus, synchronism was restored and the cyclical crisis of overproduction once again took on an international character. It is interesting to note that the chancellor of Federal Republic of Germany, Herr Schmidt,

stated in August, 1975, that western Europe could not expect an upturn in its economy till the United States, the economically strongest country (meaning in the capitalist world), had managed to extricate itself from the crisis.

Restoring the synchronism in the development of the crisis meant that the process of capital reproduction was got going again. This restoration, coupled with the fact that it became impossible for countries hit by the crisis to lean on those spared from it (crisis reigns throughout the capitalist world), inevitably has powerful repercussions on the general crisis of capitalism. The restoration of synchronism is a highly significant characteristic of the new phase in the general crisis of capitalism.

In turn, the characteristics of the new phase in the general crisis, especially currency instability and inflation, make the cyclical overproduction crisis run a more complicated course. Inflation, in particular, makes it more difficult to restore even temporarily the balance between production and the market on the one hand, or purchasing power, on the other. We shall take a closer look at this when we analyse the situation of the working people.

* * *

The cyclical crisis of overproduction reached its low in summer 1975. By autumn 1975, production began to climb again, while unemployment remained at a high level and the working people's purchasing power remained low.

The smaller sales prospects which resulted from such a situation led to production stagnating once again in summer 1976. In fact, in late summer and early autumn 1976 production started to drop again in some countries, particularly in the US.

Just as a lengthy depression set in a number of countries after the great crisis of 1929-33, the same appears to be happening in all imperialist countries today.

Chapter 4

The Situation of the Working People in the Cyclical Overproduction Crisis

1. The Process of Absolute Impoverishment

Just as the cyclical crises themselves, the situation of the working people in capitalist society is determined by the basic contradiction within the capitalist system itself. Marx described in *Capital* that this contradiction results from the continuous accumulation of capital, from private capitalist appropriation, from exploitation. He said: "It follows therefore that in proportion as capital accumulates, the lot of the labourer, be his payment high or low, must grow worse... Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation, at the opposite pole, i.e. on the side of the class that produces its own product in the form of capital."²⁶

Whether his pay be high or low—the worker's situation must grow worse. This statement is of tremendous significance. It shows that the theory of impoverishment established by Marx—in contrast to the ideas of classic bourgeois political economists or postclassic theories—is in no way based only on biological laws but also has a far wider basis than the wages theory. It is an all-embracing theory founded on the laws governing the development of capitalist society as a whole. It shows that the worker's situation must deteriorate as time goes by no matter what his wage. The question is just how his situation deteriorates, how does it become apparent?

26. Karl Marx, *Capital*, vol 1, p. 604 (Progress Publishers, Moscow).

We should once again turn to Marx, as he outlined the forms of absolute impoverishment: "Misery, agony of toil, slavery, ignorance, brutality, mental degradation."

What does this absolute impoverishment mean in real terms? Many bourgeois ideologists and exponents of vulgar Marxism interpret Marx as meaning that real wages must dwindle all the time. This, however, is a distortion of what Marx said, which led some to believe Marx was refuted as it became apparent that under some circumstances real wages could rise under capitalism even for a lengthy period. The absolute impoverishment defined by Marx embraces all aspects of workingclass life.

What we must ask ourselves is just how *accumulation of misery*—the first form of accumulation mentioned by Marx—is possible when real wages increase. Let us look at the advanced capitalist countries alone, as even the capitalist press is prepared to give wide coverage to the fact that misery accumulates in the developing countries, dominated as they are by monopoly capital. Let us take a look at the housing situation as it has developed over the last 120 years when real wages have mostly increased. There seems to be unanimity of opinion even among bourgeois researchers that housing conditions worsened in the second half of the 19th century. No one who has made a serious study of living conditions in London, Berlin, New York, Paris, etc. can seriously deny that they were worse in 1900 than in 1850. Overcrowding of towns led to people having to pay higher rents for worse dwellings and having to live in more confined quarters. Just as Marx commented with regard to misery in general, we can relate the same of housing conditions: irrespective of the trend in wages, up or down, high or low—the living conditions of the workers got worse in the 19th century.

Let us turn now to the 20th century. The richest city in the capitalist world, New York, received the attention of Professor J. Ford in his two-volume book entitled *Slums and Housing*. He said it was possible that in the first century of the history of New York (meaning the 17th) a

larger percentage of the city's poor lived under healthier conditions than today. Over three decades have gone by since publication of his book and living conditions in the slums have deteriorated even further. What is more, a greatly increased proportion of slum-dwellers is accounted for by Afro-Americans, Puerto Ricans, Mexicans and other minority groups, especially those suffering from race discrimination.

There is in fact another section of the population which is also tending to make up a growing proportion of those living in slums. These are the aged. As early as 1960, a committee of the US Senate stated that at least half the old people—close to 8 million—were not in a position to afford a decent room, sufficient nourishment and adequate medical attention.

And it is not only the elderly who suffer from slum life. Take the children as well. All advanced capitalist countries have of course passed laws to protect workers from lead poisoning, and to provide for compensation to be paid of, for instance, painters contract this illness. As a result, the incidence of lead poisoning among industrial workers is minimal nowadays, a sharp contrast to the situation a century ago. However, when we look at society at large, we note that lead poisoning has become rampant among American children. The *International Herald Tribune* reported estimates in August 1971 that some 400,000 children a year contract lead poisoning, over 3,000 of them suffering brain damage, of which 800 are so badly affected that nothing more can be done to cure them.

Practically all the children so affected live in urban American slums and are between one and six years old. The walls of their dwellings are in a state of decay, bits of paint and plaster crack off and the children are only too prone to putting them in their mouths. This brings about lethargy or convulsions, their mental development begins to suffer, and kidney damage or blindness follows on. Such symptoms were long ago recognised as the results of lead poisoning when they occurred in adult industrial workers.

We are talking, however, about little children, who are hit far harder by the poisoning. Almost half a million such mites are affected yearly in the slums of cities such as New York, Chicago, Washington and Seattle.

It was only after a large number of doctors had protested at the situation that the American president in 1971 set aside a paltry 2 million dollars of the 1972 budget for the fight against lead poisoning among children. By comparison, he had just authorised payment of 334 million dollars for the campaign against cancer, which does not recognise class divisions and even attacks monopolists. When one thinks of the first thing that must be done in order to help the fight against lead poisoning, one sees just how ridiculously small the sum of two million dollars is. As a first step, paint with a lead content must be stripped from the walls of 7 million slum-dwellings!

Let us turn to western Europe. One example should suffice. In 1974, the British Sunday newspaper *The Observer* published a picture of Manchester slums, with a caption saying that Frederick Engels would recognise the street shown straight away.

Of course, millions of working people also live in far better conditions today. They have sweated to get housing that in many cases is sufficiently large and up-to-scratch as far as health considerations are concerned. Many live in their own small house with a well-tended garden. But under what conditions do they live there? They must pay as much as a quarter to a third of their wages or salaries in rent. And if they become unemployed, as millions are, or are put on short time, then they often have to pay up to half their income in rent—or else look for something cheaper in the slums, not always successfully.

With the accumulation of misery, as Marx called it, we also notice an exceptional degree of unevenness in its development within the working class. Some strata live in conditions which are better than ever before. However, the workers have to make sacrifices for these dwellings of which we shall speak further on quite apart from the large

proportion of their pay which they have to hand over in rent.

A final point about the big cities and slums of the advanced capitalist countries, and it doesn't matter whether we mean New York or Rome, Chicago or London. Once upon a time, countries were proud to point to their cities, whether in ancient Egypt or Greece, in the period of German or Italian renaissance. However, the cities in the imperialist countries are becoming more and more of a disgrace, just as the imperialist countries themselves have become a blot on the face of the earth.

Alongside the accumulation of misery, Marx named the *accumulation of the agony of toil* as the second factor causing the impoverishment of the working class. We have already looked at the US and Great Britain for examples of housing conditions, so let us turn to the Federal Republic of Germany for examples of this agony of toil. We shall limit ourselves to the "good years" in the fifties and sixties, as it is clear that workers still turn up in the factory and take on all the heavy work necessary with particular fervour—even when they are ill—during the cyclical overproduction crises as they are threatened by unemployment. This is what Marx called "competition among the workers".

We can state in general that throughout the whole period of imperialism the agony of toil has increased tremendously—especially what Lenin called "A 'scientific' system of sweating".²⁷ The history of health conditions at work proves this statement in most forceful terms. The concept "nervous occupational disease" was first developed after *Capital* was published. No better proof can be provided of the escalating agony of toil than the fact that the oppressed classes are suffering more and more from heart trouble, stomach disorders and headaches. All these nervous disorders first appear on a mass scale when the work process is greatly intensified. American research in the early thirties showed that few workers could last out more

27. V. I. Lenin, *Coll Works*, vol 18, pp 594-95.

than five years in a Ford factory. This example shows the unbelievable extent to which the agony of toil has been stepped up, attaining a scale which was nowhere near being reached when Marx and Engels put pen to paper, this *arbeitsqual* increased to an exceptional extent when imperialism entered on the stage of history.

Still, we had better look at a couple of concrete reports issued in the Federal Republic of Germany. Both are taken from the Metall journal issued by IG Metall (the metal workers' union—translator's note). One of the articles talks about the "modern" worker who, as far as current bourgeois thinking is concerned, is no longer a worker as he uses brainpower and mental reaction rather than his hands.

Let us see what sort of job one of these workers who has been "elevated from the proletariat" does. One of them sits and operates the control panel of a mill-rolling train.

"One of these operators said: 'I think I'll leave this job and go back to work in an old-style steel mill. I'd rather take on a job involving tough physical work than sit up here for much longer. If I don't get out I'll be a bundle of nerves in a few years' time and ready to be put on a disablement pension.' This man is 32. He has worked in front of a control panel for 6 years. These few years of 'lighter work' were accorded him because of his circulatory disorders and chronic heart condition... 'Under present conditions, no one can stick to this work for more than 10 or 15 years. Then he is only fit for light work outside production, if he doesn't have to be pensioned off altogether.' This statement comes from the works council chairman in a large steel plant, a person who is well known for his objective opinion. 'A person with the strongest of nerves will be broken in a short time when he is made responsible for machinery worth millions, and must therefore be prepared to react in a split second day after day, eight hours at a time.' "²⁸

One could, of course, ask whether socialist countries do not also require people to take on jobs with similar degrees of responsibility. Of course they do. However, in such a country as ours no one is "broken" by such work, he doesn't reach a stage where he has to be pensioned off and he doesn't have to seek a job that will cause a drop in income. In our society, no one is "broken", to the extent that the following observation is necessary: "The merciless grind to which working people are subjected today leads to increasing susceptibility to illness, more and more of them being given early disablement pensions and reduced life expectancy. Despite the fact that medical science has made tremendous advances over a number of decades, we still die earlier. Health statistics issued in Federal Germany show that average male life expectancy for those over the age of 29 has been steadily decreasing in recent years. 10 years ago, a 40-year old man had an average prospect of living to the age of 72 years and three months. Nowadays, he can only expect to reach his 72nd birthday. And the life expectancy of men between the ages of 55 and 60 has in fact dropped by a full 9 months over a period of ten years."²⁹

How did Marx describe it? The "accumulation of the agony of toil". And this has reached its peak under imperialism. *For the first time in over a hundred years the life expectancy of industrial workers in advanced capitalist countries is showing a downward trend.* What has been said about the Federal Republic of Germany applies, in fact, to all major imperialist countries. Infant mortality is still decreasing, a favourable pattern can still be seen in the life expectancy of children and young people. However, the consequences are terrible when the grind of daily work starts to take its toll of the human body and when the increasing agony of toil has to be borne on a life-long basis. People who reach an age of 30 have no greater chance of living longer than those of that age ten or twenty years ago. And once they reach 40 or even 50, they can expect

29. *Ibid*, 9 July 1963.

to die younger than those who reached that age in 1955 or 1965.

Now think once again of the working-class families we mentioned before, the ones with such a nice house and garden. We have seen that they have to sacrifice a good part of their wages for it: now we see that they have to sacrifice a good part of their lives for it as well.

Let us take a look at only one other of the factors which Marx mentioned in the process of impoverishment. This is the *accumulation of ignorance*. It is tremendously important, not least because of the fact that this element in the process of impoverishment is mostly only perceived in part by those affected. This is, of course, inevitable: it is part of their ignorance itself.

It would be incorrect for two reasons to throw up the argument that many more workers can now read, write, add and subtract than a century ago. This is true. However, ignorance has even increased in these fields. This is not just in relative terms, because knowledge in general has expanded so much and workers are less and less able to keep pace, practically excluded as they are from the institutes of higher education in the capitalist countries. It is also true in absolute terms. We should look back at the time *Capital* was published and view the total size of the army of workers exploited by British capitalism, in English factories, on Indian railways, in colonial mines, and then check up on the workers exploited by English capital today, millions of them in India, Africa, Central and South America, or the many other places where English capital is invested. We shall see that the percentage of illiterates among workers exploited by English capital is higher today than it was 50 or a hundred years ago.

It would, however, be wrong to measure ignorance solely in terms of the illiteracy and lack of education that exist when contrasted with the standards provided in higher learning establishments. A different type of ignorance, one which started to take hold as soon as capitalism came into being, is of greater significance. Every guild apprentice or journeyman in the precapitalist era learned how to

run a firm of craftsmen in addition to the job itself. Under capitalism, workers are put in a position where the set-up in their company becomes ever more confusing, and this state of affairs is intensified under monopoly domination so that they often do not even know who is the real boss. The degree of ignorance shown by workers about their firms' affairs, whether it be in respect of production or price-setting, their inability to gain an understanding of what is going on, all took on under capitalism a scale unthought of before.

Now we shall turn to a development which could already be observed as an isolated occurrence in England between 1850 and 1890, an incredible polarisation in the level of class consciousness.

On the one hand, communist parties are growing into powerful force in the capitalist countries, parties whose members, including workers, peasants or farmers, middle class, intellectual and professional people, understand the relations which exist in their country and also know how to go about achieving change. Mighty trade-union organisations are coming to the fore, standing to the left of the reformist social-democratic parties for the first time in history.

On the other hand, we see a dampening down of class consciousness and a bourgeoisification of ideology, which lead to a frightful increase in political ignorance among the working class in some countries. We should not forget that far more workers voted for workers' parties in the USA in 1912 than in 1972, and that the working-class press in 1912 had a circulation 10 times as much as it is now.

And all this is happening now, not in a half-century of "peaceful" development as in Britain from 1850 to 1890 when the "imperial power" grew tremendously: it is happening now, when it is necessary to protect not just the working class but in fact the whole of the nation from being annihilated in a nuclear war. It is terrifying to see how a large part of the working class in the Federal Republic of Germany, only 25 years after fascist savagery

was crushed, voted for fascist crimes to be subjected to a Statute of Limitations. It is also frightening to see how the USA was able conduct a horrible predatory war in Vietnam without massive protest demonstrations being held in all corners of the country under the leadership of a mass socialist workers' party and the trade unions. Such demonstrations would have been a matter of course before the first world war, say in 1911, 1912 or 1913.

Some of this ignorance is due to what Marx termed as the "alienation of the worker".

This alienation is rooted in the process of production. In the same part of *Capital* where Marx defines the process of absolute impoverishment, he also says: "Within the capitalist system all methods for raising the social productivity of labour are brought about at the cost of the individual labourer; all means for the development of production transform themselves into means of domination over, and exploitation of, the producers; they mutilate the labourer into a fragment of a man, degrade him to the level of an appendage of a machine, destroy every remnant of charm in his work and turn it into a hated toil; they estrange from him the intellectual potentialities of the labour-process in the same proportion as science is incorporated in it as an independent power; they distort the conditions under which he works, subject him during the labour-process to a despotism the more hateful for its meanness; they transform his life-time into working-time, and drag his wife and child beneath the wheels of the Juggernaut of capital."³⁰ "Estrange him from the intellectual potentialities of the labour-process"—and thus from society and his fellow human beings.

"An immediate consequence of the fact that man is estranged from the product of his labour, from his life activity, from his species-being is the *estrangement of man from man*. When man confronts himself, he confronts the *other man*. What applies to a man's relation to his work, to the product of his labour and to himself, also holds of a

30. Karl Marx, *Capital*, vol I, 604 f (Progress Publishers, Moscow).

man's relation to the other man, and to the other man's labour and object of labour...

"If the product of labour is alien to me, if it confronts me as an alien power, to whom, then, does it belong?

"To a being *other* than myself.

"Who is this being?...

"The *alien* being, to whom labour and the product of labour belongs, in whose service labour is done and for whose benefit the product of labour is provided, can only be *man* himself.

"If the product of labour does not belong to the worker, if it confronts him as an alien power, then this can only be because it belongs to some *other man than the worker*. If the worker's activity is a torment to him, to another it must give *satisfaction* and pleasure. Not the gods, not nature, but only man himself can be this alien power over man."³¹

Alienation does not only take place between the worker and the product of his labour. It also takes place in human relationships, to the advantage of a certain class of people, the capitalists.

Man becomes alienated from society. The West German *Neue Vorwärts* of 5 November 1954 described just such a person (the situation today being far worse) as follows: "The men working at the blast furnace and rolling train, the miners down below and the chemical workers in the rubber factory all trudge out wearily when they go home at the end of their shift. Their strength is spent. In the evening, the workers hardly feel like lifting a finger, let alone going out, because they are too worn out." This is alienation through exhaustion caused by the process of production, through the agony of toil. The process of impoverishment takes on a very dialectical nature through the interaction of the various factors involved. We refer here to the influence of the agony of toil on the ignorance about alienation.

31. Karl Marx: *Economic and Philosophic Manuscripts of 1844*, in. Marx-Engels, *Collected Works*, vol 3, pp 277-78 (Progress Publishers, Moscow 1975).

Alienation (and ignorance) are also brought about by manipulation. The ruling class nowadays has at its disposal an unparalleled apparatus for creating ideological confusion, for dampening down class consciousness. Radio and television are used to concentrate the attention of the workers on everything which holds them back from class struggle, thus surrendering the battlefield to the ruling class without resistance.

All this is happening in a world where we have to save mankind from a third world war, where children are perpetually at risk of taking to drugs, joining the growing army of juvenile delinquents, a world in which the greatest class struggle of all time is being fought out right across the globe between the socialist countries and the imperialist countries, between labour and capital. Workers who fall for this sort of deception, and there are millions of them in the imperialist world, are thus alienated from their own potentialities, from their historic role and mission, from their class, from society, from mankind. The ignorance prevalent among such people is far, far greater than that of the workers in the premonopoly era, illiterate as they were, drunk as so many of them became on pay-day, as Engels and Gorky wrote. They at least recognised their class enemy.

Despite increasing real wages and growing prosperity (no one would deny that the overwhelming majority of workers in the imperialist countries are better fed and clothed than ever before), despite all this one could write reams to show just how the working class in the capitalist world, especially in the imperialist countries, in some respects has become more impoverished, just as Marx predicted when he defined the law of accumulating impoverishment, describing conditions which inevitably bring about the "accumulation of misery, agony of toil, slavery, ignorance, brutality and mental degradation" of the working class.

To talk of brutality and mental degradation is not off the mark. Greater brutality and mental degradation cannot be imagined than that found among Nazi troops in the Soviet Union and the troops sent by American monopolists to

Vietnam. When one looks carefully at all these factors, they throw a new light on the objectives, efforts and sacrifices of communists in the struggle to free the working class from such manifestations of absolute impoverishment.

We cannot but feel hatred and bitterness swell in our breast when we see how monopoly capital imposes misery and gruesome suffering on the working people, especially in world wars but also during peace-time, day in and day out, and when we see how they impose "ignorance, brutality and mental degradation" on large sections of the working population.

It becomes more terrifying than ever when we realise the truth of what Marx said, that the working class and mankind as a whole only have one choice: socialism or back into barbarism.

We also gain a much clearer insight into the dialectics of history and the size of the job taken on by the communist and workers' parties when we realise how much struggle has to be conducted among the working class (which has the greatest historic mission ever entrusted to any class—that of leading mankind into a future of happiness for all people) in order to bring about a growing consciousness of this historic mission and a growing determination to win final victory against the trend towards ignorance, brutality and mental degradation.

2. *Unemployment*

Marx made a direct connection between the law of absolute impoverishment and the law that under capitalism there must be almost permanent unemployment, an almost permanent industrial reserve army. He says in *Capital* that: "The law, finally, that always equilibrates the relative surplus-population, or industrial reserve army, to the extent and energy of accumulation, this law rivets the labourer to capital more firmly than the wedges of Vulcan did Prometheus to the rock. It establishes an accumulation of misery, corresponding with accumulation of capital. Accumulation of wealth at one pole is, therefore, at the same

time accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation at the opposite pole, i.e. on the side of the class that produces its own product in the form of capital.”³²

How and why did this industrial reserve army come about? We have seen how capitalism has a tendency to expand production on an unlimited scale, and there must be an unlimited expansion of the working class needed to carry out this production. Marx said: “Accumulation of capital is, therefore, increase of the proletariat.”³³ Capitalism draws its workers from agriculture, partly by ruining the peasants and driving them into the factories and partly by attracting their children into industry. It does the same to craftsmen, by drawing the housewives into the production process and by seeing that the workers’ children are only able to gain employment in industry. In other words, as Engels put it, capitalism creates a “hereditary proletariat”.

However, we must look at another process which is closely bound up with the accumulation of capital: labour productivity increases. In other words, improved production techniques in particular enable the individual worker to step up his output. The output of finished products per worker increases in proportion to an ever greater amount of processed means of production (raw materials) and to an ever larger machine pool. Constant capital (machines, factory buildings, raw materials, etc. grows in relation to variable capital (workers, more precisely their wages). As Marx said: “This change in the technical composition of capital, this growth in the mass of means of production, as compared with the mass of the labour-power that vivifies them, is reflected again in its value-composition, by the increase of the constant constituent of capital at the expense of its variable constituent. There may be, e.g. originally, 50 per cent of a capital laid out in its means of production, and 50 per cent in labour-power; later on, with the development of the productivity of labour, 80 per cent in means of

32. Karl Marx, *Capital*, vol 1, p 604, Progress Publishers, Moscow.

33. *Ibid*, p 576.

production, 20 per cent in labour-power, and so on. This law of the progressive increase in constant capital, in proportion to the variable, is confirmed at every step."³⁴

In other words, if we see on the one hand that the proletariat grows with the accumulation of capital, we also see that the industrial proletariat in employment does not grow to the same extent that capital is augmented. The reason for this is that the machines save on manual labour and better machines work faster than those operated before. Rising productivity and technological advance ensure that constant capital increases swifter than variable capital, and that the number of workers in employment does not grow exactly in accordance with capital accumulation. This process speeds up as technological findings are applied on an even wider scale.

This means that although capitalist production needs and employs ever more workers, the additional number of workers used will always be less than the additional capital allocated. The consequences for the working class are, as Marx said: "This accelerated relative diminution of the variable constituent, that goes along with the accelerated increase of the total capital, and moves more rapidly than this increase, takes the inverse form, at the other pole, of an apparently absolute increase of the labouring population, an increase always moving more rapidly than that of the variable capital or the means of employment. But in fact, it is capitalistic accumulation itself that constantly produces, and produces in the direct ratio of its own energy and extent, a relatively redundant population of labourers, i.e. a population of greater extent than suffices for the average needs of the self-expansion of capital, and therefore a surplus-population."³⁵

The process described by Marx is the creation of an industrial reserve army, a surplus of working people. This army comes about because although more workers are being employed all the time, the rising productivity brought

34. *Ibid*, p 583.

35. *Ibid*, p 590.

about by the installation of new technical equipment means that in relationship to the expansion of capital stock the number of additional workers employed will always be smaller. As technology advances, the flow of new workers drawn into the production process becomes slower and thinner compared to the flow of additional capital, while at the same time the process of accumulation creates more and more potential wage earners.

The necessity of an industrial reserve army stems from the cyclical nature of the process of capital reproduction, as we may call it. Let us look from this angle at the way production runs. At first, production rises and employs more and more workers which it takes from the reserve army. When output reached its peak just before the crisis in the 19th century there was no reserve army to speak of, the number of unemployed was really very small. Then crisis struck and unemployment rose sharply. It rose faster and more than production dropped, because productivity rose, the manpower needed per unit of production decreased. Only when the crisis-cycle was over did employment rise as production was once again stepped up and the number of unemployed diminished.

However, as the general crisis of capitalism unfolded, a completely new situation came about.

Let us look at the pattern of unemployment in the three major capitalist countries, for which we have statistics reaching far back (see Table on the next page).

Although the figures are different from country to country, partly due to the method of calculation, allowing no conclusions to be drawn from the comparative size of unemployment, what is remarkable is the evenness of fluctuation from cycle to cycle until the first world war began. In Britain, unemployment only fluctuated from a low of 3.5 per cent to a high of 5.9 per cent in the whole period from 1850 to 1923; in the US from 10.1 per cent to 10.5 per cent in the period 1897-1921; and in Germany from 2.6 per cent to 3.7 per cent in the period between 1887 and 1923.

UNEMPLOYMENT IN LINE WITH ECONOMIC CYCLES, 1849 TO 1919
(IN PER CENT)

Cycle	Britain	Cycle	US	Cycle	Germany
1849 to 1858	5.4	—	—	—	—
1859 to 1868	4.9	—	—	—	—
1869 to 1879	4.1	—	—	—	—
1880 to 1886	5.9	—	—	—	—
1887 to 1895	5.2	—	—	1887 to 1893	3.3
1895 to 1903	3.5	1897 to 1908	10.2	1893 to 1902	2.9
1904 to 1908	5.2	—	—	—	—
1909 to 1914	4.0	1908 to 1914	10.5	1902 to 1914	2.6
1915 to 1923	5.6	1915 to 1921	10.1	1914 to 1923	3.7
1924 to 1932	13.7	1922 to 1933	13.5	1924 to 1932	19.2
1933 to 1939	14.0	1933 to 1939	19.2	—	—*

* No percentages published: due to enormous armaments programme unemployment sank to practically zero by 1939.

Then the time came which we pointed to in the first chapter of this publication when the rate of growth in production dropped greatly, the general crisis of capitalism depressed production, and even in the years when production rose unemployment remained at a high level, from cycle to cycle remaining on average as high in fact as that in the worst years of crisis. To a certain extent, high unemployment has become a permanent feature of monopoly capitalism. This is not just because the growth of production has become much less but also because productivity per worker has shown a steady increase. The following figures on the US are revealing:

GROWTH RATES IN PRODUCTION AND PRODUCTIVITY IN INDUSTRY AND THE LEVEL OF UNEMPLOYMENT IN THE UNITED STATES IN THE 20TH CENTURY UP TO THE SECOND WORLD WAR (IN PER CENT)³⁶

Economic cycle	Production	Productivity	Unemployment
1908 to 1914	38	12	11
1915 to 1921	28	10	10
1922 to 1933	21	47	14
1933 to 1938	3	22	19

36. Cf. Jurgen Kuczynski: *Die Geschichte der Lage der Arbeiter unter dem Kapitalismus*, vol 36, Berlin, 1968, pp 123, 124.

We note that in the last two cycles mentioned in this table labour productivity rose much faster than production, whereas in the first two cycles the position was completely the other way round. It is no wonder that unemployment rose sharply. Of course, we are not saying that this relationship between productivity and production is always the same under all circumstances during the general crisis. For example, in fascist Germany, the relationship was reversed, with productivity rising relatively little from 1933 to 1939 and production shooting up, thus causing unemployment to practically disappear for a time. In general, however, we can say that there is at least one definite trend where monopoly capital prevails, and that is that growth in production becomes slower in relation to growth in productivity. And an important conclusion is to be drawn from this: that there is a tendency for the industrial *reserve army, which disappears at times of peak production, to become a permanent mass army of unemployed even in periods when production rises sharply.*

What happened after the second world war?

GROWTH RATES IN INDUSTRIAL PRODUCTION AND PRODUCTIVITY AND THE LEVEL OF UNEMPLOYMENT IN THE UNITED STATES SINCE THE SECOND WORLD WAR (IN PER CENT)

<i>Economic cycle</i>	<i>Production</i>	<i>Productivity</i>	<i>Unemployment</i>
1942 to 1945*	125	19	2
1945 to 1954	- 7	6	4
1955 to 1964	35	33	5
1965 to 1969	21	8	4

* as against 1933-41.

During the war years, the prewar trend reversed, but from 1945 to 1954 the prewar relationship once again prevailed between production and productivity. From 1955 to 1964 the figures were very close; then from 1965 to 1969 (again war years) production once again rose much swifter than productivity.

And yet unemployment remained low in comparison to the years between both world wars. This can be explained

by the same reasons for which unemployment was low in Germany under the Nazis. Let us take the figure calculated by the Labour Research Association for 1968 and compare them to the 1937 figures:

	1937 (millions)	1968 (millions)
Those employed in the arms industry	0.40	5.46
In military service	0.31	3.52
Unemployed	7.70	2.82
Total	8.40	11.80

We now grasp the awful truth: monopoly capitalism has succeeded in partly turning the industrial reserve army into arms workers and an army for war.

And as regards the substantially lower number of unemployed in western Europe during the fifties and sixties as compared with the years between both world wars, this is due to the swift increase in production, the reasons for which we outlined in chapter one.

The overall picture changed with the new phase in the general crisis of capitalism and particularly with the outbreak of the international cyclical crisis of overproduction.

The rate of increase in production dropped back to the small level seen between both world wars, productivity rises once again took on the trend of rising as quickly or even quicker than growth in production and the industrial reserve army began to swell anew.

Let us compare the following figures:

UNEMPLOYMENT IN SELECTED IMPERIALIST COUNTRIES (IN PER CENT)

Year or period	US	Great Britain	Fed Rep of Germany
1960-64	5.5	2.0	0.9
1965-69	3.8	2.1	1.2
1970-74	5.4	3.1	1.3
1974	5.6	2.8	2.6
1975	8.6	4.4	4.7

One sees clearly how the army of unemployed rises and reaches its peak in 1975, during the cyclical crisis of over-

production. In the US and Great Britain it reaches the highest percentage for the whole of the postwar period. Only on the territory of the Federal Republic of Germany was unemployment even higher, of course, directly after the war than today.

As a matter of fact, the official unemployment statistics issued by these countries are undercalculated to a large extent.

Let us take the US and the Federal Republic of Germany as examples.

According to official US statistics, in the first quarter of 1975 there were some 8.3 million unemployed. However, the Department of Labor announced at the same time that there were 5.3 million who were neither in employment, nor registered as unemployed, and yet in fact who wanted to work.³⁷ These are people who feel it is hopeless to seek work, who stay on at school or remain at home and look after the family (especially women). In other words, while the official figures put unemployment at 8.3 million, the industrial reserve army, in fact totals 13.6 million. This is over 50 per cent more than the official figure.

The following statistics for the Federal Republic of Germany are quite interesting.

Year	Number of employed ³⁸ (millions)	Fluctuation in unemployment*
1973	22.564	—
1974	22.113	+ 0.309
1975		
First quarter	21.399	+ 0.568
Second quarter	21.317	— 0.115

* official figures

37. US Department of Labor. *Employment and Earnings*, Washington DC, April 1975, p 57.

38. According to figures published in the *Monatsbericht der Deutschen Bundesbank* (various issues).

The number of unemployed is always shown as growing at a lesser rate than the number of those in employment drops. Unemployment is even shown as diminishing at the same time as employment figures diminished. This is due to the fact that a part of unemployment is "exported" by sending migrant workers back to their own countries, and that many women just gave up looking for work in despair, in other words "went back to the kitchen".

In addition, one must take account of those in the Federal Republic of Germany who are not in the unemployment figures but who also want to work, such as the youngsters who cannot find a job and stay on at school and the girls who "find something to do in the home".

On the whole, one can reckon that the actual number of unemployed in most advanced capitalist countries, i.e. those who look for work but cannot find it, is 50 per cent higher than the official unemployment figures show.

One must also note the exceptionally uneven distribution of unemployment among the population. This is illustrated in the American unemployment statistics:

UNEMPLOYMENT BY GROUP (IN PER CENT)³⁹

<i>Unemployed</i>	1973	1974	1975 First quarter	1975 Second quarter
Total	4.9	5.6	8.4	8.9
Adults				
Men	3.2	3.8	6.3	7.1
Women	4.8	5.5	8.2	...8.5
Young people	14.5	16.0	20.4	20.5
White	4.3	5.0	7.0	8.2
Other races	8.9	9.9	13.7	14.3

In the years between both world wars, it was the "older" workers, those over 40, who had the biggest difficulty in finding work. Currently, *in the new phase of the general crisis, unemployment is highest among young people*. This is true of all imperialist countries. The cause of this turn

39. *Survey of Current Business*, Washington DC (various issues).

in the situation has not yet been analysed thoroughly, but it would not be unfair to assume that young people's low level of job experience and their relatively lesser degree of training are a significant reason for the particularly high number of unemployed among them.

After youth, the next highest rate of unemployed in the US is to be found among nonwhites, the blacks, Mexicans, Puerto Ricans and others. Great Britain shows a similar pattern among coloured people from the Commonwealth. The British *Morning Star* reported on 5 September 1975, that the total number of unemployed rose by 65 per cent from November 1973 to February 1975, among the coloured population, however, it rose by 156 per cent. In France, it is the Algerians who hold this position and in West Germany the migrant workers.

Finally, unemployment is higher among women than men.

To sum up, one can say that the *weaker the economic or social position of a group, the higher the proportion of unemployed among it.*

Another factor should be noted which also increases unemployment. This is the high level of arms production. The history of imperialism of course teaches us that it brings with it rising arms production, and no one can deny that the swift growth in the production of armaments under imperialism has also increased the number of jobs available and reduced the level of unemployment accordingly. This is one of the worst things we have to note and which shows the completely disgusting and inhuman nature of the system.

However, there is a second factor which has especially come to light in recent years and which in general receives little attention. This is that smaller increases in arms spending have practically no effect on the labour market, and in fact tend to raise unemployment if they are made at the cost of the civil budget.

A wide range of studies has been published on this

question recently in the United States.⁴⁰ Calculations show that over the last 30 years every thousand million dollars which has been added to the arms budget has led to some 700 million dollars less being spent for public purposes. It has also been shown that military spending in fact soaks up very little manpower. These studies reveal that:

For every 1,000 million dollars spent on arms or war purposes the number of jobs created among civilians, including those producing armaments and those working on the civilian side in the military complex, totals 35,000. The number of jobs which would be created in other fields for the same level of spending would be education 100,000
Health 70,000
Housing construction 65,000.

In other words, increasing arms spending by a set amount has far less, probably under 50 per cent less, effect on the labour market than if the money were put to use for nonmilitary purpose. One also has to note that it is much easier for war ministers to get increases in spending authorised than it is for civilian ministries to do so. The 1976 budget of the Federal Republic of Germany is typical in this respect, providing for higher arms spending and lower spending on education.

It would be wrong to view unemployment as a problem only affecting those who are out of work. When we took up the topic of unemployment, we noted Marx's explanation that the *industrial reserve army* brought into being by capital condemns the whole of the working class to impoverishment. In the same way, rising unemployment affects all working people.

Rising unemployment means rising insecurity for those still in jobs, and also for the small businessman, especially the shopkeeper, who is hit by the reduced purchasing power of the workers. On top of this the income of local authorities also drops as a general result of the crisis.

40. See *Economic Notes*, 1975, vol 43, Nos 2, 7-8, New York.

affecting the services they provide. In some US towns, firemen and teachers are being made redundant and swimming pools and libraries are closed down.

A reactionary Federal German daily, *Frankfurter Allgemeine Zeitung* published an article on 8 February 1975, which showed just how a whole town can be gripped by the fear of unemployment. This was at a time when the country's chancellor, Helmut Schmidt, was predicting an upturn in the economy in the spring. Writing about the "car metropolis" of Wolfsburg, the newspaper said:

"Wolfsburg, 7 February. Over 400 people of this town went to the Evangelical Community Centre tonight to a public discussion on 'the economic progress of the Volkswagen works and consequences for the town of Wolfsburg. They had been invited to attend by the industrial deaconry of the Hanover regional church. There were far more people than there were seats for them to sit on. The audience were prepared to crowd into the gangways in order to listen to the answers they hoped to receive to questions of burning interest. On a slightly raised platform in the middle there sat Herr Backsmann, member of Volkswagen's board, Herr Ehlers, chairman of the workers' council, the Lord Mayor and the Town Clerk, and the chairman of the panel, a representative of the deaconry. No one heard anything new this evening, but he received statements from the experts about the general insecurity which exists and its consequences for the motor industry and the well-being of the town which is completely dependent on the works...

"The words which could have relaxed the tangible web of accumulated tension and insecurity which has come about in this, the seventh phase of short-time working in Wolfsburg, had so remained unspoken. Herr Backsmann wavered and said: 'It would be unfair if one merely made vague statements about which factory or which town could be affected by the necessary cutback in production facilities. It would just make people feel uneasy. No final decisions have been made so far.' He did, however, go so

far as to say that he did not expect any spectacular cuts. Volkswagen hoped to get by wherever possible with relatively light measures. Herr Ehlers emphasised that 'Dismissals are not on the cards at the moment.' Before anyone knows just at what level car production will settle down it was impossible to say anything definite about the future number of jobs that will be available.

"The purpose of the meeting was no doubt attained by the discussion which took place: 'to clarify problems which affect us in Wolfsburg'. And if it was intended as a chance to air the worries which have been building up or to diminish any aggressiveness arising from the tension, then the discussion showed quite clearly that no aggressive crisis atmosphere reigns as yet in Wolfsburg, despite the long period of insecurity, rumours and tangible belt-tightening...

"People who know their way about the densely-populated modern housing estates and have closer contact to the problems affecting the average member of the public in Wolfsburg (such as welfare workers) know just how much nervous tension has built up here over recent months.

"The town itself also has urgent financial problems. The town budget, once bursting with health, now had its 5th lean year behind it, including 1974. This comment came from town clerk Hasselbring. The dry-up on profits tax payable by Volkswagen will certainly not be over before 1977. Trade taxes, which averaged 46 million marks a year from 1958 to 1973, are expected to be as low as 23 million in 1975. Trade and commerce are also feeling the pinch brought about by insecurity. If it were not for the wage-total taxes which had been introduced the budget would have been hopelessly thrown out of gear, as the cost of maintaining staff (and the hospital being built) has grown out of proportion. However, the town has stuck to a steady policy of investment and has not allowed itself to be dictated to by the ups and downs shown in the affairs of the Volkswagen works...

"Anyone who has not let himself be swayed by rumours will in the end be convinced that nothing drastic is going to happen to Wolfsburg; as was explained a number of times 'Cars can always be sold' and 'Volkswagen and its models have taken the lead on the home market again.' With this conviction, people should be able to cope with the new phase of short-time working which has been announced for the pre- and post-Easter period."

This report by a reactionary newspaper which supports the interests of monopoly capitalism shows quite clearly just how increasing levels of short-time and unemployment can fill a whole town of 130,000 people with worry and insecurity.

The article was of course written in order to put people's minds at rest. They should not let themselves be swayed by mere rumours' and should believe that 'nothing drastic is going to happen'.

Just a few months later, the company announced that it was sacking tens of thousands of workers with immediate effect.

In September 1975, just a few months later still, it emerged that the sackings had been carried out so arbitrarily that the remaining workers were not able to cope with the level of production required, reduced even as it was. What did the company do? Did it take on a few hundred or a thousand workers again? Not on your life. It introduced extra shifts for those in the factory, paying them overtime.

This is just what Marx wrote about over a century ago, when he said that: The over-work of the employed part of the working class swells the ranks of the reserve, whilst conversely the greater pressure that the latter by its competition exerts on the former, forces these to submit to over-work and to subjugation under the dictates of capital. The condemnation of one part of the working class to enforced idleness by the over-work of the other part, and the converse, becomes a means of enriching the individual capitalists, and accelerates at the same time the pro-

duction of the industrial reserve army on a scale corresponding with the advance of social accumulation.⁴¹

In other words, under pressure from the unemployed the workers are obliged to do longer hours, thus making even more workers superfluous and directly swelling the ranks of the industrial reserve army which is just waiting to get a foot in the door, which only steps up the pressure once again to extend the length of the working day.

The Volkswagen works in 1975 confirms hundred per cent what was said in *Capital* in 1867. And a newspaper run by the monopolies, *Frankfurter Allgemeine Zeitung*, once again, in fact, also backed up *Capital*. It published an article on 25 May 1974 directed against Karl Marx, one which specifically countered the "theory of class struggle" and of impoverishment. It did so in a section headed "The reserve army of industrial workers is a thing of the past."

Yes indeed, the crisis really is something, the way it drums in dialectics!

3. The Pattern of Real Wages

What pattern have the real wages of the workers followed? So that we can understand the changes brought about by the general crisis of capitalism, especially its new phase and the current cyclical crisis, we shall have to start from the period of capitalism long before monopolies arose:

REAL WAGES OF INDUSTRIAL WORKERS FROM 1850 TO 1975 (CAPITALIST WORLD 1900 = 100)⁴²

<i>Economic cycle</i>	<i>Index</i>	<i>Economic cycle</i>	<i>Index</i>
1. Premonopoly capitalism			
1850 to 1858	65	1879 to 1886	86
1859 to 1868	72	1887 to 1895	95
1869 to 1878	80	1895 to 1903	99

41. Karl Marx, *Capital*, vol 1, pp 595, 596 (Progress Publishers, Moscow).

42. Cf. Jurgen Kuczynski: *Die Geschichte der Lage der Arbeiter unter dem Kapitalismus*, vol 37, Berlin, 1969, pp 116, 118. The figures arranged according to economic cycle or decade cover workers in Berlin, US. Federal Republic of Germany, France and the British empire.

<i>Decade</i>	<i>Decade</i>	<i>Index</i>	<i>Index</i>
<i>2. General crisis of capitalism</i>			
1900 to 1909	100	1940 to 1949	110
1910 to 1919	98	1950 to 1959	125
1920 to 1929	100	1960 to 1969	140
1930 to 1939	103		
<i>Five or one year period</i>		<i>Index</i>	
<i>3. New phase in the general crisis of capitalism and the cyclical crisis</i>			
1970 to 1974		142	
1975		125	

From 1850 through to the end of the premonopoly period of capitalism real wages showed considerable growth—in fact they rose by some 50 per cent. However, this does not mean that wages were automatically put higher than the minimum needed for the purposes of existence. The minimum required for existence also rose steadily for sheer physiological reasons. As the intensity of the work performed rises the individual worker has to expend more labour power. In order to do this, he needs to consume more food, more calories. In other words, growth in real wages need not even compensate for the extra labour power invested—quite apart from the increase in what Marx called the "historical" or "moral element".

When capitalism reached the stage of imperialism and the general crisis of capitalism set in, real wages practically ceased to rise. This situation perpetuated until the second world war, despite the fact that the intensity of the work performed continued to rise. The times when the economy saw an upturn also saw real wages rise, but despite the much improved social assistance in comparison with the period before the first world war, the high levels of unemployment and the high incidence of short-time working robbed the working people of a good part of their income. During the first world war itself and

the worst crisis years, from 1929 to 1933, real wages dropped quite considerably.

The wage losses caused by unemployment will be underestimated if one only looks at the figures for unemployment. The reason is that although the average for a year shows that 5 per cent were unemployed, it does not mean that 5 per cent of the workforce were unemployed for a whole year, but rather that, say, 30 per cent of all workers were hit by unemployment for, say, 2 months on average. Unemployment in the United States in 1973 averaged 4.9 per cent. We have, however, figures which show how many workers were employed full-time throughout the whole of the year.⁴³

In 1973, the following percentages of all manual and clerical workers were employed full-time for the whole year:

Agriculture	46.8
Construction	51.1
Factory workers	68.9
Transport, gas, electricity and water	73.0
Retail trade	38.9
Banks, insurance companies and service trades	62.1

One observes quite clearly just how much unemployment robs working people of their income. 1973 was mainly a year of high economic growth for the US, but the figures show that *even in good years some 50 per cent of all manual and clerical workers there had their incomes hit by unemployment, even if in many cases they were only out of work for a short time.*

After the second world war, real wages rose quite a lot in the fifties and sixties, especially in Western Europe. We have already examined the special factors which led to this.

43. *Manpower Report of the President*, April 1975, Washington DC, p 275.

The new phase in the general crisis of capitalism then set in, bringing with it an international cyclical crisis of overproduction. The pattern of real wages started to approximate that in the period between both world wars. Real wages in fact practically stopped rising.

Although no account is taken of wage losses through unemployment, the only country which releases more or less reliable official statistics on the level of real wages after deduction of income tax is the United States.⁴⁴ These statistics reveal the following :

REAL WAGES PER WEEK
EARNED BY WORKERS (AT 1967 FIXED PRICES)

Year	Dollars	Year	Dollars
1950	72.18	1972	96.64
1955	79.06	1973	95.73
1960	82.25	1974	90.97
1965	91.32	1975	
1967	90.86	1st quarter	87.78
1968	91.44	2nd quarter	90.12
1969	91.07	3rd quarter	91.90
1970	90.42	4th quarter	91.99
1971	92.43		

Real wages dropped some 10 per cent from 1972 to the beginning of 1975. However, during the same period unemployment rose by 3 per cent (consider that this is an official figure!). So, even if one assumes that worker on the dole receives on average 50 per cent of his wages in unemployment benefit, it will mean an additional reduction in income of 1.5 per cent.

Thus, practically all rises in real wages over the last 12 years have disappeared. Despite the fact that he has to

44. See *Statistical Abstract of the United States* (various issues) and *Survey of Current Business* (various issues). Figures apply to a family of 4 (parents and 2 children).

work more intensively, the worker receives no more to live on than he did at the beginning of the sixties. That is, if we ignore the distorted picture presented by official statistics on the cost of living, where increases are usually underestimated. In reality, the worker is being put back in the position he was in during the fifties.

In the 3rd quarter of 1976, after real wages had risen slightly in comparison with the second quarter of 1975, they dropped below the figure of the previous year.

It is difficult for people in the socialist countries to imagine what life must be like for working people in the countries dominated by monopoly capital, caught in the throes of a cyclical crisis of overproduction against the background of the new phase in the general crisis. It is hard for people who treat job security as a matter of fact to grasp how it must be for the workers of a particular factory, or of a whole town, indeed of a whole country to have to worry about what the future may hold in store. People in the socialist countries expect, and get, increased living standards from year to year. How can they put themselves in the shoes of people who 'only' have to contend with inflation if they are lucky enough not to be put on short time or even get the sack. Still, we must learn to understand what this means, in order to perceive clearly what an abomination capitalism is, and to appreciate the full benefits of socialism, which is itself in its early stages and where, only naturally, much remains to be improved by us.

What is more, we must realise that we face a dialectical contradiction brought forth by capitalism itself. The capitalists show a certain amount of interest in having unemployment rise, because they hope to break the workers' resistance to wage cuts all the sooner, and at the same time they tell the workers that real wages must be reduced in order to lessen unemployment and to enable more to be invested.

Let us give an example of the capitalists' tactics in this respect. On 8 February 1975 the Federal German daily *Stuttgarter Zeitung* carried an editorial headed "Duty to

Extend Solidarity". This was published at a time when wage rates in the metal industry were being negotiated for the current year.

The article starts with what appears to be a relatively realistic appraisal of the situation on the labour market. If you read between the lines, however, you will notice the veiled threat. It says: "Due to reduction in the level of employment, almost one in ten workers in the federal republic is now having to suffer income losses. More than a million are out of work and almost a million are on short time. Short-time working has become something of a social institution in the federal republic, and it is mainly this which has saved us from the depressing pattern which is emerging in other countries where unemployment leads to people giving up hope. On the one hand, short-time working 'disguises' the real extent to which the pool of jobs has been reduced. On the other hand, one cannot simply lump the unemployed and those on short time together, as when an employer applies for permission to put his workers on short time it signifies his optimism that after a certain lull things will look up. We have never before had so many people on short time as in January this year. The large number, over 900,000 in all, who have had to temporarily stop working in some 12,700 factories can be regarded as in suspended unemployment, as a sword of Damocles hanging over our heads."

So we see that there are a million unemployed and almost a million on short time. However, the threat is always there that the short-time workers will have to join the unemployed and bring the dole figure up to two million. For the time being the capitalists are 'optimistic', but we are left to guess what will happen when this optimism vanishes.

How can the capitalists be helped to remain optimistic? The *Stuttgarter Zeitung* has the answer:

"In the present situation we cannot afford wage demands which will set inflation moving upwards again after we have brought it down to its relatively low level with much toil and trouble. It would be pointless to act as if many

employers in the metal industry were not at the limit of their staying power. It can be seen more clearly than in other situations that the parties involved in the wage negotiations are not subjected to anonymous processes but can in fact influence the course of events themselves... More than ever before, it lies not in the hands of those negotiating wages for the public sector and the metal industry as to whether we get to see light at the end of the tunnel or not.

"The IG Metall (metal workers' union—translator's note) has said it would be satisfied with a 7 per cent settlement. However, due to the serious situation in the metal industry many of the employers do not think they could even offer as much as six per cent..."

"When IG Metall talks about 'employers' highhandedness in wage negotiations' it fails to realise that in the present situation too *high wage rates can indeed bring about unemployment*. In other words, forgoing a few per cent of a wage claim is not knuckling under to 'highhandedness', it is extending solidarity to those on the dole and on short time."

Thus they let the cat out of the bag. The capitalists can only be kept smiling by making a 'sensible' wage settlement, or one that guarantees them rich pickings. Any other course would increase unemployment. Therefore the trade union must make 'sensible' wage claims, with resultant losses in real wages, in order to avoid increasing unemployment and short-time working. The argument is that real wages must be cut out of 'solidarity' with all other workers. When wage negotiations for the iron and steel industry began in autumn 1975, Herr Friderichs, minister of economics, pressed the same line: "The wages policy pursued by the metal union should reflect a greater measure of solidarity with the unemployed in the current situation" (*Die Welt*, 17 September 1975).

Solidarity has always been regarded as vital in the labour movement, and calls for solidarity have always mobilised us into action. And here we see the newspapers serving the monopoly capitalists calling for solidarity, a

word which has always gained our respect, arguing we can only avoid increasing one evil (something the monopolies themselves have brought about), namely unemployment, by increasing another evil, namely a sharp reduction in the purchasing power of the working people, through cuts in real wages.

This is the alternative posed to the workers by capitalism. They have the choice of suffering from one thing or suffering even more from another.

This is all part of the process of impoverishment of the proletariat. It shows the nasty way in which capitalism works, especially the monopolist variety. It also shows the fundamental difference between capitalism and socialism. We don't say that we have no problems—but we do our best to overcome them. In a capitalist society, however, the capitalists themselves state their case quite differently: we can only avoid increasing one evil by increasing another! I do not think one could sum up the process of impoverishment much more clearly than this.

Chapter 5

The Pattern of World Trade

World trade, an expression of the international division of labour, has increased its level by over a hundred times as compared to 150 years ago. This growth has, however, followed a very uneven pattern:

GROWTH IN WORLD TRADE
(OVER THE PREVIOUS 20-YEAR AVERAGE)⁴⁵

Period	Per cent	Period	Per cent
1825-44	25	1895-1914	35
1835-54	40	1905-24	11
1845-64	70	1915-34	16
1855-74	70	1925-44	14
1865-84	50	1935-54	12
1875-94	40	1945-64	63
1885-1904	30	1955-74	105

We perceive therefore that the stronger capitalism develops free competition the stronger world trade growth surges. This went on until the sixties and seventies of the last century, which Lenin called the highest stage of development of free competition. As domination by monopolies approached, the rate of growth in world trade started to slow down, and when the stage of imperialism was reached, in which world wars have played such a terrible role, the rate of growth dropped considerably. In the last two decades a new trend has set in, with a very strong increase in the last few years. This, however, is also nearing its end.

45. Jurgen Kuczynski : *System gegen die Menschlichkeit*, Berlin 1972, pp 17-18.

As already mentioned, foreign trade reflects and regulates the international division of labour in manufacturing. If we match up the size and pattern of world trade with the size and pattern of world production, we can derive the following statistics on the international division of labour:

DEVELOPMENT OF THE INTERNATIONAL DIVISION OF LABOUR IN MANUFACTURING FROM 1850 TO 1974

<i>Decade</i>	<i>Degree of division of labour in the world (in per cent)*</i>	<i>Index of division of labour in the world (1913=100)**</i>
Period of capitalist free competition		
1850 to 1859	13.6	56
1860 to 1869	18.3	77
1870 to 1879	20.8	88
Period of transition to imperialism		
1880 to 1889	23.1	98
1890 to 1899	23.1	96
The stage of imperialism		
1900 to 1909	21.9	92
1910 to 1919	20.2	85
1920 to 1929	21.0	89
1930 to 1939	18.8	80
1940 to 1949***	14.3	60
1950 to 1959	17.4	81
1960 to 1969	20.5	97
1965 to 1974	27.5	116

* Value of world exports

Value of world production; value at fixed prices

**
$$\frac{\text{Index of world exports}}{\text{Index of world production}} \times 100$$

***From 1945 exclusive of trade within the socialist community.

In drawing up this table, we have borrowed from the method used by Lenin in the outline of the history of monopolies contained in his work entitled *Imperialism, the Highest Stage of Capitalism*. He said: "Thus, the principal stages in the history of monopolies are the following: (1) 1860-70, the highest stage, the apex of development of free competition; monopoly is in the barely discernible embryonic stage. (2) After the crisis of 1873, a lengthy period of development of cartels; but they are still the exception. They are not yet durable. They are still a transitory phenomenon. (3) The boom at the end of the nineteenth century and the crisis of 1900-03. Cartels become one of the foundations of the whole of economic life. Capitalism has been transformed into imperialism."⁴⁶

The international division of labour increases rapidly in the period of free competition. In fact, it almost doubled from the beginning of 1850s to the 1880s. From 1850 to 1859, some 14 per cent or less than a seventh of all the world's agricultural, mining and industrial products were exchanged in trade. From 1870-79 the figure had risen to more than a fifth, and by 1879 itself it was almost a quarter—23 per cent to be exact.

In the period of transition to imperialism, the degree of international division of labour ceases to rise, in other words production and world trade grow at about the same rate.

The general crisis of capitalism then set in, and the degree of division of labour dropped back sharply, almost to the mid-19th century level. This means that world trade developed even less favourably than production.

A turn came about in the fifties and sixties, when we saw production rise swiftly; foreign trade grew far faster and the degree of division of labour internationally also grew faster.

The process of integration in Western Europe contribu-

46. V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", *Coll Works*, vol 22, p 202.

ted to no small degree to this turn. We have already made the observation that integration in the sphere of production failed, i.e. it led to the EEC's share of output by the capitalist world dropping rather than rising. However, foreign trade grew among the countries in the Common Market, thus the division of labour among them also grew, in fact at a rate twice as high as in the rest of the capitalist world. The operations of a number of multinational concerns and the terrific amount of arms dealing among the capitalist countries, including the imperialist ones, also contributed to an upward trend in the division of labour.

There is also another, new factor to be taken into consideration, which has tended to work against the international division of labour. This phenomenon has played a major role since the second world war. It is the export of capital by monopolies in order to set up their own factories in other countries—such as Ford Works in Britain and the Federal Republic of Germany—so that the "national" monopoly, i.e. Ford in the United States, can sell its goods and rake in the cash internationally without having to export. The all-time peak reached in the international division of labour from 1970 to 1974 despite the operation of this new phenomenon shows the enormous intensification which has taken place in the process of economic internationalisation under monopoly capitalism.

World trade usually follows the pattern shown by other economic trends, but somewhat later, and in 1975 we saw a change. The international division of labour lessened noticeably in 1975 and was thus unable to give any further boosts to production. We shall have to follow development closely over the next few years to see whether the new phase in the general crisis is going to bring about a long-term cutback in the level of the international division of labour.

Of course, in the periods listed the foreign trade of each individual imperialist country followed a most uneven pattern. Let us look at the position of the leading imperialist countries:

SHARE IN WORLD TRADE 1820 TO 1974 (IN PER CENT)

Year	Great Britain	US	Germany	France	Japan
1820	18	8	(10)	(12)	—
1850	21	10	11	11	—
1870	22	8	13	10	—
1900	19	12	13	9	1
1913	15	11	13	8	2
1925	15	14	8	7	3
1938	14	12	8	5	4
1950	12	17	4†	5	2
1970	6	14	11	6	6
1974	5	12	11	6	7
1975	6	13	11	7	7

† Fed Rep of Germany from 1950

What strikes us straight away when we look at this table is, to put it simply, just how much lower the percentages listed are than those listed in the relevant table in the first chapter showing the breakdown of world production. Great Britain, for instance, accounted for 50 and 40 per cent of the world's total industrial output in the early stage of industrial capitalism. However, in world trade it has never exceeded 22 per cent. This is because there must always be a minimum of two for world trade to take place, whereas only one is needed to produce. Take the theoretical position of one country producing 100 per cent of the world's industrial goods. It could not match this in foreign trade. No single country can account for more than 50 per cent of foreign trade otherwise part of its exports would have to be gifts or part of its imports plunder.

The table shown confirms what we stated about the new phase in the general crisis, that world trade follows the pattern set by other economic trends. While Great Britain fell back within a few decades from dominating the world industrially to being only an average industrial power, the drop-off in British foreign trade happened so slowly that it took a century before other countries represented any

serious threat to it. It is true that we see a gradual slide in the development of Britain's foreign trade just as in the development of its industrial production. However, in the premonopoly era of capitalism the slide downwards was so slow as to be almost unnoticeable. This trend speeds up rather quickly in the period between 1900 and 1913, as the stage of imperialism set in and the unevenness in the pattern of development became even more pronounced. Nevertheless, Great Britain still headed the list in world trade in 1913, Germany following on second, not because it was catching up but rather because Great Britain's slide brought it down nearer Germany's position. Only after the second world war did Great Britain start to be overtaken sharply by West Germany.

Another significant fact is that a country can develop into a powerful industrial producer, well overtaking other countries in its speed of development, and yet play a relatively minor role in world trade. The United States is a typical example. Its share in world trade has grown over the last century, but from 1850 to 1913 saw very little increase. Then, after a short burst of growth due to the first world war, by 1938 its share was once again back round the level it had been in 1900 or 1850. By 1974 it had also found its way to the same position it was in at the beginning of the century. This is a new form of unevenness in the development of capitalism. Capitalism develops in fits and bursts within each country, thus producing a different picture when comparing it with others. What is more, an extremely varied speed of development is to be observed with each separate factor, such as industrial production and foreign trade, or the share in world industrial output and trade. This has some odd results. By 1913, Great Britain had been pushed back by the US into 3rd place in world industrial production, which meant quite a drop. Nevertheless, Great Britain still dominated the world in foreign trade, the United States coming nowhere near it. The only remote threat came from Germany, which was, however, not catching up.

The position of France and Germany/Federal Republic of Germany is quite remarkable. Both of them show fairly similar figures for their share in world industrial production and world trade; as, theoretically, the largest share in production for any country could be 100 per cent and the largest share in trade could be 50 per cent, this means that the position of France and (West)Germany is something like twice as strong in world trade as in world production.

Let us take a look at the 1970 figures, in per cent:

<i>Country</i>	<i>World industrial production</i>	<i>World trade</i>
US	41	14
Federal Germany	10	11
Great Britain	7	6
Japan	9	6
France	5	6

The pattern is strikingly uneven from country to country. This means, of course, that each country will be affected in a nonuniform manner by growth, stagnation or even decrease in world trade and the international division of labour. The Federal Republic of Germany and France, for whom foreign trade plays such a major role in comparison with production, are the most sensitive in this respect.

We have to hand some figures showing just how dependent certain Federal German industrial sectors are on foreign trade. Percentages of total output exported in 1794 are:

Iron and steel	35
Chemicals	37
Precision engineering	38
Shipbuilding	43
Mechanical engineering	44
Vehicle building (road)	47
Office and data processing equipment	52

And we should also look at the number of working people whose products were for export in 1974 in selected industries:

Textiles	155,000
Iron and steel	205,000
Chemicals	310,000
Vehicle building (road)	335,000
Electrical engineering	435,000
Mechanical engineering	660,000

Further, according to statistics published in *Hamburger Abendblatt* of 1 May 1975 the following percentages of the gross national product of the Federal Republic of Germany were exported:

1950	8.5	1970	18.3
1960	15.9	1974	23.1

In the early seventies, Federal Germany's independence on foreign trade grew considerably.

Let us compare the Federal Republic of Germany's dependence on foreign markets with other countries:

FOREIGN TRADE AS A PERCENTAGE OF GROSS NATIONAL PRODUCT, 1974

<i>Country</i>	<i>Per cent</i>	<i>Country</i>	<i>Per cent</i>
US	6	Great Britain	16
Japan	11	Italy	17
France	15	Federal Germany	23

On an international scale, dependence of the Federal Republic of Germany on foreign trade is enormous.

One can imagine just how hard Federal Germany was hit by the drop in world trade of 6 per cent in 1975. In 1974, when stagnation had already set in in the capitalist world's industry, world trade rose by 6 per cent! This shows once again how trade lags behind other economic trends.

One can also imagine how desperately the monopolies of all imperialist countries fight to retain their share of the world market, as the crisis forces down purchasing power on the home market, not least of all due to the steady rise in unemployment and steady reduction of real wages. When we look at things from this angle, we gain a better understanding of the manipulation which has been going on internationally on the currency market in order to improve the sales position on the world market.

The following observations will also help us to understand world economic developments:

<i>1960 to 1974</i>	<i>Percentage</i>
Increase in production by the capitalist world*	85
Increase in world trade (excluding trade within CMEA)	180

* *Industry, mining and agriculture*

Production did not so much as double, but trade almost trebled. 1975 saw the following position:

	<i>Percentage</i>
Cutback in production by the capitalist world	2
Cutback in world trade	6

We must ask ourselves whether the time when world trade shored up production has come to an end. What is certain is that competition on the world market has become heftier, fiercer and more intense than ever before. This is a characteristic of the new phase in the general crisis of capitalism, especially during the cyclical crisis of overproduction.

In this connection, it would also be pertinent to refer to economic relations between the socialist countries and the imperialist countries. These relations bring some advantages to the socialist countries. However, apart from the valuable commodities which are put on the world market because of these relations, the imperialist countries

also have to contend with strong competition. This is a form of class struggle on the world market, not least of all in the developing countries. For them, to import from the capitalist countries all too often means stepping up their economic dependence. Importing from the socialist countries, however, means that they obtain equipment which will help them strengthen their economic freedom.

Chapter 6

The Developing Countries

Right up until the second world war there had only been one example in the history of capitalism of a war for liberation from a colonial power which was taken to victory and long-term success. This was the war conducted against Britain in the 18th century by her American colonies.

However, the colonial empires of the imperialist powers underwent a process of political collapse after the second world war. The liberation of India set the pattern. Nowadays, as a political entity the colonial empire has practically disappeared from the face of the earth.

Economic liberation of the former colonies lags decades behind political liberation. This partly explains the exceptional political successes scored by the liberation movements. For a few centuries the British colonies belonged to private companies which held a monopoly there, and when the liberation movements have put on the pressure, the imperialist powers have been more prepared to grant political concessions in order to safeguard the economic dominance of the modern monopolies in the colonies.

Economic domination by monopolies is in no small measure responsible for the fact that poverty and misery are still prevalent on such a scale in the former colonies. It is impossible to liberate the former colonies from poverty and misery unless social relations there are transformed. It is not enough to free the countries from the foreign policy fetters clamped on them and from the system of internal administration enforced by the imperialist powers. The imperialist monopolies must be completely banished from the country concerned and the social system changed radically.

Liberating the colonies politically represented a major blow against domination of the world by imperialism. Bringing about their economic liberation in addition will not only be another mighty blow against imperialism, it will also be a very great step forward in bringing about a better life for the peoples of the former colonies, today termed as developing countries.

The first really big step on the road to economic liberation was taken in 1973 by the oil-producing countries of the Arab world. *An important feature of the new phase in the general crisis of capitalism is also likely to be the economic liberation of the former colonies which is in its beginnings, the collapse of neocolonialism.*

The enormous degree to which the developing countries are still being exploited by the imperialist countries can be seen from the following calculation of the profits flowing annually from the developing to the imperialist countries:

PROFIT TRANSFERRED ANNUALLY FROM THE DEVELOPING COUNTRIES
(IN MILLION DOLLARS)⁴⁷

	1965-67	1968-70	1971-73
Total	3890.0	5291.4	8788.9
Non-oil countries	1052.3	1484.5	1540.5
Oil countries	2837.7	3806.9	7248.4

It must be mentioned that the figures only show the amount of profits transferred to the imperialist countries from the developing countries. In addition, one must take into account the sums which are reinvested in the developing countries in order to expand exploitation and the money which is held in reserve.

47. Calculation by Fr.F.Clairmonte of UNCTAD:

"Financial Flows to and from Developing Countries", in: *Economic and political Weekly*, Bombay, 1975, vol X, No 32, 9 August, p 1187.

The table shows the exceptionally great role of the oil-producing countries for the accumulation of profit, and the significance of the economic liberation of these countries, a process begun at the end of 1973, can easily be grasped.

Before we go into this subject in detail, let us have a look at the economic situation of the mass of the population in the developing countries.⁴⁸

Some 20 years ago the great Brazilian scholar and humanist Josué de Castro published his book entitled *Geopolitica da Fome* (The Political Geography of Hunger). His introductory remarks were that: "The history of mankind has always been one of struggle for its daily bread. It is very difficult to understand that this being, supposedly the highest developed of all, lord and master of the universe, who has won many a battle against the forces of nature, has not found it possible to score a decisive victory in the struggle for the means of existence..."

"Should hunger be regarded as a phenomenon peculiar to life itself, a natural and unavoidable coincidence such as death, or should we view it as a social evil, a bane created by man himself? My book deals with this delicate and dangerous question. Because of the explosive political and social ramifications of this question it has until recently been regarded as taboo in our civilisation. It is a very hot potato, a matter which cannot be handled publicly without risk. Hunger, like sex, was always regarded as obscene and unmentionable. It was made untouchable, taboo. In olden days Buddha said that hunger and love were the home of all human history and much later Schiller wrote that hunger and love ruled the world. Despite all this, too little has been written about the phenomenon of hunger..."

"When we compare hunger with other catastrophes which have repeatedly devastated the world, such as wars and epidemics, the difference is highly surprising. It becomes painfully clear that hunger has been examined and

48. Cf. also Jurgen Kuczynski, *System gegen die Menschlichkeit* pp 91-92.

discussed the least of all. For each study of the problem of hunger we can find a thousand publications dealing with the problem of war. A ratio of more than a thousand to one! This book intends to show in a convincing manner that the devastation wrought on mankind by hunger is substantially greater than that caused by war and epidemics taken together. The number of casualties is much larger and considerably more serious in respect of its biological and social consequences.”⁴⁹

Castro then touches on separate areas.

South America: “The dominance of hunger in South America is a direct consequence of the continent’s history. It is a history of colonial exploitation along trade routes. Its history has been one of economic cycles, one after the other, the effect of which has been to destroy the economic integrity of the continent or at least to put it out of gear...

“The system of latifundia or large landed estates is another phenomenon which is connected with the nature of the colonial exploitation of agriculture. It is aimed at ensuring that harvested crops are exported. The two biggest evils on the continent are single crop farming and the latifundia. They restrict its agricultural development substantially and thus its production of foodstuffs. A few statistics on land proprietorship in some of the South American countries will suffice to make the situation clear. In the province of Buenos Aires, with a population of 3.5 million, a mere 320 aristocrats monopolise some 40 per cent of the land. In another province of Argentina, Santa Fé, there are 180 large estates each with an average of 15,500 hectares. In the central part of Chile, where the bulk of the country’s agricultural production is carried out and 80 per cent of the population are concentrated, the latifundia have not been disturbed. In the province of Curico 437 great plantations account for 83 per cent of the land, leaving a mere 17 per cent over for 5,937 small farmers.”

South Africa: “As far as the Bantu and Kaffir population

49. Josué de Castro, *Weltgeissel Hunger*, Gottingen 1959, cf. pp 18-19.

is concerned, and it is estimated that there are some 7.5 million of them, most of them are restricted to an extremely deficient diet. When the Dutch settlers first moved into this region, they discovered indigenous tribes of strong, healthy people, living mostly from animal farming, maize growing and big game hunting. However, long years of struggle by the native population against the invaders ended with the natives losing their land and half of them being out on reservations, and the economy of the indigenous population was completely disorganised. Nowadays, their diet consists almost totally of maize.”⁵⁰ General comments: “Colonial populations will hunger just as long as they devote all their strength to producing raw materials for export, because the interplay of world economic powers always aims at reducing the value of their labour in the interest of industrial profits... The decisive point is that it is not enough simply to apply all technical equipment in producing foodstuffs. The food must then be shared out and consumed by the groups of people which need it. If there is no appropriate distribution and no growth in consumption, then we shall soon have agricultural surpluses, and we shall be facing the twin problems of overproduction and underconsumption. An effective nutrition policy must take account both of production and distribution, and must be based on a world plan.”⁵¹

This really hits the nail on the head: colonialism, created by capitalism, brought about hunger, no technical equipment is able to effectively abolish it. Hunger can only be removed by changing relations within society. We must not overlook the fact that in some developing countries harvests of some crops are showing considerable growth, but the people are not getting any more to eat as a result.

It would be right to say that there have been revolutionary advances in agriculture, not least due to great successes scored in breeding new strains; wheat yields per acre have

50. *Ibid.*, pp 118-19, 254.

51. *Ibid.*, pp 333-35.

almost doubled over the last 20 years in the USA and India; maize yields in Canada and Turkey have also risen by more than 50 per cent over the same period, and rice yields in Sri Lanka (Ceylon up till 1972) and Mexico have increased 50 to 100 per cent.

However, we notice that there have been no major changes in yields per acre for wheat in Argentina and Australia, nor for maize in Pakistan and South Africa, nor for rice in Brazil and Cambodia.

The "green revolution" therefore has only begun in part of the world to start with.

We Marxists have always pointed out that only by changing the relations within society can one bring about a genuine change in relations across the world. Some bourgeois ideologists such as Josué de Castro who also think in social terms recognise the truth of our argument. But, some may retort, look at Turkey and Mexico: over the last 20 years there have been no great changes in the relations of production prevailing within society. Nevertheless, we see that the yields for maize and rice per acre have gone up considerably. One might argue that what applies to Turkey and Mexico can also apply to some of the other developing countries.

But we ask in return: where did yields increase? On large landed estates or peasant holdings? And if in some cases it can be shown that yields also increased on peasant holdings, the general result is for the import of agricultural produce to be reduced. In other words, the fact that a country may raise its production by no means implies that the home consumption of food increases. This is particularly so when taxes and interest are put up, as is so often the case; the peasants are then obliged to sell their extra produce in order to meet the increased tax or interest demands.

Marx said it long ago: only a genuine change in social relations will free the world from the scourge of hunger. And as Josué de Castro said, it is not a question of equipment and production, it is a question of distribution of the

porduce. Since Casto wrote his book more than twenty years have gone by, and hunger is no longer taboo. Much more is spoken and written about it nowadays.

However, that does not mean to say that fewer people go hungry because of this.

Let us examine a few figures:

PER CAPITA FOOD PRODUCTION ON A WORLD SCALE

Year	Index	Year	Index	Year	Index
1960	100	1971	104	1974	104
1965	101	1972	102	1975	104
1970	103	1973	105		

From 1960 to the present day per capita production of foodstuffs has hardly risen. And if it rose at all, this certainly was not in the developing countries. The Food and Agriculture Organisation (FAO) of the UN delivered a report in 1975:

PER CAPITA FOOD PRODUCTION IN THE CAPITALIST WORLD
(1961-65 = 100)⁵²

Year	Advanced countries	Developing countries
1969	109	102
1970	108	103
1971	113	101
1972	112	99
1973	113	99
1969-73	111	101

Thus, per capita food production in the developing countries in the five years up to 1973 was only 1 per cent higher than the five years from 1961 to 1965. By contrast, the advanced countries, which already in fact produced

52. Food and Agriculture Organisation of the United Nations, *The State of Food and Agriculture 1974*, Rome, 1975.

sufficient food for their population in the early sixties, raised their per capita output by 11 per cent.

A previous FAO report gave the following table which is more detailed:

PATTERN OF PER CAPITA FOOD PRODUCTION
FROM 1961-65 TO 1972 BY POPULATION GROUPING

<i>Region</i>	<i>Per capita food production (per cent)</i>	<i>Population (millions)</i>
Western Europe	+ 13	345
North America	+ 9	230
Oceania	+ 7	20
Advanced capitalist countries	+ 11	600
Latin America	— 3	290
Far East	— 3	1,300
Middle East	+ 6	—
Africa	+ 1	355
Developing countries	— 1	1,950

From 1961-65 to 1972, the per capita output of food dropped for some 2,000 million people, and increased for some 600 million people.

In the countries where per capita food production went up, and in which nutritional standards were already relatively good for the average person, a quarter of the world's population (excluding the socialist countries) can be found.

In the countries where per capita food production dropped and in which millions of people have always gone hungry, three-quarters of the world's population (excluding the socialist countries) can be found.

In other words, the average daily calory intake is adequate in respect of a quarter of the people covered by the survey. For the other three-quarters, the average daily calory intake is insufficient.

Estimates show that some 15 million people die every year in Africa, Asia and Latin America because of malnutrition. They do not all die of hunger. Most of them die

of illness which they are unable to recover from because their bodies have been weakened too much by under-nourishment. Children sometimes die from a common cold because they are simply too weak.

Let us look at another table contained in the last FAO report:

AVERAGE PER CAPITA SUPPLY OF ENERGY AND
PROTEIN 1969-71

	<i>Energy (kilocalories)</i>	<i>Protein (Grammes)</i>
World	2480	69.0
Advanced countries	3090	95.1
Developing countries	2210	56.0

The average per capita energy availability in the advanced countries is 40 per cent up on the developing countries, protein availability is 70 per cent higher. Now we can see why children in developing countries can die of a common cold—the slightest whiff of illness bowls them over and deposits them in the grave.

Colonies were vital sources of raw materials for the imperialist countries. Lenin pointed out that part of the struggle among the monopolies is over gaining command of the raw material sources in the world. He wrote: "The principal feature of the latest stage of capitalism is the domination of monopolist associations of big employers. These monopolies are most firmly established when *all* the sources of raw materials are captured by one group, and we have seen with what zeal the international capitalist associations exert every effort to deprive their rivals of all opportunity of competing, to buy up, for example, iron-fields, oil-fields etc. Colonial possession alone gives the monopolies complete guarantee against all contingencies in the struggle against competitors, including the case of the adversary wanting to be protected by a law estab-

lishing a state monopoly. The more capitalism is developed, the more strongly the shortage of raw materials is felt, the more the competition and the hunt for sources of raw materials throughout the whole world, the more desperate the struggle for the acquisition of colonies.”⁵³

To a certain extent, what President Ford of the United States said (reported in *Die Zeit*, 31 January 1975) about natural resources having been the cause of wars since time immemorial can be seen as an attempt to provide a pragmatic justification for this cruel “hunt for sources of raw materials” and an attempt to blame it on history.

From the very beginning, trade with the colonies was run along highly unfair lines: the capitalist powers took raw materials from the colonies at low prices, below their actual value, and in return exported finished manufactured goods to the developing countries, at high prices, above their actual value. It was therefore customary, and correct, to label the countries which mainly produced and exported raw materials as backward and poor and to regard the countries which mainly produced and exported finished manufactured goods as rich.

When monopolies emerged on the scene, the prices for raw materials were depressed even more in comparison with those for finished goods. The exceptions were in war years when the monopolies now at the height of their hunt for raw materials, pushed up the prices for each other.

In the years between both world wars the prices for raw materials were particularly low in relation to prices for finished goods. As a result of the second world war and of the Korean war, they went up to somewhat of the level they were before the first world war and in fact in the last quarter of the 19th century. Then they dropped swiftly by 1972 to the level they had been between both world wars. They dropped despite the Vietnam war, as

53. V. I. Lenin, “Imperialism, the Highest Stage of Capitalism”, *Coll Works*, vol 22, p 260.

American monopoly capital had drawn the lesson of the Korean war and ensured that the US government stored up massive raw materials reserves.

RATIO IN WORLD TRADE OF RAW MATERIALS PRICES TO PRICES FOR
FINISHED MANUFACTURES (1913 = 100)⁵⁴

<i>Period</i>	<i>Index</i>	<i>Period</i>	<i>Index</i>
1876 to 1880	107		
1881 to 1890	104	1876 to 1900	101
1891 to 1900	91		
1901 to 1910	96		
1911 to 1913	100		
1913	100	1901 to 1938	87
1921 to 1929	85		
1930	77		
1931 to 1938	73		
1948 to 1950	111		
1951 to 1959	109		
1960 to 1969	90	1948 to 1972	99
1970 to 1972	87		

We must also look at another special feature of raw materials prices under monopoly domination. They are much more subject to speculation than the prices for finished goods, both in war and in the cyclical crisis. Figures for the US illustrate this clearly:⁵⁵

54. Figures calculated on the basis of information issued on raw materials prices and finished manufactured goods by: League of Nations (1876-1930); *Industrialisation and Foreign Trade* (1945); A. Maizels, *Industrial Growth and World Trade* (1930-50), Cambridge, 1963; UN, *Monthly Bulletin of Statistics* (1959 to 1972).

55. Figures calculated on information published in: "Historical Statistics of the United States, Colonial Times to 1957, Washington DC 1960—*Statistical Abstract of the United States*.

<i>Year</i>	<i>Raw materials</i>	<i>Finished goods</i>
During the Korean war		
1939	100	100
1945	166	127
During the second world war		
1950	100	100
1951	115	109

Raw materials prices rose always much more sharply than those for finished goods. The pattern was the reverse during the crisis years, during the depression and after each war was over:

<i>Year</i>	<i>Raw materials</i>	<i>Finished goods</i>
During the crisis		
1937	100	100
1939	83	92
After the Korean war		
1951	100	100
1955	81	99

In other words, the developing countries producing raw materials are not only exploited through the unfavourable ratio of prices for raw materials as opposed to those for finished goods, specifically a relationship created by the capitalists and since 1900 by the monopolists, but their economies are also particularly affected by capitalist speculation, i.e. by the great degree of instability of the capitalist economy.

They are particularly strongly affected by all this not because they account for such a very high proportion of the world raw material production, but because their raw materials play a decisive role on the world market.

Let us consider copper, for instance.

The USA, with over 20 per cent, is the biggest copper

producer in the world. Nevertheless, its share in world export of copper is minimal. In fact, it imports more than it exports as its own consumption is so high.

30 per cent of the world's copper output is accounted for by 4 developing countries: Zambia (10 per cent), Chile (10 per cent), Zaire (6 per cent) and Peru (3 per cent). As their own requirements are very low, their joint share in world copper trade amounts to 55 per cent. This shows quite clearly that the potential strength of the developing countries in the field of raw materials is not due primarily to any monopoly in production but to their large share in world trade.

The same can be said of oil. The USA is by far the biggest oil producer in the capitalist world, yet it imports oil, while the developing countries which produce oil export most of it. For most of them, such as Libya, Iraq, Kuwait, Saudi Arabia, Iran and Venezuela, their oil exports not only account for over 90 per cent of their oil production but for 90 per cent of their total exports. Thus they are extremely dependent on exporting raw materials in order to import goods.

A different picture is shown by bauxite, almost none of which is produced in the USA and Western Europe. Of the developing countries, Jamaica and other Caribbean countries produce some 35 per cent of the world's total and account for almost 60 per cent of world trade in this commodity.

With phosphates, the situation is different yet again. The USA imports practically none. Western Europe produces almost none at all, so the developing countries, mainly Arab ones, have practically a complete monopoly on the export of this commodity to Western Europe. Morocco leads the field among the Arab countries, accounting for almost a third of world trade in phosphate.

Now let us take a look at the ratio between raw materials prices and the prices for finished goods over the last few years:

RATIO OF RAW MATERIALS PRICES TO PRICES FOR FINISHED MANUFACTURED
GOODS FROM 1970 TO 1974 (1970=100)

Year	Index
1970	100
1971	102
1972	105
1973	132
1974	165
1975	145

The variations up to 1972 are not very significant. The growth seen from 1972 to 1973 can be partly explained by the exceptional boom which drove up production figures everywhere in the capitalist world. However, by the end of 1973 a new trend had become noticeable. This trend also determined the pattern of events in 1974, a year when one would rather have expected raw materials prices to drop off relatively to those for manufactured goods as the requirements of the imperialist countries stagnated through the crisis. The new trend can be expected to dictate the order of the day for a long time to come. As is the case in every cyclical crisis of overproduction, raw materials prices did show a relative drop in 1975, then rose again in 1976.

What is the new trend which arose?

It is one which stems from the fact that the developing countries are beginning their economic freedom. The first energetic and successful steps towards economic liberation were taken by the oil-producing countries. Many factors made it possible for these countries to form a powerful association directed at winning economic independence and to push up the prices for oil: the protection afforded by the very fact that the socialist countries exist; imperialism's hesitation to use gunboat tactics under these circumstances and after the Vietnam debacle; the foreign trade position of the oil-producing countries and the cultural ties shared by the Arab countries involved. Indonesia and Venezuela then joined this association. The Organisation of Petroleum

Exporting Countries (OPEC) has so far resisted all attempts to crush it, whether they came from the USA or Western Europe (EEC). No one can now say that oil is being sold too cheaply in comparison with manufactured goods. The exchange of goods which are not of equal value has now ceased as far as oil is concerned.

What is more, these countries have also begun to organise their own oil processing, and are buying up tankers in order to cover the transport side themselves.

Of course, this is only a beginning, and only one sphere. Nevertheless, the start made is of utmost importance for the struggle conducted by the developing countries in order to gain complete liberation from the chains hung on them by the imperialist monopolies.

The current situation and the path to be taken by the developing countries have been described by Alexander Kodachenko, head of the department for International Economic Relations, diplomatic academy of the Soviet foreign ministry. He wrote:

"Will the third world remain an appendage of industrial capitalism or will it assume its rightful place in the international division of labour on equal terms? This is a question of fundamental importance for the world's economy of the foreseeable future.

"There can be absolutely no doubt about the importance of industrialisation for economic and social advance on the part of the third world. It is true that these countries have the urgent job of bringing about more favourable trade conditions with the advanced capitalist countries, increasing their income from the sale of traditional exports and obtaining greater aid, but all this brings them no nearer independent economic development. It does not change the present unfair system of international division of labour whereby the countries of Africa, Asia and Latin America can only act as suppliers of agricultural produce and raw materials to the imperialist powers.

"Only when these economically backward countries bring about an accelerated rate of industrialisation and

create national economic branches which are independent from an economic and technological viewpoint can they be guaranteed political and economic independence and raise the living standards of the mass of the people...

"The third world links its industrial development with the elimination of the consequences of colonialism and neo-colonialism. The developing countries are demanding that the imperialist countries make good the damage caused them by the policies of aggression and occupation and by all forms of political and economic domination and exploitation. The following assessment gives an idea of what is required: Just stopping the flow of capital to the advanced capitalist countries would enable the developing countries to allocate 17-20 per cent of their national income every year to economic development. There would then be absolutely no need for foreign aid, and annual investment in the group of countries concerned could be doubled at least.

"The developing countries seek effective weapons in their struggle to overcome the unequal position which they hold in the economy of the capitalist world. Among these they see the ending of domination of their economies by foreign capital. They seek the right to control their human and natural resources without interference and the establishment of a just relationship between prices for raw materials exported and manufactured goods imported, especially plant and machinery. The process of consolidation which is growing stronger among the developing countries also enables them to use to an ever greater extent such effective methods of struggle against the western monopolies as collective negotiation or the forming of associations by the producers of raw materials and certain agricultural products."⁵⁶

This is exactly the order of measures which must be taken to liberate the developing countries and to raise the

56. Alexander Kodachenko, "Industrialisierung der dritten Welt" in: *Neue Zeit*, Moscow, 1975, No 34, p 20.

level of their economy, and above all of the living standards of their working people.

It is "urgent" to establish a decent and fair relationship between the prices for raw materials and manufactured goods, especially of capital equipment. The oil countries have made a start.

An international organisation has also been formed for bauxite. Just like OPEC, the IBA (International Bauxite Association) aims to put an end to the inequitable trade ratio between bauxite and manufactured goods and, applicable to OPEC as well, to put an end to the way in which bauxite is being exploited wastefully in favour of the aluminium monopolies. It is interesting to note that the advanced capitalist country like Australia, which mines almost 20 per cent of the world's bauxite output, has also joined the bauxite association. What is more, advances of even wider significance have been scored: the developing countries which have come together are making preparations to process bauxite into aluminium themselves. Jamaica and Guyana (together accounting for 25 per cent of the world's output), and Trinidad and Tobago have joined forces and are going to build two aluminium works which will be owned by them all. Thus they will be in a position to sell aluminium instead of bauxite. This represents a major step forward along the road to economic liberation, one which is more farreaching than the planned construction of refineries in the oil-producing countries, as aluminium production requires much large investments than the construction of refineries.

As far as phosphates are concerned, the situation has not yet advanced, even among the Arab countries, beyond informal discussions about forming an association. The copper-producing developing countries do possess an association (CIPEC—Conseil inter-gouvernemental des pays exportateurs de cuivre) which comprises Zambia, Chile, Zaire and Peru. At present they pursue a joint policy of restricting production, but their position is not yet strong enough to win the day, what with the current crisis situa-

tion and the concomitant fall-off in the demand for copper and the fact that the purchasers still have large copper reserves.

With regard to other metals as well, even iron ore, talks have taken place among the developing countries, but they have not yet reached the stage of joint action.

We can see the way in which the "urgent" task of bringing about a fair balance between the prices for raw materials and manufactured goods is being combined with the long-term job of industrialisation, starting off with the processing of the raw materials produced.

Closely related to industrialisation is the modernisation of agriculture on the basis of change along socialist lines. Efforts are directed at raising the level of technical equipment in farming and introducing the application of chemicals on a wider scale. All this will liberate the peasants from domination by capitalist exploitation or even semi-feudal property relations.

A start has been made in this respect, but the process is still only in its infancy.

The developing countries still have a tremendous amount of work to do in order to free themselves once and for all from the terrible consequences of capitalist oppression and exploitation. The past few years have seen the developing countries undertake new and important measures, especially since the new phase in the general crisis set in. The efforts of the developing countries are also characteristic of the new phase in the crisis.

The new steps taken have certainly shaken imperialism. We have to think back of the way in which Kissinger threatened the oil countries with war at the beginning of 1975 if they were to raise their prices for oil yet again, and the annoyed reaction which the EEC countries showed at Kissinger's utterances. The Common Market countries were so firm in their attitude (France far more than the Federal Republic of Germany), that by autumn 1975 the

US was obliged to follow the EEC line, even if temporarily.

The survey presented above makes it clear that one can certainly say there is a *crisis hitting imperialism's policy of neocolonialisation*.

Chapter 7

The Economic Ideology of the Ruling Class

Eugen Varga began his classic *The Great Crisis and Its Political Consequences—Economics and Politics 1928-1934* (Moscow-Leningrad, 1934) with a review of the opinions uttered before the great crisis by prominent representatives of the ruling class on the economic and general social situation.

President Calvin Coolidge, the steward of American finance capital, in his last message to congress, 4 December 1928, at the end of his term of office, declared:

"No congress of the United States, ever assembled, on surveying the state of the union, has met with a more pleasing prospect than that which appears at the present time. In the domestic field there is tranquility and contentment, harmonious relations between management and wage-earners, freedom from industrial strife, and the highest record of years of prosperity... The great wealth created by our enterprise and industry, and saved by our economy, has had the widest distribution among our own people... The requirements of existence have passed beyond the standard of necessity into the region of luxury. Enlarging production is consumed by an increasing demand at home and an expanding commerce abroad. The country can regard the present with satisfaction and anticipate the future with optimism."

The captains of industry were no less optimistic. The president of the Bethlehem Steel Corporation, Charles Schwab, announced:

"I say with confidence that there has been established a foundation upon which there may be built a structure of

prosperity far transcending anything we have yet enjoyed."⁵⁷

The president of General Motor's said:

"My standpoint regarding 1929 is based on the conviction that our general economic and industrial situation is thoroughly sound: therefore I do not see why the general progress should not continue and ensure us an excellent flow of business and still increased prosperity."

At the bankers' conference in Cologne, in the autumn of 1928, Jacob Goldschmidt, leader of the German finance oligarchy at the time and director-general of the Darmstädter und Nationalbank (which finally collapsed in 1931) proclaimed the new revival of capitalism in the same proud manner:

"While the end of the capitalist age and the replacement of individualist profit economy by that of state socialism engages the attention of prophetic minds, and the idea that the present economic system of society is doomed and is to be replaced by new economic forms often haunts mankind like a hallucination, the practical management of industry, with its capitalist methods, energetically continues its advance. In spite of capital losses and the adverse atmosphere of a revolutionary period, it has erected an economic machinery upon the ruins of a lost world war, which, though far from ideal, operates for the present quite satisfactorily. Starting with an obsolete technology, it did this within the brief space of less than five years..."

The leaders of social democracy, the lackeys of the bourgeoisie, followed their masters in proclaiming the new rise of capitalism. Hilferding, in his speeches, has supplied a "Marxist" theoretical foundation for this stand ever since 1924:⁵⁸

"Productive forces grew to an extraordinary degree during and after the war. This growth was not uniform: the branches of industry necessary in waging war were most highly developed... while industries manufacturing con-

57. *New York Times*, 29 October 1928.

58. See for instance: *Die Gesellschaft*, Berlin, 1924, No 2, p 118.

sumer goods fell behind. This disproportion is one of the causes of the world crisis. But in the long run, after the overcoming of the crisis, extension of productive capacity signifies an increase in production and a new boom. Materially widened and qualitatively changed as a result of the war period, capitalist economy appears to be on the way to organic economy."⁵⁹

Varga pointed out that this glorification of the future of capitalism was linked up with the counterrevolutionary theory of the state, supposedly standing above classes, run by coalition governments of social-democracy and the bourgeois parties, and which was bringing about a peaceful transition from "organised capitalism" to socialism through "economic democracy".

After the majority of monopoly capitalist countries had seen a similarly strong growth in production in the fifties, a pattern which continued in the sixties, statements made by spokesmen of the ruling class and their economic experts in the sixties were of the same theoretical ilk. They thought they would be able to circumvent all economic hindrances, especially economic cycles, and expected continuous growth of the national product. Emil Rechziegler was quite right when he wrote that:

"Describing this economic development as unbounded, bourgeois theories were worked out and disseminated in the advanced capitalist countries in the fifties and sixties according to which economic expansion and scientific and technological progress, particularly the scientific and technological revolution, would lead to greater harmony, the ending of social conflicts and economic and political contradictions, and would guarantee people an ever better future, even under capitalism.

"Bourgeois ideologists sought to spread the illusion that scientific and technological revolution and economic growth would put an end to class struggle. This widespread view was well formulated by the American socio-

59. Eugen Varga, *The Great Crisis and Its Political Consequences*. Moscow-Leningrad, 1934, p. 7.

logist Peter F. Drucker in the sixties when he claimed that the 'spectre of the 19th century, that of class struggle within an industrial society, has been overcome to a very great extent'.⁶⁰

"Futuristic literature put out by the bourgeoisie in the sixties was typical of the way in which it ascribed to imperialism unlimited prospects and vitality and the ability to solve the problems and conflicts which existed by pursuing a clever and far-sighted policy using all the benefits brought about by the scientific and technological revolution. It was claimed that the scientific and technological revolution would enable imperialism to create a life of plenty for all people."⁶¹

The great majority of political economists then occupied themselves with problems related to the so-called theory of growth. Full of enthusiasm about the turn in the situation in the fifties and sixties (we have already examined the special factors which brought about the turn), excited about the fundamental difference there appeared to be in current developments as compared to those of the twenties and thirties, capitalist political economists asked the question: How can production be stepped up at an ever faster pace and thus enable us to defeat our imperialist rivals? Herbert Meissner published a book in 1972 called *Theorie des Wirtschaftswachstums*, in which he correctly states that: "As we all know, the bourgeois theory of growth is not one theory to be mixed up with others, not one ideological trend among many. For the last twenty-five years or so it has dominated bourgeois political economy, both in its essence and its structure. Over the last few decades, there has not been a single aspect of bourgeois economic science or special group of questions which have not been reexamined from the standpoint of the

60. See Peter F. Drucker, *Die Zukunft bewältigen*, Düsseldorf, Wien, 1969, pp 133-34.

61. Emil Rech'ziegler, "Wissenschaftlich-technische Revolution und bürgerliche Ideologie", in: *Ökonomischer Strukturwandel und kapitalistische Widersprüche*, IPW-Forschungshefte, Berlin, 1975, No 3, p 8.

theory of growth. No bourgeois economist of any standing has been able to avoid delving into the realms of the theory of growth at some stage and in some manner.⁶²

The growth which industrial production saw in the two decades concerned was not due to the efforts of growth of theorists, but to objective economic relationships (backlog, armaments). Without this growth, however, the theories of growth would not have been able to proliferate as much as they did. Political economists sat on the crest of a wave and thought they could get it to rise even higher by philosophising.

However, no political economist who is devoted to the interests of monopoly capitalism can sit for long on the crest of such a wave without having constantly to take a worried sideways glance at the socialist countries which are building a new world. A leading growth theoretician, Gottfried Bombach, was right when he said that "without a doubt research into the theory of growth would not have been stepped up as intensively as it has were it not for two other political factors: the challenge of the East and the problem of the developing countries".⁶³ The "challenge of the East" means the far swifter and healthy growth recorded in industrial production by the socialist countries. The "problem of the developing countries" could also be formulated as "How do we neocolonialise them as profitably as possible?"

We thus see how dependent political economic theory is on the requirements of capitalist society at any one time. Marx pointed to the following historical pattern long ago:

1825: the first great "revolt" of the productive forces against the production relations which were prevailing.

1830: "In France and in England the bourgeoisie had conquered political power. Thenceforth, the class-struggle, practically as well as theoretically, took on more and more outspoken and threatening forms."

62. Herbert Meissner, *Theorie des Wirtschaftswachstums*, Berlin, 1972, pp 10-11.

63. *Handwörterbuch der Staatswissenschaften*, Stuttgart, Tübingen, Göttingen, 1965, p 764.

He then went on to deal with the effect this had on political economy: "It sounded the knell of scientific bourgeois economy. It was thenceforth no longer a question, whether this theorem or that was true, but whether it was useful to capital or harmful, expedient or inexpedient, politically dangerous or not. In place of disinterested inquirers, there were hired prize-fighters; in place of genuine scientific research, the bad conscience and the evil intent of apologetic."⁶⁴

"Bad conscience and the evil intent of apologetic" brought the "theory" of "free market economy", later "social market economy", into a state of flux under conditions of state monopoly capitalism.

In the fifties and sixties of this century, bad conscience and the evil intent of apologetic brought about a wild proliferation of theories of growth; bad conscience and the evil apologetic because of the years between the two world wars; and bad conscience and the evil intent of apologetic mainly because of the genuine and steady growth of production which can be seen in the socialist countries.

We should always bear in mind that since a socialist society was first constructed capitalist apologetic has always run along two lines: first of all, apologetic for the state of affairs within the country concerned, and secondly, apologetic for the state of affairs in the capitalist world as against the socialist world.

The arguments put forward were ridiculous, and all the more dangerous because the increases in production, the relatively small rate of unemployment by monopoly capitalist standards and the fact that a major international economic crisis did not seem to be in the offing seemed to give them some foundation. Erich Honecker, general secretary of the Socialist Unity Party of Germany, presented the central committee's report to the party's 8th congress in 1971. He gave a firm and decisive rebuff to the attempt by the capitalist ideologists to whitewash the situation. He said:

64. Karl Marx, *Capital*, vol 1, pp 24-25 (Progress Publishers, Moscow).

"Imperialism reveals its true face with each day that passes. It conducts barbarous wars. The whole world is outraged by the atrocities committed by US imperialism, especially its genocidal acts against the Vietnamese people. In the Middle East, the US imperialists back up Israeli aggressors against Arab peoples, and encourage them to keep up their policy of conquest, so dangerous for world peace. In Africa, Asia and Latin America the American imperialists are making every effort, sometimes overtly, sometimes covertly, to topple independent governments, to drown popular liberation movements in blood and to restore their former domination in a new, neocolonialist manner.

"In the capitalist countries, exploitation of the working people is being stepped up. While a small number of multi-millionaires grows ever richer and richer, the evils of capitalism—inflation, spiralling prices, unemployment and fear of losing one's livelihood—are pressing down on the shoulders of working people. While concessions have been temporarily wrung from the capitalists in some imperialist countries, we cannot close our eyes to the fact that the working people are having to suffer from intensified exploitation, early disablement and insecurity. Not to mention the fact that monopoly bourgeoisie in some leading imperialist countries is raking in superprofits because in many other countries which are still under its domination hundreds of millions of people are kept in the depths of abysmal poverty, condemned to illiteracy and starvation.

"The US itself, that western model prized so much by imperialist ideologists, is a living demonstration of the rottenness of the imperialist system. There are 5.7 million unemployed in the US alone. The evil of racialism is on the rampage. Whole industries make gigantic profits from the annihilation of human beings, the destruction of human dignity and the spreading of brutality and inhuman attitudes. The citadel of world imperialism, as admitted even by US ideologists, is a sick society.

"When we perceive such realities, are we to believe the champions of the imperialist system, whether from the camp

of overt reactionaries or from that of the right-wing social democrats, are we to believe them when they prate about a 'transformation of capitalism' in our time? No, Lenin's view of imperialism finds justification also in today's world: that imperialism is parasitic and moribund capitalism trying to delay its historical fate by stepping up its aggression. How can a society have any future if everything in it can be bought and sold, if everything is subordinated to the interests of making profit, a society where every day people are beaten, thrown into prison or shot just because they want to live in a manner worthy of human beings. How can imperialism have any future before it when socialism exists, where people can work and live freely. Socialism alone is the future of mankind. Only in socialism can people breathe freely.

"Experience has shown that imperialism is incapable of providing an answer to the questions of our day in the interests of the peoples. It is the perpetual enemy of peace, as monopoly capital is of essence expansionist, and wherever profitable deals can be made in the field of arms and militarisation, peace is always threatened."⁶⁵

And just as Erich Honecker spoke, history was beginning to remove the veil with which it had concealed the direction of economic development over the previous two decades. The false visions which had been conjured up by almost continuous growth in production and thus hidden the contradictions which had been collecting within the economy began to disappear. Continuous growth was finished. The first international economic crisis began to emerge, unemployment started to rise, inflation accelerated and the anarchy prevailing in and the instability of the capitalist economy became more obvious than ever.

The economic situation once again began to approximate that of the period between the two world wars. The confidence that things could be kept in hand on worldwide

65. Central committee report to the 8th congress of the Socialist Unity Party of Germany, delivered by Comrade Erich Honecker, Berlin, 1971, pp 19-20.

scale vanished. A new theory, the theory of stagnation, of zero growth, of limits existing to growth, this came to the fore to replace the theories of growth. With incredible speed and making a complete change of direction, the ideologists serving monopoly capitalism developed a theory which is unique in the history of political economy for the despair with which it painted the situation.

The first publication which spread this doomladen view, and one which has become very well known throughout the world, appeared under the title "The Limits of Growth". It was put out by the Club of Rome, a reactionary association run by monopolists and ideologists serving them, and a number of people of international standing who have been caught up in their web of ideas.

Such a theory swiftly recognised as inhuman, taking into account the situation of desperate need in the developing countries and among the bottom ten per cent of the population in the US, Great Britain or Italy, and it thus came under fire from progressives. It was also recognised as highly impractical for an economic system such as capitalism which is geared towards extended reproduction, and thus came under attack from reactionaries. Two years later, a second report entitled "Mankind at a Turning-point" was issued by the Club of Rome which, while not deviating much from the line adopted in the first, did "allow" for growth in certain industries and areas, especially growth through quality, what was called "growth without growth". This report also devoted much greater attention to "social, political and management problems". The latter factor is stressed to such an extent that Emma Rothschild quite rightly commented in a discussion on the second report that the men of the Club of Rome see the society of the future from the optimistic standpoint of an idealised Anaconda Copper.⁶⁶ (The Anaconda Copper Company is a multinational copper trust which is known to have done all in its power in Chile to help bring down the Allende government.) Michael Bosquet looks

66. *The New York Review of Book*, 26 June 1975.

into his crystal ball and feels that the Club of Rome is working towards a time when there will be monopolies which produce and sell fresh air, drinking water, recycled minerals and environmental protection.⁶⁷ Dennis Meadows, one of those who drew up the first report, said in an interview with the monopoly paper *Business Week* that it was not Anaconda Copper but rather the IBM corporation which he saw as the ideal manager of society.

The Club of Rome is basically an organisation of monopoly capitalists whose purpose is to show that if growth cannot be had then stagnation can also provide good fortune, and at the same time an attempt is made to explain just how stagnation should be regulated in order that the monopolies may grow and make increasing profits at the expense of the working people and the rest of the capitalists. The club's job is to manipulate the power structure of society as a whole so that it matches up more and more with the structure of the monopolies.

However, the theory of limited growth provides the basis for a theory of limited living standards for the working people. If production is not to be stepped up then of course consumption cannot increase either. The working people are promised a new sort of paradise. The monopolies have nothing against a philosophy which promises a good life for all if it means a turn from growth in the material aspect of living standards (which requires increasing real wages) to an intensification of "inner values" such as religion, sex, television (which costs the monopolies nothing). When he was president of the Common Market Commission, Sicco Mansholt, after reading a book which dealt with the question of zero growth, called for a sharp reduction in the per capita consumption of material goods, in favour of non-material goods and ideals.⁶⁸

American futurologist Alvin Toffler also said that the idea of maximising living standards was wrong and that

67. Michel Bosquet : *Critique du capitalisme quotidien*, Paris, 1973.

68. Frankfurter Rundschau, 26 April 1972.

instead people should pursue different concepts of value.⁶⁹

The stagnationist philosophy pushed by the Club of Rome serves three main purposes:

Firstly, as an apologetic for the new phase in the general crisis of capitalism which shows a tendency to suffer from stagnation and economic crises rather than the powerful extension of the process of capital reproduction which was once its hallmark. The argument is that crisis and depression represent a benefit to mankind which would be brought to a halt by pollution if production continued to rise at a swift pace.

Secondly, to propagate the monopoly structure as being best for society as a whole, thus promoting the further union of private monopoly capital and the state, i.e. the expansion of state monopoly capitalism.

Thirdly, to argue for stagnation of or even reduction of the working people's living standards, as this would enable the monopolies to raise their profits to a still higher level even at a time when production stagnates.

It is a noteworthy fact that leading statesmen who support monopoly capitalism also back the profound and justified pessimism showed by the monopolies, pessimism as expressed by the "theories" sponsored by the Club of Rome. The article by Emma Rothschild which has already been referred to was introduced by the following statement: "The situation had already been painted in pessimistic terms the previous year and even earlier by the most prominent of political speakers. People such as Henry Kissinger were bemoaning the prospects for the future of industrial civilisation before the public ear. President Giscard d'Estaing had stated that if we project the pattern of events and processes of our time into the future we will see that practically all lead to catastrophe. Worries about the economy and about raw materials, expressed till recently only by environmental protectionists, are now widespread. The new voice of pessimism is naturally to a large

69. Alvin Toffler, *Der Zukunftsschock*, Berne, Munich, Vienna; 1970, p. 357.

extent the result of the disruption of the economy which has been observed in all industrial countries for a while. Kissinger and Giscard are merely projecting the present trend of recession and wild price fluctuations, raw materials shortages and economic policy failure into the future. Two of the Club of Rome's executive committee members, when they presented their second report to the world, stated with benign condescension that public opinion had become much more mature in recent years due to the deteriorating relations prevailing in the world."

Z. Brzezinski, until a short while ago still an optimist among the leading anti communist ideologists of the western world, said in 1974 that we were living in a time of fundamental change in the ideas predominant in our society: a change from the idea of advance to the idea of decay. This, he said, was a complete turnaround. He declared that the idea of decay was coming ever more to the fore and becoming characteristic of the opinion moulders—the mass media and the intellectuals. The idea now was that change was bad, that the world was finite, that natural resources were limited and that the future was dark.⁷⁰

We recognise this sort of tone. We noticed it in the years following the first world war, when much was spoken of the western, world coming to an end. This was when the ruling capitalist class became conscious, at least temporarily, of the general crisis of capitalism for the first time. We also know what grew out of this attitude: the consolidation of out-and-out reactionary forces, the preparation and creation of fascism and intensive monopolisation and rapidly increasing monopoly profits (despite the fact that growth rates in production were only half the prewar—of chapter one).

Today, the situation is so similar and yet so very different, that with the enormously increased strength of the socialist countries and the political liberation of the colo-

70. See Zbigniew Brzezinski, "Neue Dimensionen der Bedrohung der Sicherheit der Atlantischen Allianz"—in: *Europa-Archiv, Frankfurt (Main)*, Vienna, 1974, No 23, 10 December 1974, p 778.

nies which now, as developing countries, have also set foot on the road of economic liberation. Under these circumstances, monopoly capitalism is attempting once again to follow a path of increased repression and increased exploitation resulting in increased profits through more intensive monopolisation, throwing pessimism into the arena and summoning up all its aggressive energies.

At that time already, monopoly capitalism was in no way able to match up to the Soviet Union, but still had some substantial successes in the area under its domination.

Nowadays, however, monopoly capitalism is being prevented from attaining even partial success in the area under its domination, an area which has shrunk considerably. How has this come about?

Chapter 8

The Crisis and Class Struggle

On the basis of experience gathered over previous years, Marx opposed adventurism in the working class in 1850. He explained that a new revolutionary movement was only to be expected when a new cyclical economic crisis with the upsurge of class struggle and thus ultimately of a revolutionary movement. Marx accused the adventurists in no uncertain terms. He said that "Instead of the materialist outlook found in the 'Manifesto', idealist views are being stressed. Instead of the genuine relations which are prevailing, *will* is being emphasised in as the main cause of revolution."⁷¹ Marx showed that while the subjective factor is important, it is totally helpless if the objective circumstances do not allow for the chance of having any effect. It was the cyclical overproduction crises which gave the 'will for revolution' a chance of having some effect.

Marx and Engels always related the strategy and tactics of the class struggle to economic relations. One of the best examples of how Marx tied all the most varied economic and political factors together is provided in a letter which he wrote to Engels on 12 October 1853. Up to 1847-48, crises had mostly struck in cycles of some five years or so, and he thus expected a new crisis around 1853. As a matter of fact economic problems were raging in France, from where he expected a new upsurge in class struggle to spread all over Europe. We shall now see just how

71. Karl Marx-Friedrich Engels: *Works*, vol 8, p 598 (German). Above is an unofficial translation as English version not yet available. Original source: *Sitzung der Zentralbehörde von*, 15-9-1850 (translator's note).

thoroughly Marx scrutinised the situation and how he dialectically interrelated the economic factors with the working-class movement:

"I think it is time to focus attention on France, where catastrophe will break out. The grain and grape harvest failures. A lower bread prices is drawing the workers from all over France to Paris, thus swelling the ranks of the revolutionaries, while the newcomers are depressing the wages of the Parisians, wages which are dropping in any event. Bread riots in Alsace-Lorraine and Champagne. Murmurs among the peasants about the way in which Paris is being given priority, grumbling among the workers about the expensive tribute being surrendered to the army, moaning among the bourgeoisie about the forcible intervention which has taken place in the laws of economics to the benefit of the workers. The fall-off in demand, mainly for luxury articles. The fact that workshops are starting to be closed down. In contrast to the misery found everywhere, the lavish expenditure and stock-market manipulations of the Bonaparte family. The hollowness of the entire credit system, transformed into a colossal institute for cheating under the management of Fould, Jew and emperor of the lumpen proletariat. Stock exchange, banks, railways, mortgage-banks and all the other institutions there are for swindling. The Louis-Philippe regime reproduced in the last few days, but linked up with all sorts of dirty tricks and no trace of the redeeming features of the empire or of restoration.

"Pressure by the government on the bank. Tax collectors putting pressure on the countryside more than ever before. Enormous difference between the budget as projected and the budget as it really was. All urban administrations—because of their attempts to raise prosperity—up to their necks in debt. Then the influence of the Oriental question on the funds, on the dangerous exploitation by those in high places of the fluctuations in value of funds. Stress should also be made of the fact that the statements and manifestos issued by Ledru (—Rollin), L. Blanc and others of a like mind whatever their shade have had not

one iota of effect, but it is rather the social or economic crisis which gets things rolling, etc.”⁷²

This is a tremendous example of all the various factors and elements which have to be related to one another. Bad harvests, concentration of the proletariat in Paris, not least because of the cheap bread prices there, and thus the concentration of the core of a future revolutionary army in the capital, bread riots in the provinces, peasants against the workers, workers against the army, the bourgeoisie against its own government, concessions made in face of workers' strength—what an incredibly colourful picture of anarchy.

We see how the economic crisis hits the most varied of spheres, including foreign policy, which in turn hits the stock exchange once again.

This all goes to show that one cannot “kindle a revolution” if the economic relations do not favour the same—as they now do.

Fred Oelssner correctly wrote: “The theory of economic crises leads us on to the theory of proletarian revolution... it would of course be mechanistic and false to make the assumption that each economic crisis must lead to a political revolution. However, it has been shown theoretically and proven by history that there is a cause-and-effect relationship between the two. The economic development forms the material foundation on which the political movement is nourished, a movement which, if the necessary conditions are available, can escalate into revolution at times of economic crisis. Marx and Engels sought for traces of revolutionary crisis specifically at times of economic crisis, and conversely they predicted a dampening down of the revolutionary movement at times of prosperity...”

“Marxism only holds that economic crises usually call forth strong social tension, which under favourable conditions may lead to revolution. While not every economic

72. Marx to Engels in Manchester, 12 October 1853, in: Marx-Engels, *Works*, vol 28, pp 302-3 (German edition), unofficial translation (translator's note).

crisis leads to revolution, it can be said that each revolution is preceded by an upheaval of the existing economic order. Thus all revolutionary socialists understand that their role is not to nurse capitalism in the event of an economic crisis but to look for all opportunities to turn the crisis to account in order to deal capitalism a mortal blow. This was done by Marx and Engels and by all revolutionary socialists.”⁷³

If we review developments on the basis of the experience gathered over the past century, we can say that since 1870 economic dislocation and want which have led to genuinely revolutionary situations have been brought about not so much by crisis as by war.

Let us survey the situation:

The Paris Commune linked up with the Franco-German war.

The 1905 revolution in Russia linked up with the Russo-Japanese war.

The 1917 revolution linked up with the first world war.

The revolutions from 1945 to 1949 linked up with the second world war.

One must also ask whether or not a third stage in development has emerged. The liberation movements in the colonial countries were partly genuine revolutionary movements which were, however, not brought into existence by a cyclical crisis of overproduction or by war. (One could argue that the liberation movements were a consequence of the second world war, but then the period seems to be rather long for that to be true.) In any event, things are somewhat different today than in the first stage, which lasted from 1825 to 1870, and during which cyclical crises of overproduction provided fertile soil for revolutionary movements, and the second stage, from 1871 to 1949, when wars brought revolutionary movements into being, some of which went on to victory, the foundation for the movement's emergence being provided by

73. Fred Oelssner, *Die Wirtschaftskrisen*, vol 1, Berlin, 1950, pp 160-61, 163.

dislocation of the economy and general shortage caused by war.

One must also make the following observations: Marx and Engels were pleased at the first signs of a crisis, as they could expect a revolutionary movement to spring up from it. And as far as war is concerned, we have always followed Marx and Engels in supporting all wars which are for a just cause. Even today, after the experience of the second world war and taking account of the modern war technology that exists, we back all just wars which are to free a country from the yoke of capitalism or to defend the independence of a country against attacks by monopoly capital: Angola and Vietnam are prime examples.

We have, so far, only made a sweeping survey of the situation. Let us go into things in more detail.

The letter from Marx to Engels which we quoted confirms our statement that in the period up to 1870 they looked forward to each crisis as it held the promise of an upsurge in the revolutionary movement and in class struggle, indeed of revolution. At that time, the ruling class relied in self-defence upon empty promises, concessions that were concessions in name only, the police force and the army.

Since the general crisis of capitalism set in, the ruling class has adopted another strategy. Lenin wrote in detail about it, and we have written a lot about it. They corrupt the leadership of working-class parties which to some extent basing themselves on the labour aristocracy, have instilled the ideology of opportunism and reformism in the labour movement. We refer to the ideology of social democracy, which replaces the teachings on class struggle and the dictatorship of the proletariat by the thesis of "integration of the working class into the state" run by the monopolies with nationalism thrown in for good measure.

However, everywhere that communists have gained more and more influence in the working class in the fight against such dangerous distortions and the social demo-

crats have lost ground among the working class, the ruling class has switched over to a strategy that is different yet again. They have taken to creating a petty bourgeois movement specially for such emergencies, holding it in reserve and bringing it into play at a time of great economic dislocation and thus of great opportunities for ideological confusion. Also the ruling class is not shy of spending large sums of money on this exercise, so that it is able to counter the working class with a movement which has an ideology which appears to be wildly radical, but which in reality is extremely reactionary and only serves the most aggressive quarters of monopoly capitalism.

The classic example of such a movement is provided by German fascism. It dressed itself up as revolutionary and called itself "national socialist". In reality it was certainly not revolutionary, but reactionary; it was not national, but instead oppressed nations, being in fact antinational. And least of all was it socialist, stepping up exploitation to the greatest extent the way it did.

Since the experience gained in the 1929-33 cyclical crisis of overproduction, the working class throughout the world has seen through this ploy of monopoly capitalism, and is vigilant against all attempts to encourage fascist elements, puts more effort into its ideological struggle, especially among the petty bourgeoisie in both town and countryside, and is more watchful against such confusion being sowed by monopoly capitalism.

We can also note that great successes have been scored in the struggle against the efforts of capitalism to organise new fascist movements, especially since the current economic crisis began. Nevertheless, we must constantly intensify our struggle against fascist trends and against anti-communism.

The fascist regimes in Portugal and Greece have been brought down; the attempts by the most reactionary monopolies to establish large fascist movements in Italy, France, Great Britain and the Federal Republic of Germany have failed. Failure also hit the attempts by American mono-

poly capitalism to have the progressive forces of the Congress Party replaced in India by rightwing extremists, and the same goes for a number of Latin American countries.

Monopoly capitalism has, it is true, succeeded in affording the rightwing, antirevolutionary wing of the Labour Party greater significance in government. However, this has nothing to do with the establishment of a fascist movement, and what is more the progressive forces have so far managed to set quite clear limits to the attempts by the governing right wing to expand their power.

Monopoly capitalism is seeking a new strategy in vain. A hallmark of its political difficulties is the repeated change of government in leading capitalist countries, or conversely, the refusal of bourgeois capitalist opposition parties to defeat the government and take over the reins despite the fact that they have been in an excellent position to do so.

If we take a closer look at the labour movement, we note that it has had some astounding successes, not just in general politics, but also on a wide variety of fields in the daily struggle.

The history of the working class shows that during a crisis the number of strikes drops off, sometimes quite swiftly, but that street demonstrations grow in size and strength.

Let us look at the following statistics for strikes:

NUMBER OF DAYS SPENT ON STRIKE (IN MILLIONS)⁷⁴

Year	Germany	Great Britain	France	Japan
1929	4.490	8.290	2.765	0.572
1930	3.936	4.400	7.209*	1.085**
1931	2.002	6.980	0.950	0.980
1932	1.112	6.490	2.244	0.619
1933	***	1.070	1.199	0.385

* The crisis hit France a year later than the other imperialist countries

** The crisis only began in Japan as late as the second half of 1930

*** Strikes were made illegal when the nazis came to power

74. International Labour Office, *Year Book of Labour Statistics, 1943-44*, Montreal, 1945.

Now let us take a look at the pattern of recent years:

NUMBER OF DAYS SPENT ON STRIKE (IN MILLIONS PER ANNUM) ⁷⁵				
Year	<i>Federal Republic of Germany</i>	<i>Great Britain</i>	<i>France</i>	<i>Italy*</i>
1958-62	0.279	4.120	1.729	10.351
1963-67	0.466	2.428	3.329	10.904
1968-72	0.983	11.995	32.422**	20.449

* Strike were banned in Italy from 1929 to 1933

** Includes the biggest and most comprehensive strike covering almost 10 million workers in May-June 1968

We saw a mighty increase in the strike movement up to 1972.

What happened in the period that followed?

NUMBER OF DAYS SPENT ON STRIKE (IN MILLIONS) ⁷⁶						
Year	<i>Federal Republic of Germany</i>	<i>Great Britain</i>	<i>France</i>	<i>Italy</i>	<i>Japan</i>	<i>US</i>
1973	0.563	1.197	3.915	20.492	4.206	27.001
1974	1.051	14.740	3.377	16.952	9.684	48.000

Despite the crisis, strike activity was at an even higher level in 1974 than 1973, the year with the highest production record. And in 1975, despite the way in which the crisis sharpened up in a number of countries strike activity dropped off very little, and in some cases in 1976 has grown sharply once again. Some 18 million went on strike in Italy in November alone!

This is only one aspect of the growing resistance put up by the working people against the efforts of monopoly capitalism to shift the burden of the crisis onto them. A

75. *World Economy and International Relations*, Moscow, 1975, No 1, p 157 (Russian).

76. Cf. the official figures published by the countries concerned.

new form of struggle is emerging in many imperialist countries, that of factory occupations. They are intended to be closed down, but the workers sit in and quite often also keep production going under their own management. Since the beginning of 1974, some 700 companies in Great Britain, France and Italy have had to contend with sit-ins that lasted for some time. Some factories in the Federal Republic of Germany, where this form of struggle is relatively new, have also experienced occupations.

All these activities must be seen against the background of an exceptionally active trade-union movement in which communists often play a very influential role. This is also one of the major changes that have taken place in the labour movement. To put it quite bluntly, up to the second world war and sometimes even in the early postwar years trade unions mostly acted as a brake on the labour movement, as in many cases the union leaders were even more opportunist and establishment-minded than the rightwing of the social-democratic parties. However, for a number of years now in Great Britain and in Federal Republic of Germany they have to a great degree taken a stand to the left of the official party leadership and in France and Italy the majority of them follow the line of the communist party in their country.

One could put the position as follows: communists in the capitalist countries have learned, as Lenin always very forcefully proposed, to work in the trade unions. The result is a really progressive trade-union movement of a breadth, strength and cohesion the likes of which Western Europe has never seen before. (There were revolutionary situations after the first world war, situations which we have not yet seen today, and communists took part in government after the second world war in France and Italy, but the reactionaries were always strong enough to win the day in the course of time.)

A movement of a breadth, strength and cohesion the likes of which Western Europe has never seen before... and many times each year the capitalist press is obliged to report strikes involving millions, to report trade-union de-

monstrations which pose political demands and general social demands such as increased housing construction.

And we communists have mobilised people on a wider scale than just the working class. Millions of peasants across the world back our policies, and civil servants, teachers, doctors, poets and scientists also answer our call.

In today's world the power, strength and cohesion of the communist parties in the capitalist world are unparalleled in history. They have closer ties than ever before with the trade unions. They are the vanguard of the working class, and people from other sections of the population also flock to them in ever greater numbers. They have become a vanguard of the peoples.

And all this is also reflected in the mighty struggle conducted by the working people against the attempts by capitalism to shift the burden of the crisis onto their backs.

Conclusion and Prognosis

At the end of the great crisis of 1929-33, as depression set in, the Soviet political economist Eugen Varga predicted that the depression would continue in the following years instead of being replaced by a lasting upward trend as had happened after previous crises. Varga described a deformation that had been effected in the cycle, as a result of which the crisis would be followed by a lasting "depression of a special kind" instead of being followed by a short depression and then a turn for the better.

Varga wrote: "The depression which is taking place will drag out for several years without changing over into a period of prosperity, except in the case of a few countries. Short bursts of revival and hefty setbacks characterise the process. This depression will then be replaced by a new and still more profound and devastating economic crisis..."

"This will be the picture, if the outbreak of world war and of proletarian revolution are delayed for a number of years yet. This is highly unlikely. The bourgeoisie, dissatisfied with the slight increase which has taken place in the return on capital during the current depression which is of a very special nature, will seek a way out of the situation through war. The proletariat, whose position is hardly any better in the depression than in the crisis, will rather seek to storm the citadels of power of the bourgeoisie, aided by the peasants and the oppressed colonial peoples."⁷⁷

In one respect, our prognosis follows Varga's quite closely, and in another differs from it greatly.

Very greatly: the forces of peace are strong enough today to probably prevent the outbreak of a third world war.

77. See Eugen Varga: *Die grobe Krise und ihre politischen Folgen*, Moscow, Leningrad, 1934, p 100.

We must place the Soviet Union at the head of the list of peace forces, for two reasons. Firstly, its military strength is so great that even a substantial number of the monopolies regard it as too great a risk to unleash a world war. We must never forget, however, that it takes two sides to maintain peace, but war can be started by one party alone, and that one party can, with modern-day technology, consist of a small minority of the ruling class. Thus tremendous significance must be attached to the role of the Soviet Union, indeed of all communists and other progressive people, who follow its lead in providing information and analyses and exposing war machinations.

The similarity between our prognosis and that of Varga consists in the fact that we, just as in the time between both world wars and especially in the thirties, anticipate an economic trend which does not embrace any long periods of prosperity but will rather be marked by a continuously high level of unemployment, real wages which tend to sink much more than they rise, and probably a decrease in the international division of labour, in other words a still less favourable development of world trade than production, and currency fluctuations and inflation.

Just like Varga, we can also say that this situation will persist throughout the seventies, eighties and nineties—unless, what is more likely, proletarian revolution intervenes to put an end to it.

We declare that the general crisis of capitalism has advanced so far that if we are able to prevent a major war and the special factors it brings with it then we can reckon with capitalism undergoing a process of decay interrupted by short bursts of life. While we used to say that the general crisis will perpetuate and intensify until we put an end to capitalism; cyclical crises will come and go, we ought perhaps to reward the last part of our sentence as follows: *cyclical crises will only be replaced by depression which may encompass short periods of upturn in the economy, but which will then be followed on directly by another crisis.*

It is obvious that such developments in the economic

situation can only lead to an exceptional heightening of the class struggle, because it reveals to the working people in a particularly sharp manner just how incapable capitalism is of ensuring them an existence which is worthy of human dignity.

Comrade Kurt Hager of the Socialist Unity Party of Germany was definitely right in the speech he made on 18 January 1974 on the ideological problems of our time. He said: "*Without exaggeration, we can speak of a new phase in the general crisis of capitalism, as revealed in a heightening and intensification of all the contradictions inherent in capitalism.*"⁷⁸

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78. Kurt Hager, "Socialism—a Power Dedicated to Peace and Mankind"—in: *Neues Deutschland*, 19 January 1974, p 4.



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