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ECONOMICS OF PEACE  
AND WAR



# ECONOMICS OF PEACE AND WAR

*An Analysis of  
Britain's Economic Problems*

by  
JOHN EATON



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# I

## THE CRISIS FACING BRITAIN

The economic strength of British imperialism has been undermined now by a process of many years. It emerged greatly weakened from the First World War. It was exposed in the nineteen-twenties and nineteen-thirties to pressure from American, German and Japanese imperialism. But, reliance being placed on restrictive monopoly control of British and empire markets, little was done to reorganise or strengthen the industrial basis of British economy. Profits for a narrow circle of capitalists were safeguarded more often by monopolistic protection of obsolescent plant than by technical advance. The Second World War meant further great losses of overseas investments and a further increase in the relative strength of American imperialism.

The full consequences of British imperialism's weakened economic position was, however, masked by a number of temporarily favourable features. In particular, the British imperialists retained financial control of the sterling area and, in the absence of competition from German and Japanese imperialism after their defeat in the war and with the economies of France and Italy gravely disorganised, were able rapidly to expand exports.

This set of circumstances, of temporary duration, in a sense accidental, was the basis for the high level of employment and the high level of economic activity during the years from 1946 to 1951.

In 1946 production was, broadly speaking, at the same level as pre-war. By 1950 it had increased by 40%. The increase in 1947 over 1946 was—despite the fuel crisis—8%. In the next year it was 12%. Then in 1949, the year of the devaluation crisis, 7% and in 1950, 8%. Production continued to increase in 1951 but at a much slower rate, the increase of 3% in that year carrying the index to 44% above pre-war.

1951 already saw the first signs of the acute disorder and deep-seated sickness of the economy that is now becoming more and more openly apparent. A world-wide crisis of overproduction

began to develop in the consumer goods industries, and the resulting problem of shrinking markets coincided for British capitalism with its own particular crisis resulting from its weakened economic position *vis-à-vis* American imperialism, coupled with the crippling effects of heavy arms expenditure and the mounting costs of maintaining its far-flung imperialist interests.

The post-war increase in output resulted partly from the fact that more workers were engaged in production (about 17% in five years) and partly from increases in productivity of about 5% per year (except in 1951 when the increase in productivity fell to about 1%).

Up to 1950 the British capitalists were able to expand the scale on which they turned over their capital by a substantial amount each year. The fact that they could do so and the fact that they could sell more goods than the steady annual increase in productivity alone could yield, necessarily led to an expansion of the labour force and a reduction in the numbers of unemployed to a fraction of the pre-war levels. In June 1951—since when unemployment has shown a rapid increase—the lowest post-war level was reached, the number of registered unemployed being in that month 210,000, as compared with a million and a half in 1939 and a million and three-quarters in 1938.

### *A Structure Built on Sand*

This relative absence of unemployment undoubtedly made a deep and favourable impression on the British workers who had known mass unemployment in the years between the wars. It provided, in fact, a basis for many illusions about the achievements of the Labour Government's economic policy. At least, thought many workers, the pledge of full employment had been fulfilled. Such perhaps was the feeling in 1950. In 1951 and 1952, however, it began to become more readily apparent that the high level of economic activity that had been reached rested on the most shaky of foundations.

Part of the increased volume of production went to add to the capital goods in the hands of the capitalists (see p. 77 below). At the end of the period a substantial and increasing amount went

to armaments (£274 m. worth of goods in 1949-50, £345 m. in 1950-1 and £530 m. in 1951-2—enough to give all productive workers a wage increase of about 3s. 6d. in the pound). However, the greatest part of the increased output went into exports.

Here lay the expansion of markets that made it possible for the British capitalists to engage their resources on a fairly rapidly expanding scale.

Immediately at the end of the war the capitalists had huge accumulations of profits lying "sterile", unused bank balances and large holdings of war loans. The active engagement of these resources as capital provided the starting-point for the expansion. The further expansion was facilitated by the "easy money" policy pursued by the Treasury and the Bank of England. This meant no more than that the Bank of England enabled the banking system to supply to industry all the credit it could profitably use. But these increasing amounts of credit could be profitably used precisely because exports could be expanded.

Increased output was, therefore, increased output of exports—in the main—and the personal consumption of the British people took, as production increased, a smaller share of the national product (see p. 78).

This special character of the increase in production is clearly brought out by the following facts. Whereas the volume of production in 1951 was a little more than 40% higher than it was before the war and in 1946, the volume of exports was over 80% higher by comparison with the same two periods. (Both the volume of production and of exports were in 1946 at much the same level as in the years just before the war.) Moreover, the volume of exports of engineering goods was in 1951 double what it was in 1946 and two and a half times what it was in 1938.

A corollary of this was a very great expansion of the output of the engineering industry. According to the London and Cambridge Economic Service Index (which excludes finished munitions) output of industrial machinery and equipment was 89% higher in 1951 than in 1946 and two and a half times pre-war. Output of motors, cycles and aircraft—a very important export group—was 95% in 1950 and 84% in 1951 higher than in 1946 and nearly double pre-war. Exports of textiles, on the

other hand, whilst they increased by about one-half over 1946, were only about 10% more in 1951 than in 1938.

These figures make one think. For many years now the propaganda has been, "You are consuming too much. You are producing too little. We must produce to export and we must export—or die." But the facts are that the people of Britain have been producing more, but they have not been consuming more. Levels of consumption are barely, if at all, higher than they were in the slump year of 1938 when there were a million and three-quarter workers unemployed.

All the increased output, in so far as it has not gone to increase the capital resources of companies in Britain, has gone into arms or into exports, which have increased phenomenally. How—if we are exporting so much—does it come about that Britain faces the most serious trade crisis of all time?

Of this crisis the *Financial Times* wrote:

"The crisis which the country now faces is much the worst of all the post-war crises. To measure the gravity in crude terms, the rate of gold loss now being experienced would exhaust the reserves in eight months whereas in 1947 the comparable period was twenty-one months and in 1949 thirteen months. . . . But in truth the crisis is graver than crude measures of this kind would suggest. The real significance of the present trade gap is not its size—though that is alarming—but that it is one of a series. It is the last and worst symptom of a chronic weakness making itself felt every time the trend of world events turns unfavourably for the sterling area—or, indeed, it seems whenever the trend alters at all. Though rearmament has aggravated the crisis now, the real cause lies deeper than this. The sterling area countries have not expanded production on anything like the scale of the expansion in the dollar area. Not only in industrial capacity but in the supply of raw materials also, the productive potential of the dollar area has risen faster than that of the sterling area."

(The *Financial Times* leader, 28.1.52)

This is a candid statement, and it touches on matters about

which the capitalists more often prefer to remain silent: but it leaves unsaid the real causes of the present crisis.

### *The Causes of Britain's Crisis*

#### *(a) Military Expenditure*

First and foremost, the crisis in Britain's balance of payments position has been brought on by military expenditure to maintain British imperialist policy. This has devoured a large share of the values which British workers have produced and which should have been used in paying for Britain's needs for imported foods and raw materials. In fact, if overseas Government expenditure<sup>1</sup> had been cut out in the years 1946-51, Britain's current account with foreign countries would have been very nearly in balance, despite the movement of import prices against us and despite the lower payments of interest, dividends, etc., received from the overseas investments of British capitalists.

Here are the facts:

#### OVERSEAS CURRENT ACCOUNT OF THE U.K. 1946-51

<i>Receipts</i>	<i>Annual averages in £ millions</i>			
(a) Exports				1726
(b) Net Invisibles				
(that is, payments received after payments made under each heading have been deducted)				
Interest, Profits and dividends	..			83
Shipping	..	..	..	67
Other (this includes banking, commissions, insurance, etc.)	..	..		170
Total (b)	..	..	..	320
Total of (a) and (b)	..	..	..	2,046
<i>Payments</i>				
(a) Imports				2050
(b) Other items (net)				
Travel	..	..	..	33
Miscellaneous*	..	..	..	17
Total (b)	..	..	..	50
Total of (a) and (b)	..	..	..	2,100
*including migrants funds, legacies, gifts, etc.				
Balance of current accounts excluding Overseas Government Expenditure				-54
Net overseas Government Expenditure				-172
Actual average annual deficit				-226

<sup>1</sup> Out of a total of £1,032 m. net military expenditure was £753 m.

These figures make clear beyond doubt the extent to which Britain's trade difficulties, which are so often cited as an excuse for attacking the living standards of the people, are in fact due to the military cost of maintaining for Britain's big bourgeoisie their imperialist way of life. If it had not been for the immense overseas military expenditure of Britain in these years and the general policy that inspired it, the series of deepening crises in Britain's balance of payments' position could have been avoided.

As it was, the determination to shore up the old imperialist structure, and to protect with blood and fire the overseas interests of the big bourgeoisie *at any cost*, threw Britain into the arms of the American moneylender. In effect, America was called in to help British capital to maintain imperial domination in the Far East, in the Middle East, in Africa and other parts of the world.

The inevitable price of this dependence upon America was the subjection of Britain to American policy, carrying with it the further worsening of Britain's economic position resulting from the vast burden of arms production that this policy imposed and the banning of the most valuable forms of trade with the Soviet Union, China and the People's Democracies.

### *(b) Export of Capital*

At the same time, the British imperialists narrowly pursued their own interests and diverted a crucial part of British production to the export of capital—that is, exports against which there was no immediate return.

In the six years from 1946 to 1951 nine-tenths of the British exports have been manufactured goods (as against food, drink and tobacco, which accounted for about 6%, and raw materials, which accounted for about 3% of the total exports). Before the war (1935-8) more than a quarter of all exports were textiles, but after the war (1946-51) only one-fifth. On the other hand, engineering products accounted in these post-war years for nearly one-half of all exports as against one-third in the pre-war years.

The bulk of these engineering exports have gone to empire countries, but to the dominions rather than to the colonies, and in particular to Australia and India. As British exports to these countries exceeded imports from them, it is evident that to a very



considerable extent they represented export of capital, a means by which the big British monopoly capitalists were investing the vast profits that they had accumulated during and after the war.

Exports of machinery from Britain to Commonwealth countries in 1946 were £50 m. out of total exports of machinery of £1111 m. rising in 1950 to £154 m. out of a total of £317 m. In the year 1949-50 India imported machinery (other than electrical) to the value of £62 m., of which £36 m. worth came from Britain, and electrical machinery to the value of £18 m., of which two-thirds came from Britain. In 1951 British exports of machinery to Australia totalled £47 m. and to South Africa £32 m. out of total exports to Commonwealth countries (other than Canada) of £140 m.

The official statistics on the balance of payments show the following excess of British exports over imports *from* the sterling area:

IN £ MILLION				
1948	..	..	..	84
1949	..	..	..	151
1950	..	..	..	50
1951	..	..	..	-18

(more was imported from than exported to the sterling area in this year)

As in these years imports from the colonies exceeded exports to them by some £20 m. or £25 m. a year, it is clear that the excess of exports to the dominions was considerably greater than the figures for the whole of the sterling area which are given above.

The official figures for the transfer of capital from Britain to the sterling area, during these years, are as follows:

IN £ MILLION				
1948	..	..	..	229
1949	..	..	..	192
1950	..	..	..	145
1951	..	..	..	130

These facts prove that one of the reasons for British trade being out of balance was that goods which the efforts of British workers produced were not, in fact, used to buy the food and raw materials that Britain needed, but instead were used to build up for the

capitalists a greater volume of investments overseas in the sterling area.

(c) *Subordination to U.S. Economic Policy*

The resources at the command of British capital were not sufficient to meet the economic, political and military costs of its imperialist policies, and the U.S. loan and "Marshall Aid" funds were used to bridge the gap. This necessarily orientated British purchases in the direction of the U.S.A.—which, of course, was one of the calculated consequences of this American economic strategy.

In the upshot, Britain, despite strict licensing to limit dollar imports, had a serious trade deficit with the dollar area. The following are the figures for 1948 to 1951:

U.K. TRADE WITH DOLLAR AREA			
IN £ MILLIONS			
	<i>Imports from</i>	<i>Exports to</i>	<i>Deficit</i>
1948	403	188	215
1949	441	185	256
1950	430	309	121
1951	731	381	350

In 1951 the main imports from the dollar area were in round figures £325 m. on food and tobacco (of which grain accounted for almost half the total and tobacco for about one-sixth), £180 m. equally spread between cotton, timber and oils and fats, and over £100 m. on non-ferrous metals.

These items together account for some four-fifths of total dollar imports. And two things about them stand out very clearly: first, the bulk of these supplies (in particular, grain and other food-stuffs, timber and tobacco) could readily have been met by developing balanced trade on a basis of equality with British empire countries and with the Soviet Union and the People's Democracies. Secondly, the big imports of non-ferrous metals in 1951 must have been very largely for the armament programme.

The dominions also had heavy trade deficits with the dollar areas (except in 1950) amounting in the four years from 1948 to 1951 to about £350 m. To counter this large deficit the only economic policy seriously entertained by the British imperialists

has been to increase the exploitation of the colonial workers and expand sales to the Americans of products from British-owned plantations and mines. During these years exploitation of the colonies yielded the British imperialists a net balance of 1,134 million dollars (about £375 m.) of which more than two-thirds came from Malaya—which, of course, does much to explain the lengths to which the British imperialists are prepared to go in order to hold that colony in subjection.

In choosing to put themselves in the hands of the Americans, the British capitalists have also put themselves at their mercy. They have been forced to accept the financial and pricing policies of the Americans (and, in particular, the devaluation of the £ in 1949) which have resulted in a movement of world prices that has been most unfavourable and costly to Britain. Prices paid by Britain for imports increased far more than the prices received for British exports.

The loss to Britain on this account was probably more than £2,000 m. over the six years, averaging about £370 m. a year. (The figures are analysed in detail on p. 57 below.) Thus, despite an increase in engineering exports by two and a half times and an overall increase of 80% in exports as compared with pre-war, and despite a rigorous curtailment of imports, there still was an adverse balance of trade. In the years 1948–50 the volume of imports was on an average one-fifth below pre-war, whereas the average volume of exports had increased by over one-third, and yet exports nowhere near succeeded in paying for imports as they would have done with a good margin to spare if prices had not been against us. Even the vast increase in imports in 1951 only brought them back to the pre-war level, whereas the volume of exports in that year was 80% higher—and yet we had a trade deficit of £789 m.

That is the background to Britain's crisis. The crisis itself does not, against this background, need much explaining.

In the second half of 1951, imports from the dollar area increased sharply. This was due mainly to increased imports of raw materials—stimulated largely by the arms drive.

Raw material imports in the second half of 1951 were at a rate more than double that of the preceding three years.

Whereas before there had been a surplus with Europe, a deficit now appeared.

“Invisible earnings” also slumped badly. Purchases of dollar oil to replace Persian oil were made at an annual rate of £100 m. (This item enters mainly, not into the trade but into the “invisible” account.) Increased costs of shipping were far greater than increased earnings. £39 m. was paid in interest on the United States and Canadian loans. (This was the first payment of interest and, therefore, a new item.) Overseas military expenditure continued at a high rate; and the upshot of it all was that “invisible earnings” dropped from an annual rate of £426 m. in the first half of the year to an annual rate of £50 m. in the second half of the year.

As the cracks began to appear in the financial structure of British imperialism, funds were rapidly transferred from London, and in addition to Britain’s own deficit with the dollar area the dominions ran into heavy deficits. The result was a very rapid depletion of the sterling area’s gold and dollar reserves, which fell from £1,342 m. on 30th June 1951 to £607 m. on 31st March 1952—a drop of more than half.

### *The World Crisis of Overproduction*

There had, of course, been crises before threatening the reserves which “the City” holds as “banker” to the sterling area—in 1947 and again before devaluation in September 1949; but what made the 1951–2 crisis altogether different and altogether more profound was the fact that it coincided with the development of an economic crisis of overproduction throughout the capitalist world.

The same contradiction that is to be seen in Britain between the development of productive capacity and the restriction of consumption leading to a slump in consumer goods industries is to be found in every part of the capitalist world. It springs from the contradictions inherent in capitalist production; and the dwindling trade in the consumer goods industries naturally affects, also, suppliers of raw materials and equipment to those industries.

The difficulties of this situation are aggravated for almost all the countries of the capitalist world by the huge arms programme

to which they are driven by America. This leads to continuing imports at high prices at a time when receipts from exports are beginning to fall off. Country after country imposes import restrictions,<sup>1</sup> and the whole basis of world trade is undermined.

But at this very time when it is hard to hold export markets Britain suddenly begins to face the full impact of German and Japanese competition. The old rivals whose absence made the expansion of British exports easy are back again at the very time when Britain is least able to withstand them, and it must be added, the old Japanese and German gang of monopoly capitalists have been put back where they are by the good offices of the Americans.

When market conditions begin to crack, it is the weak that begin to go to the wall and the dominance of the most powerful capitalists makes itself most decisively felt. The crisis, therefore, affects most severely the weaker capitalist countries, and as it develops the dominance of the more powerful groupings of capital in America asserts itself in every quarter of the capitalist world.

### *Britain's Double Crisis*

For Britain, however, the crisis is a double crisis. As part of the capitalist world Britain is dragged down with the capitalist world as a whole. But on top of this British imperialism faces its own crisis. For year after year through the twenties and the thirties and again in the years following the Second World War, with one makeshift after another, British imperialism has avoided facing the fact that it lacks the resources with which to support its imperialist pretensions. The capital resources at its command—despite the accumulations of recent years—are relatively speaking much farther behind those of the American capitalists than they were before the war. At the same time, the antagonisms within the British empire—illustrated by the relations between Britain and Australia on the one hand and Malaya on the other hand—are becoming extremely acute.

Faced with this situation, there are many divisions and contradictory views amongst the imperialists in Britain about the new policy that is required now that all their weaknesses come upon them at one time. Some are ready for a full capitulation to their

<sup>1</sup> It is those in France and Australia that most seriously affect Britain.

American rivals. But more and more there develops an outright capitalist opposition to America. Much of this remains below the surface; but it has already found expression in the advocacy—for example, by Amery—of thorough-going empire protection and a break, to the utmost extent possible, away from the economic connections with America. Some—dreaming of the long-vanished days when the pound sterling ruled every centre of commerce in the world—look eagerly for the restoration of a strong and freely convertible pound. Others consider that the days of convertible currency are gone for ever, and that the sterling area—or as much of it as can be persuaded to play Britain's game—must learn to operate a "managed currency" with all the ingenuities of Finance Minister Schacht.

However, behind the confusions and the contradictory trends, big capital agrees on one thing—if on one thing only—and that is that whatever lies ahead for them, they intend to prepare for it by greater exploitation. They aim at forcing down the living standards of the British people to levels of poverty such as have not been seen for many long years. They are equally united in their determination to spare no violence in the suppression of the colonial peoples and the imposition of new and still more onerous burdens of exploitation.

## II

### THE ECONOMIC PROGRAMME OF THE LABOUR GOVERNMENT, 1945-7

The Tory Government is pursuing with ruthlessness a policy of imperialism which intensifies the crisis for the peoples of Britain and the British empire, and does nothing to solve the underlying economic problems. The roots of these problems go deep into the basic structure of monopoly capitalism, and their seeds were sown many years before Churchill took office in 1951 and were nursed by the policies pursued by the Labour Government—policies which were, as we shall see, in essence capitalist policies, although executed by those who claimed to be opponents of capitalism.

*Illusion and Reality*

In the 1945 election the Labour Party was returned to Parliament with a substantial majority. In this event the profound political changes that were taking place in Britain and the world found reflection. Reaction everywhere was forced to beat a retreat. However, the extent of this retreat was gravely over-estimated by many in the Labour movement. In Britain, real and marked as the swing to the left in fact was, the Labour movement harboured many illusions about the tasks that lay ahead. These illusions coloured its whole approach to Britain's economic problems.

The programme for which the Labour Party fought, which was issued under the title *Let Us Face the Future*, won wide support precisely because it promised a break with the economic policies of pre-war Toryism—the unemployment, poverty and stagnation of British industry, the grabbing of profits by restrictive monopolies, the waste and deliberate sterilisation of productive capacity, idle men and idle factories, the depressed areas of Wales, Scotland, Cumberland and the Tyneside.

Speaking of the years that followed the First World War, *Let Us Face the Future* declared, "The people lost that peace. And when we say 'peace' we mean not only the Treaty, but the social and economic policy which followed the fighting. . . . The Labour Party offers the nation a plan which will win the Peace for the People."

It promised Jobs for All, that "the whole of the national resources, in land, material and labour must be fully employed". Production was to be raised "to the highest level". It promised "good wages, social services and insurance", and "taxation which bears less heavily on the lower-income groups". It promised "planned investment in essential industries and on houses, schools, hospitals and civic centres". The Bank of England, fuel and power, inland transport and iron and steel were to pass into public ownership. There was to be "a firm and clear-cut programme for the export trade". It promised "to consolidate in peace the great war-time association of the British Commonwealth with the U.S.A. and the U.S.S.R."

Here was a programme in fighting for which the working-class could win to its side all who were honest and peace-loving in Britain and make decisive social and political advances.

The majority of the workers saw in it a banner behind which their forces could be rallied for a great onslaught on capitalism—and this it could have become if it had not been for the attitude of the right-wing leadership of the Labour movement when it came to using their ministerial positions to implement the programme.

The conceptions of these right-wing leaders were altogether different from those of the workers. For these leaders the programme was to be turned into a programme of capitalist reconstruction. Its working-class and socialist significance was to be confined to words, and in this way it was to serve as cover for the co-operation of these opportunist elements in the Labour leadership with the big monopoly capitalists.

The enemies of the working-class—that is, the monopoly capitalists in Britain and America—were left free to frustrate the hopes and the aims of the masses of the people. The right-wing leaders gave currency to and boosted the prevailing capitalist ideas on economic matters, left the big monopolists in positions of power and influence, and, by falsely presenting their measures of State action in the economic field as “socialism”, held back the working-class movement from attacking its capitalist enemies.

As a result the strength and position of the capitalist class which the events of 1945 made precarious was re-established, and the greatest privately owned trusts became wealthier and more powerful than they had ever been before.

The programme actually implemented by the Labour Government turned out in practice to be a caricature of the fighting programme that in 1945 had fired the popular imagination. In short, the political aspirations of the workers and their desire to struggle against the imperialist policies of the big capitalists were side-tracked and frustrated. As a result, many in the movement ceased to be alive to the nature and dangers of monopoly capitalism, its ceaseless striving after domination over other peoples and their economic life and resources, and therefore its inevitable tendency to war. This could not but make it easier for men who



were in reality agents of the capitalist class and men whose thoughts and desires aped those of the capitalists to penetrate into the leading councils of the Labour movement.

This process was also facilitated by the fact that the many years of the small concessions that in the past the wealthy British capitalists could afford to make out of the vast tribute they had drawn from their world-wide interests had left illusions amongst many sections of the British working-class, and these were not easy to eradicate.

Right from the outset of its term of office the Labour Government began to move away from friendly association with the Soviet Union—a country with a socialist economy and the working-class in power—and to place Britain in a position of dependence on the U.S.A., a country with a capitalist economy dominated by the most powerful clique of monopoly capitalists in the world.

A more lively consciousness in the ranks of the Labour movement about the nature of monopoly capitalism would have put it on its guard at once against the imperialist policies to which monopoly capitalism inevitably gives rise. However, the British people, whose great advance in political consciousness could be measured by the defeat of the Tories in 1945, still had many illusions to shed about the nature of monopoly capitalism and—which at root is the same question—about the policies of the right-wing leaders in the Labour movement.

### *American Loan*

Already as a result of the exigencies of the war British economy had become dangerously dependent upon the U.S.A. In the course of the war the proportion of British imports drawn from the U.S.A. had risen from 13% to 60%. After the entry of the U.S.A. into the war, substantial supplies required for the conduct of the war had come to Britain under Lease-Lend.

Within a week of the Japanese capitulation in August 1945, President Truman abruptly terminated Lease-Lend. Britain at the time faced considerable economic problems. Exports in volume were about two-fifths of pre-war, and imports (excluding

munitions) about four-fifths. However, a period of economic difficulty was at this stage inevitable anyway, and Britain's position was at least considerably better than that of many other countries, since her loss of manpower and the physical damage to her factories and plant was comparatively slight.

The most favourably placed country economically was the U.S.A., where productive capacity had doubled, where there had been no war damage, and where losses of manpower were light. It certainly would have been in keeping with the spirit of comradeship that had been built up between the peoples whose joint struggles had crushed the murderous forces of fascism if a generous helping hand had been given freely by the U.S.A. to her less fortunate allies. It was, however, a piece of political innocence, not to say simplicity—and simplicity fraught with most serious consequences—that caused the working-class and the British people generally to mistake the acts of Truman and the monopoly capitalists, whose policy he implemented, for the acts of the common people of America who had fought by our side during the war.

The British people were deceived because the representatives of U.S. monopoly capital attributed to themselves the kind of motives that the peoples of Europe would have looked for from the common people of America. But, in fact, the rulers of America had altogether other motives. It is the very essence of monopoly capitalism that it strives restlessly and unceasingly after domination. If therefore the political atmosphere in the months that followed the war imposed upon big business the necessity of casting its policies into forms that would prove acceptable to the peoples, that did not mean that the content of those policies had been transformed.

The bankers and captains of industry in Britain and the U.S.A. retained—or rather had increased—their wealth and power. In the course of the war they had accumulated vast profits, for which with the ending of the war they sought spheres for investment. This was the kernel of their respective policies.

The essence of the British imperialists' policy was as far as possible to maintain their sources of wealth and their domination over the peoples subject to their influence. The aim of American

policy was to extend their domination over the whole world, an objective which in their eyes was no more than commensurate with the rapid expansion of their economic power and wealth.

The ruling classes in Britain and America were united in their desire to preserve the imperialist way of life and the capitalist system of exploitation, and to extend their robbery of peoples of other countries. They were opposed, however, in that the Americans were anxious to cash in on—and indeed to accentuate—the weaknesses in the British position and to let no opportunity slip of advancing America's position in the vast provinces that remained British spheres of influence. There was between Britain and America, as R. Palme Dutt has put it, “an antagonistic partnership”—with Britain as a definitely junior partner.

The American loan that was negotiated when Lease-Lend ended was the first step in a process by which Britain was drawn ever more closely into the sector of the world's economy that was dominated by U.S. capitalism. At the same time the loan was an instrument through which America began to exert an increased economic pressure on Britain.

The 1945 loan was accompanied by terms and conditions which now are readily recognisable as part of a general strategy by which U.S. monopoly capitalism aimed—and still aims—to facilitate its economic expansion. In essentials these terms were: to make sterling freely convertible by 15th July 1947, to forgo discrimination, against imports and to release outstanding sterling balances<sup>1</sup> and to make them freely convertible into other currencies (which meant dollars).

These measures were argued for as means of “freeing trade”; but protectionist America's advocacy of them was not so much due to a conversion to the “Manchester doctrines” in economics as the desire of their monopolies to open the door to the traditionally British spheres of influence. At the same time, the granting of the loan ensured the continued dependence of Britain upon American sources of supply.

The immediate cost of the loan fell upon the American people.

<sup>1</sup> That is—some £3,500 m. entered as charges in the accounts of the sterling area. The British imperialists, of course, had no intention of paying in full these debts which mainly were for goods and services received without payment from empire countries during the war.

From it the U.S. capitalists got additional markets and additional profits. In effect, the U.S. Government paid the capitalists and the U.S. people paid the Government out of increased taxes and rising prices.

Indeed the prices of the goods sold by the U.S. rose so sharply that the loan was rapidly exhausted. The loan had not proved the means to solvency—that it purported to be—but to bankruptcy.

In 1947, with the credits outstanding under the loan rapidly running out, there was—when the £ was made convertible on 1st July—a panic withdrawal of funds from London. Control was immediately reimposed over the convertibility of sterling. If the terms of the Loan Agreement had been fully adhered to, the sterling area would have become “bankrupt” within a few weeks.

The consequences of the American loan were not only the result of the deliberate strategy of Wall Street. They were also the result of capitulation to the disastrous policies of the capitalists at a time when a robust policy which put the interests of the people first was more than ever necessary. In December 1945, at the time of the signing of the Loan Agreement, the Executive Committee of the Communist Party gave this warning:

“The crucial question now facing British Labour is to fight to see that the breathing space provided by the loan is utilised for carrying through the most drastic reorganisation of British economy; the fullest development of Britain’s productive resources, the expansion of agriculture and the rejection of all luxury and unnecessary imports; the determined carrying through of Labour’s home programme; the maintenance of controls of commodities and prices, the extension of bulk Government purchases from abroad, and the decisive rejection of any efforts from whatever quarter to increase further dependence on the United States.”

If the Labour Government had been made to follow this advice, the economic position of Britain today would be profoundly different.

The crisis of 1947 already gave stern warning of the economic situation into which Britain was drifting. The Labour Government had so far failed signally to take the basic measures necessary

towards fulfilling the promise of *Let Us Face the Future*, to "get our export trade on its feet and enable it to pay for the food and raw materials without which Britain must decay and die". It had solved none of the problems with which Britain emerged from the war. It had done nothing to help develop closer trade relations with the socialist world.<sup>1</sup> It had tightened the bonds that tied Britain to the fortunes—and misfortunes—of the capitalist world, and had, additionally, increased the dependence of Britain on U.S. imperialism.

The American loan had been used to finance the cost of Britain's vast overseas government (mainly military) expenditure, which amounted to £260 m. net in 1946, four-fifths of the total deficit on overseas payments in that year. It was, therefore, used to finance the economic domination of the British monopolies, and not, as the apologists for the American loan had claimed, to supply food and material to keep British industry going.

If the interests of the people had been the first consideration, the Soviet offer to supply grain and timber in return for products of British engineering industry would have been eagerly accepted. But, in fact, first priority in Britain's foreign economic policy was at this time given to the interests of British imperialism which opposed trade with the Soviet Union and opposed the independence of the peoples of the colonial empire.

Behind a good deal of talk about new approaches to foreign and empire policies, the old ruthless use of violence in fact continued. The brutal crushing of the people's movement in Greece, started by Churchill, was continued by Bevin. British arms were used to crush the peoples of Indonesia struggling for their freedom. Bevin had by 1946 already taken British foreign policy so far on its anti-Soviet course that Churchill could in March of that year make his notorious speech at Fulton opening the road to war, and

<sup>1</sup> The Soviet Union in 1947 offered a trade agreement guaranteeing ample supplies of grain, flour and timber and a stable and lasting market for British engineering and metal products in return. The importance of this source of supply in solving Britain's dollar problem can be readily seen from the fact that in 1946 approximately 90% of Britain's grain and flour came from U.S.A. and Canada as against 46% in 1938, about 60% of timber as against 25% in 1938. The agreement that was ultimately signed with the Soviet Union after much delay was a meagre affair in comparison with what might have been, had there been the will to develop trade on the part of the British Government.

it could be blazoned to the world without official repudiation. The cause of peace demanded that such utterances from the ex-Prime Minister should be officially castigated in the strongest and clearest terms.

This was not done; for already the right-wing Labour leadership had identified itself with the foreign policy of the imperialists. Their anti-imperialism was a mere façade. They made much of the "liberation" of India, Burma and Ceylon, but, in fact, even though British troops and British administrators were withdrawn (forestalling forcible ejection by the people's struggle), these countries remained commercially and financially under the domination of British capital.

The policy of equality and freedom and non-interference towards the peoples of the empire coupled with friendly co-operation with the Soviet Union and the People's Democracies was rejected. Yet it was precisely this latter policy that could have provided the basis for a stable development of British economy in the interests of the British people.

### *Retreat from Socialism*

However, it was not only in the field of foreign policy and international economic relations that the pro-capitalist and anti-socialist character of the Labour Government policy emerged. It could be seen also in home policy.

The fuel crisis of February 1947 showed how little control the Government in fact had over the economic situation, and how little had been done to guard against the coal shortage of which the miners' leader, Arthur Horner, had already given warning in the autumn of 1946. It also revealed a Government technique that was to come more and more into evidence in later years; namely, the treatment of crises (whether of fuel or trade) as though they were natural catastrophes, inevitable and inescapable, which must be met with resignation and sacrifice by the masses of the people.

Here again, the simple socialist faith of the working-people was exploited. Sacrifices were asked and given in the name of socialism when, in fact, it was only capitalism and imperialism that

they served. J. W. Belcher,<sup>1</sup> then still an M.P. and a Minister of the Crown, started chanting the refrain that later years were to make so familiar. "I appeal to the unions", he said in the days of the fuel crisis, "to postpone demands for shorter hours and higher wages."

There were many other indications that the style in which the Government carried through its programme drained it of all socialist content. Bills nationalising the Bank of England, the coal mines, civil aviation and other industries were introduced, but the same old type of capitalist manager was left in charge. Lord Catto remained in charge of the Bank of England. Lord Hyndley, of Powell Duffryn and Guest Keen & Nettlefold's presided over the Coal Board. The former shareholders were compensated in full in Government stock on which interest payments would be guaranteed by the State. (The total cost of compensating the former shareholders in nationalised industries was ultimately to total approximately £2,500 m.)

The Government's "control over investment" amounted to no more than Government sponsorship for a limited amount of loans to industry, control of new share issues and the establishment of a National Investment Council composed almost entirely of big-business men, and anyhow so much a piece of window-dressing that it soon ceased even to hold meetings. Robert Brady, an American economist, reviewing the Labour Government's measures for control over capital investment, wrote:

"In seeking control over savings and investments, Labour theorists appear to have abandoned all socialist measures which are not consistent with the new orthodoxy of the Keynesian financial therapy for underemployment of economic resources."

(*Crisis in Britain*, p. 60)

<sup>1</sup> Subsequently, following the revelations of the Lynskey enquiry into "gifts" to public servants, he left the political scene.

### III

## THE "MARSHALL PLAN"

In 1947 the first major "balance of payments crisis" occurred. A huge deficit on visible trade was rapidly piling up—the deficit for 1947 ultimately was two and a half times as great as in 1946 (£449 m. as against £204 m.); the American loan was rapidly becoming exhausted—in theory it was to last five years, but by the summer of 1947 two-thirds had already gone, and at that rate the end of the year would see the last dollar spent. The brief venture into convertibility in July 1947 (in accordance with the Loan Agreement) led to a panic withdrawal of funds from London, revealing the profound weakness of British capitalism's position.

The way things were going aroused misgivings in the Labour movement. Where was the promised control of the economy and the planning that was to replace capitalist anarchy? The Government hastily announced that a Planning Board and a Central Economic Planning Staff were being set up straight away. However, it did not take long for it to become apparent that these bodies were to contribute nothing to the planning of British economy along socialist lines. Indeed, how could they begin to do so without attacking capitalist property rights, without calling in workers and professional men and women loyal to the cause of socialism to administer economic policy? But nothing of the sort was done. The Planning Board was staffed by representatives of big-business, conservative-minded Civil Servants and right-wing Trade Union leaders.

The new economic policy of the Labour Government found its expression at the end of 1947 and the beginning of 1948 in the announcements of drastic capital cuts. This in reality meant slashing the social services. In addition Cripps launched the policy of the wage-freeze (which was set out in a White Paper carrying the title *Statement on Personal Incomes, Costs and Prices*, Cmd. 7321).

The answer of Attlee's Government to the crisis was the age-old



capitalist cure-all—"cut the workers' standards", and the introduction of the new instruments of "planning" turned out to mean for the workers only that they were "more planned against than planning".

Of course, the sacrifices that the workers were asked to make were presented as being "in the interests of the community" and were argued for by all sorts of experts, and particularly by economists of the Keynesian school, who claimed to be armed with a new wisdom about capitalism and to know how, by a few central financial controls and some guidance of investment trends, to eliminate the harmful consequences that had resulted from the old planless capitalism. This new wisdom now taught that social service expenditure must be cut and wages must be "frozen".

However, to make the arguments of the economists more convincing a number of "hard facts" were produced. "You cannot", it was argued, "make bricks without straw, nor can you build a prosperous and healthy life for the people of Britain without the wood and the steel that industry needs to produce the equipment and the buildings necessary to an improved standard of life. We have not got the timber nor the steel."

That was the argument that was put before the people with the full authority of the official experts. But, in fact, the timber was there for the asking. The Soviet Union had made this quite plain, and the fact that their terms were rejected demonstrated simply that the Labour Government was pursuing the capitalist policy of sabotaging trade with the socialist world.

The excuse of no steel was plain misrepresentation. The White Paper on *Capital Investment in 1948* declared, "Production of ingot steel is not likely to exceed 14 million tons in 1948. . . . This is practically the total capacity of the industry." Production, in fact, proved to be just under 15 million tons (14,877,000 tons) in 1948, rising to 15½ million in 1949 and 16¼ million in 1950.

The assault against the social advancement of the British people that was launched in 1947 was paralleled by attacks on the forces of progress in every part of Western Europe. The Americans demanded and got in payment for their "help" the removal of Communists from the governments in France, Belgium and Italy. The reactionary elements most anxious to launch such attacks

against their own peoples were encouraged and supported politically and financially by American monopoly capitalism. The instrument for co-ordinating their policy in Europe at this time was the "Marshall Plan". For Britain and the rest of Western Europe this was the essential characteristic of the period from 1947 up to June 1950; namely, that it was the period of the "Marshall Plan".

### *Aims of the "Marshall Plan"*

An already weakened British imperialism was brought rapidly into desperate straits as a result of its extravagant overseas military expenditure coupled with sharply rising prices which had risen by 28% since the granting of the American loan.

The rulers of America did not fail to appreciate the dangers and the opportunities that the situation offered. On the one hand they appreciated the danger of socialism in Britain, for British economy had no future unless its industry and trade was radically reorganised on socialist lines, and the first impact of British imperialism's post-war difficulties was beginning to make this fact widely apparent. On the other hand, the American monopolies saw that their opportunity had come to assert their dominance over their economically embarrassed British rivals.

In a speech delivered on 5th June at Harvard University, General Marshall drew attention to an extremely serious economic situation in Europe. He pointed out that Europe could not afford to pay for the goods that she imported—and imported from America in particular—and emphasised the serious political and economic consequences that might result if American resources were not used to shore up the tottering economies of the capitalist states in Western Europe.

This speech initiated the grandiose American policy that came to be known as the "Marshall Plan". The essential feature of this policy soon became apparent. At the outset a clumsy charade was enacted to create the pretence that America was ready to help the development of socialist and capitalist countries alike; but, having seen something of the proposals under discussion, and at once grasping their inner significance, Mr. Molotov exposed to public

view the extent to which they increased control over the internal affairs of participating countries and the consequent impossibility of the Soviet Union being a party to any such arrangements.

"The Soviet Union", Mr. Molotov said, "has always counted above all on its own powers and is known to be on a steady way of progress in its own economic life. . . . On the other hand, the Soviet Union favours the fullest development of economic collaboration between European and other countries on a healthy basis of equality and mutual respect for national interest."

At the time many people paid little regard to Molotov's words and succumbed to the propaganda about Mr. Molotov's propensity to say "No". But today who can deny that Britain would have done better "to rely on its own powers" and to "build external economic relations on a healthy basis of equality"?

The manœuvre of asking the Soviet Union to participate in the "Marshall Plan" was pretty obviously only an afterthought designed to help the right-wing social-democrats in Europe to disguise the true nature of "Marshall Aid". Once it was over, the essence of the "Plan" became apparent.

First, it was to buttress up capitalism in France, Italy and Britain. General Marshall in a statement on 15th July 1947 put it as follows:

"There is no blinking the fact that this country now stands at a turning-point in its relations to its traditional friends among the nations of the old world. Either it must finish the task of assisting these countries to adjust themselves to the changed demands of the new age or it must reconcile itself to seeing them move in directions which are consistent neither with their own tradition nor with those of this country."

Secondly, it was to co-ordinate ("integrate") Europe in such a manner as would, the Americans hoped, bring it under the economic and political control of the U.S.A. and prepare the way for the aggressive military plans that took shape in N.A.T.O.

Thirdly, it was to provide a continuing market for the commodities of American capitalists at profitable prices.

In the implementation of the "Marshall Plan", the Organisation for European Economic Co-operation was formed, and the Americans established their extensive and powerful European Co-operative Administration in every country of "Western Europe". Staffed mainly by American big-business men, this organisation handed out American aid in small doses using the day-to-day threat of cutting off supplies as a means of enforcing the will of the American imperialists. This is the language that Hoffman (who headed the E.C.A. administration in Europe) used:

"We have in mind setting up a very strong mission for England, because we think we can very easily waste this money if it is not channelled into productive channels. . . . We take the position that as long as we are furnishing aid to a nation, we have the right to look at their overall programme."

(*U.S. Information Service*, 24.5.48)

And on the general attitude of U.S. business at the time when the "Marshall Plan" was being formulated, the *Magazine of Wall Street* for October 1947 was clear enough:

"As our position and stake in world affairs grows, so will the stature of many corporations with active interests abroad. Generally speaking, the post-war world has offered American business a challenging opportunity for aggressive expansion abroad and for profitable investment in foreign productive enterprise."

### *Britain Capitulates*

How little "Marshall Aid", in fact, aided Britain was apparent in 1949, when Britain's trade and financial position was again critical and new sacrifices were again demanded of the British people.

The 1949 crisis was precipitated by a "recession" that began in America at the end of 1948, and its outcome was the devaluation of the £ in September 1949. This was a measure openly demanded of Britain by the finance capitalists of America. It was part of the general strategy of American monopoly capitalism which the *Wall Street Journal* of 11th August had summed up in the following way:

"Some officials suggest—Be tough with Britain, make her work harder. They urge production cost cuts, sales campaigns, devaluation of the pound. . . . These officials are also quoted as advocating that Britain should, if they expect to receive more help from the United States, begin lowering barriers, devalue the pound sterling to a 'realistic rate' and stop strengthening the sterling bloc."

The *Wall Street Journal* lifts the corner of the curtain of secrecy that covers the real policies and intentions of the big American capitalists and the officials through whom these policies are publicly operated. But this same policy appeared again when it was presented in a more formal way by Mr. Black in his address from the presidential chair to the Joint Council of the Governors of the International Bank and the International Monetary Fund, in the following terms:

"In my judgment there are several lines of action that must be followed:

- (1) The first is to establish a system of exchange rates that will assist the dollar-deficient countries to compete. . . .
- (2) The second must be to reduce domestic costs of production. . . .
- (3) Start clearing away the wilderness of bilateral trade agreements, special currency control, quotas and similar restrictions. . . .
- (4) Many countries cannot now afford ambitious programmes of social services."

The economic capitulation of the Labour Government to U.S. finance capital at the Washington Conference in September 1949 was followed by the new programme of cuts promulgated to the British people by Attlee on 24th October 1949. On top of the reduction in incomes resulting from rising prices following devaluation, education, health services and building were to be cut and food-subsidies were to be reduced.

The devaluation of 1949 typified the whole strategy of American imperialism with regard to British economy. It was an attack on the British capitalists: but its main immediate consequences

would be thrown by them on to the backs of the British people whose living standards would be reduced by rising prices. For that reason the attitude of the British capitalists towards devaluation was divided. It was a weapon whose edge was turned against themselves, but was at the same time a weapon they could turn against those whom they exploited.

The new exchange rates favourable to the dollar and unfavourable to the pound naturally meant a great enhancement of the power and influence of the dollar financiers of Wall Street as against the sterling financiers of "the City". It meant that the dollar could buy more in overseas markets, and could exert more pressure on the political and economic affairs of foreign countries. It put the dollar at a greater advantage in the purchase of raw materials. In short, devaluation served as an instrument for canalising more profits into the hands of the American monopoly capitalists. It also enabled them to extend and intensify their domination over the capitalist world—for wherever money spoke, the voice of the dollar now sounded more loudly.

#### IV

### THE U.S. ARMS DRIVE

The devaluation of September 1949 and the cuts introduced by Attlee in October 1949 were presented to the British people as means of "overcoming the crisis", "putting British economy on a sound basis", and so on and so forth. In fact, however, the events of 1949 were but a prelude to an even deeper crisis. They solved nothing. When this next crisis came in 1951 the excuse was that it was due to the unfortunate consequences of the arms drive. The arms drive itself, it was argued in the phraseology of those who defend capitalism, was forced upon the "free" world—by which is meant the "capitalist" world—and it brought in its train the undoing of all the hard-won "achievements" of the earlier years.

In reality the arms drive that followed the outbreak of the

Korean war was but the next stage in the unfolding of the policy of American imperialism, aided and abetted by the most reactionary British imperialists.

### *1949—A Year of Crisis*

1949 was not only a black year for British capitalism; it was also a year of crisis for American capitalism. It was a year of crisis both in an economic and in a political sense, and it was as much in the political field as in the economic that the economic events of these years came to be shaped.

1949 was for U.S. capitalism a year of crisis in the sense that in it and the latter months of 1948 the first signs of overproduction began to appear. The index of industrial production declined rapidly from 195 in October and November 1948 to 162 in July 1949, that is, a fall of one-sixth in seven months. The contradictions inherent in the capitalist mode of production were becoming openly apparent. Productive forces had been rapidly expanded, but the masses of the people within the American economy and abroad had not the means to buy the goods which the capacity at the command of the capitalists could produce. The selfsame system which in search of profits enlarged capacity and expanded the scale on which the various capitalist concerns operated, restricted the purchasing power of the workers, farmers, peasants and small craftsmen that it exploited so that any increase in incomes available to the masses of the people to spend on consumer goods did not keep pace with the expansion of the capacity to produce such goods.

Overproduction and the problem of markets stared the capitalists in the face. The rottenness of the capitalist system threatened to be laid open to public view, exposing the emptiness of all the promises of full employment and new means of regulating capitalism that had been used to quieten the political demands of a working-class in Britain and America, who would no longer readily tolerate the mass unemployment and poverty they had known in the years between the wars.

But 1949 was in another sense a year of crisis for American monopoly capitalism. The U.S. Government had spent between

£1,000 and £2,000 m. buttressing up their agents in the corrupt Chiang Kai-shek Government of China. In 1949 it became apparent beyond all dispute that their costly plans to colonise and exploit the vast areas and the many millions of China through the agency of the Kuomintang had collapsed.

The American monopoly capitalists, swollen with the profits of war, with vastly increased amounts of capital under their control and greatly expanding productive forces at their command,<sup>1</sup> sought right from the earliest days of the peace for new and wider markets, for new spheres of influence and for new territories and peoples to exploit. And the lynch-pin of all their plans was the vast Chinese empire that they aimed to win. By 1949 the markets provided by the post-war re-equipment phase were already becoming exhausted, and the inner contradiction between their expanding productive forces and the restricted purchasing power of the masses was beginning to make itself felt, so that they looked most eagerly to imperialist expansion on a vast scale to escape from the impact of these contradictions on their own fortunes. Yet just at this time the outlet for such imperialist expansion, on which they had so heavily banked, was finally and firmly closed in their faces by the Chinese liberation forces.

A U.S. State Department White Paper on China issued at the end of 1949 expressed with unusual frankness the extent to which the plans of the American imperialists had gone awry. It told how more than 50% of the expenditure of Chiang Kai-shek's Government was financed by the U.S.A. to a total of more than \$3,000 m. (though there are grounds for believing that the true figure was nearer \$6,000 m.). It admitted that the Kuomintang régime was "indistinguishable from warlords of the past" and had "lost popular support". "The unfortunate but inescapable fact", it said, "is that the ominous result of the civil war in China was beyond the control of the Government of the United States. . . . It was the product of internal Chinese forces, forces which this country tried to influence but could not."

<sup>1</sup> Between June 1940 and September 1944 war contracts were placed to the tune of \$175,000 m.: two-thirds of these went to 100 large firms. Profits during the war totalled \$52,000 m. after depreciation, salaries of executives and after payment of all taxes. The working capital of all non-financial corporations doubled, reaching by 1945 a total of \$50,000 m.



*U.S. Aggression—the Arms Drive Begins*

The answer of the American imperialists to their economic set-back at home and their political set-back in China was a more direct policy of open aggression. Stewart Alsop, writing on 1st September 1949 in the *New York Herald Tribune*, reflected this mood. "Whatever facet", he said, "of the struggle for Asia may be examined, it is clear that great power exercised with the speed and flexibility of wartime is wholly necessary." He suggested "a supreme commander to direct a great American effort in Asia".

The turn towards a more openly aggressive policy was accompanied by increasing expenditures on arms and repeated representations by American military experts as to the inadequacy of American "defence". The culmination of this stage of transition towards a more openly aggressive foreign policy and to an out-and-out arms drive was the aggression of the U.S. forces in Korea under the disguise of a "United Nations" operation.

From a propaganda point of view the American imperialists prepared this transition to the open use of force with the greatest of care and used the capitalist Press and other organs of publicity in every part of the world to spread the story that they were repulsing North Korean attacks. But the truth was otherwise. The leopard does not change his spots, nor does monopoly capitalism refrain from the most bloody and brutal aggression to encompass its aims, not even if it is American.

The detailed facts about the outbreak of the fighting in Korea have been assembled in such publications as *Light on Korea* and *More Light on Korea* by D. N. Pritt, Q.C., the *Korea Handbook*, published by the *Labour Monthly*, and *The Hidden History of the Korean War* by I. F. Stone. For present purposes it will be sufficient to quote a few sentences from a letter addressed to *The Listener* (18.1.51) by Sir John Pratt, a former British Foreign Office official. He began by pointing out that the full story of the beginning of the war has never been related in the British Press, and then proceeds with an account which included the following facts:

"In June 1950 Mr. John Foster Dulles paid a visit to Korea. . . . One of the objects of his visit was to assure President

Syngman Rhee that it was not in fact the intention of America to withdraw support from South Korea. Addressing the National Assembly on June 19th he told them that the South Koreans would be supported in battle by the American people. This may well have operated as an incentive to the futile and irresponsible persons who compose the South Korean Government to launch an attack on North Korea. . . . At 3 a.m. on June 25th the Deputy Representative of the United States to the United Nations telephoned to the Secretary-General urgently requesting an immediate meeting of the Security Council. A report had been received from the American Ambassador to South Korea that North Korean forces had invaded South Korea in the early morning hours of June 25th (Korean time). . . . The Security Council . . . met at 2 p.m. on June 25th and adopted a resolution proposed by the United States representative. . . . On the same evening instructions were sent by the United States Government to General MacArthur to furnish additional military supplies and assistance to the South Korean Government. . . . The United Nations acting contrary to the advice of its own Commission in Korea and without waiting for the more fully considered recommendations promised later, allowed itself to be hurried into a disastrous war when the only evidence before it was the 'briefing' by the South Korean Government. It elected to play the ignoble part of serving as the instrument of American policy."

Once the American imperialists had succeeded in getting a shooting war started they lost no time in using every instrument of propaganda at their command to whip up what Sir John Pratt describes as "the mass hysteria into which the whole American people fall at the sound of the words communism or Russia". So they created the atmosphere in which to prepare for wider aggression and to launch a vast programme of arms expenditure rising approximately fourfold in the short space of two years from the already extremely high level of some \$15,000 m. a year.

For monopoly capitalism in the period of the deepening general crisis of the capitalist world, all roads, one may say, lead to war. The only guarantee of peace is a great united front of the rest of

the people to prevent the monopoly capitalists from dictating the course that events take. Monopoly capitalism leads towards war because the most powerful capitalists ceaselessly strive to hack out for themselves new markets and new spheres of influence. They also loathe with all their being the lands of socialism which teach workers and subject peoples how life can be lived without exploitation, and they seek to wipe socialism from the face of the earth by force of arms.

*“War is Terribly Profitable”*

These are the long-range aims of monopoly capitalism. But the means to these aims—namely, the production of arms—have, in the short run, great attractions for the monopoly capitalists. War is not only a terrible thing; it is also a terribly profitable thing, said Lenin. In addition, the war fever and war itself creates a confused and new political situation in which “all the cards are mixed”, and the lying politicians in the service of capitalism hope to escape the day of reckoning for all the false promises in which they have in the preceding years traded.

For the big monopolies war orders mean exceptionally profitable markets, particularly for goods in the heavy engineering, electrical and heavy chemical industries which are most seriously affected by a slump in trade. From the standpoint of the monopolies war expenditure also means economic prosperity; it is an immediate antidote to loss of markets in other fields—and this is just what the American monopolies were experiencing in 1950 when expenditure on plant and equipment was expected to fall. (Expenditure in 1950 was estimated at \$16,000 m. as against \$18,100 m. in 1949 and \$19,200 m. in 1948.) And exports were running about 15% below the 1948 level (exports of U.S. merchandise in 1950 totalled \$845 m. as against \$990 m. in 1949 and \$1,001 m. in 1948 and \$1,077 m. in 1943).

The first effect of heavy placings of new arms orders is to create an illusion of economic prosperity. The fact that capital is turning over on an enlarged scale in the war industries leads to secondary demands in other industries and for raw materials. In addition, the shortages and possibility of controls that go with a war economy

being imposed, lead to hoarding of materials, components and other commodities, and as a result further shortages are created and prices tend to rise. An enlarged turnover of capital—in so far as shortages and “bottlenecks” permit—is stimulated, as capitalists generally rush to get as much wealth as possible in the form of material assets. Speculation runs riot, and high prices yield exceptional profits.

Fevered activity of this kind and speculative inflation of the prices of many raw materials followed the outbreak of the war in Korea. This phase of hectic boom that accompanies the first bout of war production is unstable in the extreme, and whilst the monopolies continue to make huge profits the economic conditions of the workers and the general run of the people—once the first stimulus of the new arms orders has passed—soon begin to deteriorate rapidly.

The arms expenditure does nothing to remove the inherent contradictions of capitalism; it accentuates them.

### *War does not mean Work*

War does not mean work. Nor do war preparations mean work. Arms orders are like “a shot in the arm”: they create false and temporary illusions of economic well-being and in reality undermine the health and aggravate the condition for which it is claimed they are an antidote.

Theoretically the main mistake of most bourgeois economists is their failure to see exploitation as the central characteristic of capitalist economy. This has a very practical bearing when we come to judge the economic effects of arms production. Whilst the arms programmes of the U.S.A. and of Britain and other European countries were, under the instigation of the U.S.A., beginning to be increased, the capitalist economists adopted an attitude of complacency. Their line of argument ran like this: to have to spend money on arms is, of course, regrettable, but economically there will be many compensations, and it will, at least, serve as an antidote to slump. Sumner Slichter, a well-known Harvard economist, speaking in April 1950 of the cold war, put the point very bluntly:

“From the narrow economic standpoint”, he said, “its effects are beneficial. It provides just those vast Government expenditures which capitalistic America would be reluctant to vote in normal times. . . . It is being said that Russia has the power to bankrupt America any time she wants simply by turning friendly.”

(*Observer*, 30.4.50)

In a hundred and one forms this line of argument has been repeated and accepted in some degree within working-class discussions. It is treated as “an obvious truth” that more expenditure must mean more work: but to argue so is to disregard the fundamental characteristics of capitalist economy.

The effect of arms orders on an ever greater scale is to decrease the purchasing power of the masses of the people as compared to productive capacity. This limitation and restriction of purchasing power takes place in a number of different ways. In order to pay for the arms the people are forced to surrender more of their incomes in taxes. Government expenditure on social services is cut. Some materials, certain types of machinery and other means of production become scarce because of the demands of the arms industries, which are given priority. Deliberate Government action is taken to divert productive resources away from the consumer goods industries. Government policy is deliberately directed to increasing prices of consumer goods (for example, by removing food subsidies) or to limiting supplies by rationing, in order to reduce the quantity of goods acquired out of personal expenditure and to make more resources available for arms production. As a further means to this end, attempts are made to enforce a “wage-freeze” by Government action and by means of official publicity.

For all these reasons productive activity in the consumer goods industries stagnates. At the same time the producers are generally precluded from widening their markets by cutting prices, because the prices of much of their material and equipment have been raised by the speculation and the inflationary financial policies that accompany the arms programme. Prices tend therefore to rise even though demand is falling off, and this further restricts

the purchasing power of the people and further distorts and dislocates the whole economy.

In short, the tendencies towards crisis which are already inherent in capitalism are accentuated by heavy arms expenditure, and are further aided and abetted by State measures and policy.

The policy the Tories have pursued since they came to office well illustrates how the measures they have taken (supplementing those already taken by the Labour administration) to divert resources to arms production are giving impetus to the development of economic crisis. For example, credit restrictions drastically limited the scale of operation of consumer goods industries; the new charges for medical treatment took money that might have been spent on consumer goods. Cuts in Social Services limited production for social needs, and the cutting of subsidies on food further restricted purchasing power available for other goods.

The most powerful monopolies tend to regard the plight of the consumer goods industries with some indifference. They will continue to receive large orders and to make vast profits out of the arms programme. Their connections with the banks will get them all the finances they need. For materials in short supply and scarce equipment they will get priority, because they are engaged on important arms orders.

However, the very situation that they view with such complacency and contentment—the concentration of orders in their own establishments, their high profits, their accumulation of substantial reserves—carries with it a great accentuation of the contradiction in the economy as a whole. The more profits the big trusts accumulate, the more is the consuming power of the people generally restricted—the relative gain to their profits is relative loss to wages and other incomes spent on consumer goods. These are the two sides of one medal; and the restriction of the market in the end also hits many of the monopolies.

A huge arms programme does not, as the capitalist economists claimed, generate a general excess of demand over supply. Quite the opposite, it causes a contraction in demand far greater than the expansion due to the arms orders.

That this is so is now pretty obvious. Nor are we being "wise after the event" in making this analysis now. Here is the same view put quite clearly two years ago at a conference held in October 1950 on "What Rearmament Means" as reported in *World News and Views*, 11th November 1950, p. 533:

#### "DOES WAR DRIVE MEAN WORK?"

"Just as the seriousness of the war danger is not properly understood within the Labour Movement, so the real seriousness of the arms drive in its effect on the working class is not grasped at all. It is even thought in some quarters that rearmament may be beneficial to the workers, bringing, it is argued, high employment and high wages.

"The answer to all this is plain enough. Britain is destined to be America's 'unsinkable aircraft carrier': and even if British imperialism were to fight on the victorious side, the devastation and destruction would bring untold horrors for the British worker.

"But there are many economic reasons, also, for which rearmament would be disastrous to the working class, doubly so when the rearmament programme comes at a time of already high employment. At such a time the absorption of unemployed, which an arms programme might at the outset bring about in a time of slump, does not take place. There is not, therefore, even any illusion of improvement like the illusion on which Hitler traded, when he built up his arms production from 1933 to 1939. But that an arms programme can bring economic improvement is nothing but an illusion. It is generally said that the last war was a period of high employment, but the total of persons in civil employment—if, that is, we deduct from all those employed the members of the Armed Forces, national and local government, civil defence, fire service, police and so on—actually fell between 1938 and 1945, from 16,000,000 to 14,500,000. Over the same period, it is true, the number of unemployed was reduced from 1,700,000 to 100,000, but it was in the Armed Forces and other Government services that the big numbers were taken up. Here the total rose from 1,800,000 in 1938 to 7,200,000 in 1945.

“Materials and commodities will become short, and prices will rise sharply as a result of hoarding and speculation. This hits all non-arms industries. Moreover, these tendencies take place on a world scale, and world prices are rising sharply.”

It requires only the most casual glance at the post-war years to convince oneself that nothing has been achieved in the mending of Britain's economic fortunes. The situation in 1949 was more precarious than in 1947, and in 1951 more precarious than in 1949, and the future—on the course that is at present being pursued—offers no comfort.

As Britain's position has deteriorated the economic subservience of Britain to the U.S.A. has increased, and as subservience to the U.S.A. has increased, Britain has been required to follow at American dictation courses of action that have accelerated her economic decline.

Whereas the Loan Agreement in the first post-war years, and then the “Marshall Plan” were the main instruments of U.S. influence over British economy in the years up to the Korean war, in the years following the outbreak of war the arms drive has itself become an instrument of U.S. domination of primary importance. “Military aid” replaces “economic aid” in financial importance, and in a hundred different ways becomes an excuse for economic interference and domination. A number of “defence” organisations concerning themselves with economic questions run in parallel with other American dominated economic organisations. New American agencies appear in every country.

The huge arms burden that has aggravated every weakness in the situation of British capitalism was stepped up to its final crippling proportions at the open dictation of American imperialism. The war in Korea created the right atmosphere for the Americans to turn the heat on their British “allies”. Within less than a month it is openly reported in the Press that “American civilian and military officials . . . have instructions from President Truman to galvanise Western Europe”. (*Observer*, 23.7.50)

It was not long after that, that Attlee announced his vast arms programme and was immediately compelled by the Americans to



go back to Parliament and increase it still further. But the Americans remained unsatisfied. "Some high officials in the U.S. Treasury Department", wrote the *Observer* (8.10.50), "are known to believe it is time that Britain chose between a suitable posture of defence and a continuation of her present high standard of living." And again on 22nd October the *Observer* reported:

"Speedier recruitment of manpower, reconversion to a war-time economy, an unequivocal acceptance of German partnership in Western defence, will be three major American demands from its European partners in return for setting up a unified North Atlantic Treaty Organisation High Command under American leadership."

For the American imperialists one and the same policy served to steer their most powerful imperialist rivals on the course to economic ruin, and therefore to increased subservience, and at the same time to prepare for the forcible suppression of communism in Europe and for aggression against the lands of socialism. In fact, American policy, so fulsomely praised by the right-wing leaders of the Labour movement, exemplifies all the tendencies to which monopoly capitalism gives rise in the period of its ultimate decline.

## V

### PHILANTHROPY OR IMPERIALISM?

American policy is an imperialist policy. It springs from the economic needs and political ambitions of the American millionaires, who, precisely because they have such vast wealth at their command, dominate and control the home and foreign affairs of the American nation.

Confusion with regard to American policy arises in the Labour movement from the fact that, whilst the traditions of socialist

experience and thought have taught distrust of capitalist governments, it has been put about that America is somehow different and that the policy she has pursued in the recent, post-war years has not been the grasping policy typical of capitalist powers but one of altruism and generosity.

The doctrine that America is not like other capitalist powers has been given currency primarily by the right-wing and opportunist Labour leaders who have spoken of the U.S.A. as "one of the most progressive countries in the world", have hailed the "Marshall Plan" as "the most unsordid act in the annals of history", and have presented the whole of the American "aid" programme as one of philanthropy.

When America takes up arms, it is no longer for capitalist aims but "in defence of freedom". Indeed, adulation of the American policy of rearmament reaches such a point that the T.U.C. General Council turned the meaning of the word loyalty upside down and described criticism of the American arms policy as "the attitude of those who because the object of their first loyalty exists outside this country . . . have been consistently opposed to any rearmament of the free nations" (T.U.C. statement of 30.5.51).

To describe America as anything other than a capitalist country makes nonsense of language. One is left, therefore, with the task of explaining how across the waters of the Atlantic capitalism comes to have shed the old Adam of profit-seeking and war-mongering; and of this, in fact, no explanation is forthcoming.

It is nothing new to find in Labour organisations those who, masking the purport of their words with socialist-sounding phrases, defend capitalism against the interests of the workers. There have always been those who lack what it takes to fight whole-heartedly in the interests of the working-class, and have instead bowed down before capitalism. We need not therefore be surprised that there are those who bow down before the most powerful of all capitalisms: namely, that of the U.S.A. To give such people their answer it is necessary to examine American policy concretely and objectively as it unfolds, to consider what is new in it, what motivates it, where it is tending, and how it relates to the policies to which capitalism has in the past given rise.

*The American Monopolists*

“Imperialism”, wrote Lenin, “is capitalism in that stage of development in which the domination of monopolies and finance capital has established itself” (*Imperialism*, Chapter VII).

In America the concentration of wealth in the hands of the dominant finance capitalists and monopolies has gone to extreme lengths. The 200 largest non-financial companies in the U.S.A. individually have assets of £45 m. or more. The fifty largest financial companies have assets of £190 m. or more. Between them these 250 companies own 42% of all the capital in U.S. businesses and about one-quarter of all the capital in the capitalist world. Their assets total £70,000 m. Over one thousand of the directorships in these companies, nearly one-third of the total, are held by 400 individuals—“finance capitalists”, men who direct both the disposition of the vast resources controlled by the banks and the key industrial undertakings.

These people have been making immense and rapidly increasing profits in recent years. In 1949, for example, *after* payment of taxes, the profits of this leading group of companies amounted approximately to £3,000 m.

At the peak of the pyramid of American monopoly capitalism there is a handful of monopolist-financier groupings dominating the whole American scene. They are: Morgan, Rockefeller, Kuhn Loeb, Mellon, du Pont, Chicago, Cleveland, and Boston. Between them they are linked to 120 of the 250 largest companies in the U.S.A. These companies have at their command assets of nearly £45,000 m.—roughly double what their assets were in 1935.

Most formidable of them all is the Morgan group. Of it even an official spokesman<sup>1</sup> was moved to say:

“Combining the two lists, we find that the directors of the J. P. Morgan firm were affiliated with companies having

<sup>1</sup> Representative Celler of the Celler committee investigating monopoly trends. This quotation has been taken from *Monopoly Today*, an excellent summary of available information on the concentration of economic power in modern America, published by the Labour Research Association. From it much of the information given here has been taken.

combined assets as of December 31st, 1948, of over \$25½ billion dollars<sup>1</sup> . . . it leaves one almost breathless.”

This group combines industrial concerns such as the vast General Electric Company, extensive interests in copper in the U.S.A. and overseas, production of the atomic bomb, railroads, utilities, insurance companies and so forth. These are linked together and co-ordinated through the financial control of three immensely powerful banking concerns, the First National Bank, the Guaranty Trust Co. and the Bankers Trust Company.

The Rockefeller group, as is well known, dominates the production and supply of oil throughout the capitalist world. But it has also other extensive interests outside this field, and at the centre two big insurance companies and the Chase National Bank, of which the chairman is Winthrop W. Aldrich, who, it will be remembered, visited Europe in 1949, to propound, amongst other things, the doctrine that the pound must be devalued.

The Mellon group's main industrial base is in aluminium, where it owns more than four-fifths of the industry's assets: but it also has interests in chemicals, oil, gas and electricity, glass and steel. The huge Mellon National Bank and Trust Company stands at the head of this vast economic empire which comprises industrial assets totalling some £1,300 m., including utilities and railroads of £270 m. and the bank with assets of £500 m.

“For decades”, states the Labour Research Association (*Monopoly Today*, p. 59), “the Mellon name has been associated with the most reactionary Republican politics. As Secretary of the Treasury in the Harding, Coolidge and Hoover administrations, Andrew W. Mellon opposed all labour, social and progressive measures. As a top economic royalist and head of the Mellon trust, he established the family tradition that has made this monopoly one of the most extreme and feudalistic of all the financial groupings.”

Kuhn Loeb has its main concentration of wealth in railroads, where its assets exceed £3,000 m. The total assets of this group amount to £3,700 m. Unlike most other groups that have been

<sup>1</sup> About £9,000 m.

expanding, this is much the same figure as was estimated for the group some fifteen years ago.

Members of the du Pont family are open supporters of the reactionary pro-fascist and anti-semitic organisation in America, known as the National Economic Council. The domain of du Pont is centred on chemicals and also includes the huge General Motors Corporation. The immensely wealthy U.S. Rubber Co. also belongs to it. The financial head in this group whose assets total nearly £2,500 m. is the National Bank of Detroit.

The Chicago group, which supports Taft and has, amongst others, interests in meat and the International Harvester Company, is built round four Chicago banks which stand out against the financial domination of America by the Wall Street groups which in the Republican Party now give their support to Eisenhower. The assets of the Chicago group total almost £3,500 m.

The Cleveland group has been built up round the iron and steel interests of the Mather family. It includes the Goodyear Tyre and Rubber Company, and its bank is the Cleveland Trust Company.

The Boston group is built round the First National Bank of Boston, and includes the United Shoe Machinery Corporation (whose world-wide interests cover also Britain) and the United Fruit Company: their assets exceed £2,000 m.

The ruling cliques in these economic empires plunge their hands deep not only into America's social and political affairs, but also into those of the whole world. They spend huge sums financing both the Republican and Democratic Parties and individual politicians in these parties. Influence is brought to bear on the administration and on Congress at a hundred different points. The softest word of a man with a million pounds in his pocket has, inevitably, a most profound effect. The capitalist world is a world of commodities and money—money that

“ . . . Will lug your priests and servants from your sides;  
Pluck stout men's pillows from below their heads. . . .  
Make the hoar leprosy adored; place thieves,  
And give them title, knee and approbation  
With senators on the bench. . . .”

(Shakespeare, *Timon of Athens*, Act IV, Scene III)

The American finance oligarchy leaves nothing to chance, however. Huge sums are spent on turning political decisions in the directions they desire.

“Big business lobbying in Washington”, writes the Labour Research Association (in *Monopoly Today*, p. 41), “has become a well-paid profession. To bring direct pressure on Congressmen well-paid lobbyists are maintained by real estate interests, railroads, utilities, National Association of Manufacturers, Chambers of Commerce and also by well-to-do farmers.”

Further, men trained and schooled in the higher posts of the American monopoly groupings become the actual administrators of U.S. state policy, both in home affairs and abroad. Coming from big business and returning to big business, these men do not, of course, acquire a new mentality in the mere act of assuming official appointments; on the contrary, they continue in their official appointments to carry out the policies of the circles from which they have come. In this way American foreign policy and American foreign economic policy become stamped, from top to bottom, as the policy of American monopoly capitalism.

Here, for example, are some of the people who administer the American state policy or hold high political positions.

James V. Forrestal, the bitterly anti-Soviet Secretary of the Navy, who lost his mind and committed suicide, had been loaned to the Government by the banking house of Dillon, Read and Co.

Harriman, the ambassador at large administering the distribution of “Marshall Aid” in Europe, comes from the banking house of Brown Brothers, Harriman.

Charles E. Wilson of the General Electrical Company, a Morgan firm closely associated with the British Associated Electrical Industries of which Oliver Lyttleton was, before he joined the Cabinet, chairman, has played an important part in the direction of the American arms programme.

The Chase National Bank (Rockefeller) released Eugene R. Black to become chief of the “World Bank”, and John J. McCloy to be U.S. High Commissioner in Germany, where he has actively campaigned for the rebuilding of Germany’s armed forces under the leadership of former fascist militarists, as also for the

resurrection of the German monopolists in heavy industry and their participation in the Schuman Plan.

John Foster Dulles, a Republican and one of the leading architects of the American foreign policy of aggression against the colonial peoples and socialism, is closely linked with both the Morgan and Rockefeller groups and in addition to being a senior partner in a Wall Street law firm he was a director of the International Nickel Company and chairman of the Rockefeller Foundation.

William R. Herod, the chief of the N.A.T.O. Defence Production Board, was prior to that a co-director with Charles E. Wilson of the Morgan firm, General Electric.

Did these men, for so many years the champions of monopoly capitalist "interest groups", experts in all the diplomatic intrigues and manœuvres used to extend the economic empires that feed them with their profits, did these men all of a sudden become the devotees of a new, altruistic way of life? Of course not; and the policies that America has implemented in the post-war years prove it.

### *U.S. State Monopoly Capitalism*

Naturally the persons who benefit from these policies describe them favourably; but let us examine the arguments.

"Marshall Aid", it is said, is not administered and distributed by private capitalists, but by the State, and therefore is not open to the same objections as private investments overseas or loans made by bankers to foreign governments. Private capital, it is said, does not make a profit out of "Marshall Aid", and anyhow the greater part of the "aid" is not even a loan—it is a free gift. As regards the interference in economic affairs of the countries receiving "Marshall Aid", it is usually contended that, naturally, if substantial gifts are being made to help relieve economic difficulties, then the donor should take some precautions to see that the funds given are, in fact, used for the purpose intended.

The fact that a policy is administered by the State does not prevent it from being intrinsically a policy that serves the interests of private capital. Inevitably the dominant, that is, the monopoly capitalist section of the ruling class, exerts a most powerful

influence over the activities of the State. It stands to reason that the multi-millionaire concerns must be able to bring very powerful influence to bear on the formation and administration of State policy, and the examples we have quoted above show how directly the leading personnel from the biggest monopolies are concerned in the implementation of America's foreign economic policy.

However, does private capital and in particular big monopoly capital benefit in any way from the State expenditures made under the "Marshall Plan"?

The monopoly capitalists benefit tremendously in three ways particularly.

First, the "Marshall Plan" payments to the recipient countries enable them to influence the balance of political forces in those countries, to hamper and obstruct the working-class movement and to bring to the fore those political sections that are most subservient to their wishes.

Secondly, the "Marshall Plan" expenditures, and before them the 1945 loan, provided huge and assured markets for the commodities that the American capitalists sell. This enabled them to keep up the general level of prices and to secure a more substantial margin of profit on all commodities sold.

Thirdly, the financing of the money raised by the Government for payment to the "aided" countries—whether in the form of gifts or loans—means very substantial pickings for the financial trusts handling the business and, though interest rates on money loaned to the Government may not be high, the payments are assured and involve no element of risk. The lion's share of this business goes through the hands of the big monopoly groups. During the first two years of the Economic Co-operation Administration Rockefeller's Chase National Bank handled banking transactions totalling \$528 m., and three Morgan banks handled between them \$981 m.

The confusion about the "philanthropy" of the "Marshall Plan" results directly from overlooking the class character of American society. The element of "philanthropy" that enters into "Marshall Aid" is that of the American workers and the masses of the ordinary people who pay the taxes and the high prices to which



the E.R.P. grants and loans give rise. The American workers and people generally are philanthropists in the same sense as the "ragged-trousered philanthropists" of Tressell's novel; they make "a gift" to the monopoly capitalists who exploit them. But there is nothing generous about the way the monopoly capitalists dispose of what they take from the people. They spend it preparing the ground for the structure of American world domination.

"Marshall Aid" is no more a gift than rifles, tanks and aircraft are gifts to the men in the forces. And, indeed, when the cost of the ambitions of American imperialism in military terms is calculated, the "gifts" and loans under "Marshall Aid" look very small beer.

In the six post-war years 1946-51, American foreign "aid" of all sorts totalled \$32,716 m., of which \$14,505 m. was before the E.R.P. period and \$18,211 m. between April 1948 and the end of 1951. Out of the figure for the earlier period \$9,526 m. and for the later period \$14,007 m. went to E.R.P. countries. Under E.R.P. between 1948 and 1951 Britain received \$2,351 m. in grants and \$337 m. in loans. These are certainly huge figures—the average annual expenditure for all countries amounting to over \$5,000 m.; but they become almost insignificant when set against the "gifts" that America is making to the gods of war. \$5,000 m. is barely a month's military expenditure. (In the last quarter of 1952 American military expenditure was expected to be at the annual rate of \$60,000 m., and in April 1952 had been \$4,200 m.—*The Times*, 26.5.52.)

Summing up, then:

(a) the American post-war aid and loan policies carried commodities produced by the monopoly capitalists<sup>1</sup> in America into new and profitable markets and generally helped to sustain the price-level of such commodities;

<sup>1</sup> It has been the big monopoly concerns rather than the smaller American businesses that have benefited from the "Marshall Plan" export policy. For example, Mr. Oscar Steinbeck, speaking at a conference in 1949 on behalf of the smaller manufacturers, said (according to the report in the *Observer*, 18.12.49):

"We feel that there has been over-emphasis on U.S. exports which have been from the big mass-producing U.S. industries. The things we import from abroad are not of this type and the brunt has been taken by small industries."

(b) they provided for the banking interests profitable transactions free from all risk of loss;

(c) the cost of these policies was paid for out of the surplus value produced by the American working people;

(d) the loan and aid policy before all else was an instrument of the American monopoly capitalist policy of world domination, enabling American administration to intervene in the internal affairs of foreign states and to hamper the advance of anti-capitalist and anti-imperialist movements and to establish governments subservient to American influence.

That the fundamental purpose of the "Marshall Plan" was to buttress up unpopular capitalist governments appears even from some of the most staid official statements on American foreign economic policy. For example, the Gray Report made to the President in November 1950 said:

"In the case of Western Europe an emergency situation called for emergency action. The economic stagnation which followed the war, and social unrest and disillusion which invited Communist subversion and penetration, threatened to undermine the democratic institutions of Western Europe. The European Recovery Programme was devised to forestall this possible disaster, by helping to remove the economic conditions that invited it. It was a deliberate use of our economic resources to carry out a basic object of our foreign policy in a time of great crisis. This it has succeeded in doing. In many respects the situation in Japan was similar to that of Western Europe. Here was another highly developed industrial nation shattered by defeat, and also exposed to Communist penetration." (p. 4.)

Whilst fundamentally the same motives and the same attitudes of mind inspired the foreign economic policies of the American monopoly capitalists as have inspired other imperialist powers in the last three-quarters of a century, there are, of course, important points of differences in the forms assumed now by these policies. These differences result from the political and economic circumstances in which American imperialism finds itself today. Most important of them is the great extension of State monopoly capitalism in the field of foreign economic policy; that is, the

monopolies have been operating to a greater extent through the State machine, not only in political but also in economic matters.

Although private exports of capital have been immense,<sup>1</sup> their significance in recent years has been somewhat overshadowed by the huge capital transactions on State account. Whilst it is true that the activities of the State, both with loans and with arms are in some measure intended to prepare the way for private capital, the American State now is itself participating in the international economic field to an increasing extent. Moreover, in addition to the numerous American agencies, there are the international agencies, such as the International Monetary Fund and the World Bank, which are, in fact, dominated by the Americans.

### *The Almighty Dollar*

A very important factor in the international economic policy of American monopoly capitalism has been the strengthening of the dollar at the expense of other currencies and, in particular, of the £. Holding roughly two-thirds of the world's reserves of monetary gold, the U.S.A. has been able to peg down the dollar price of gold, and, through the pressure their foreign economic policy, backed by their vast accumulations of capital, has brought to bear on Britain and other countries, they have succeeded in imposing very stiff rates of exchange as between the dollar and other currencies. Today the dollar is very dearly bought in terms of other currencies.

The crucial stage in imposing the policy of the dear dollar was the devaluation forced on Britain in 1949 and followed in a large number of other countries. There is even talk of further devaluation, and pressure is still being brought to bear against the £ by the big battalions of American capital.

The £ is weak not because it buys less than the dollar. The dollar-pound exchange rate does not correspond to the relative purchasing power of the two currencies, since the general level of prices in the U.S.A. at current rates of exchange is considerably higher than in Britain. The weakness of the £ reflects rather the

<sup>1</sup> At the end of 1949 long-term private investment of American capital in foreign countries was \$33,000 m. as against \$10,100 m. in 1940, \$16,800 m. in 1929 and \$6,500 m. in 1919.

successes of American capital in undermining the stability of their rival financiers in Britain. It reflects the fact that American capitalists have been able to use their position of dominant strength to make the dollar buy in foreign markets values considerably in excess of the values which the holders of pounds or francs can buy.<sup>1</sup> The dollar in world markets buys more labour for less. The dollar enjoys, as it were, monopolistic advantages over other currencies. This facilitates the penetration of the "almighty dollar" into all parts of the capitalist world and reduces the cost of the American expansion policy.

In the two years 1950 and 1951, following the devaluation of the £ at the end of 1949, British imports from American account countries cost £1,250 m. If Britain had paid for them at the pre-devaluation rates of exchange they would have cost £875 m. Devaluation cost Britain in these two years £375 m. Over this period Britain received in "Marshall Aid" and from the Canadian credit a total of £331 m. One may well ask whether the grant under the "Marshall Plan" was entirely a gift after all!

Indeed, American policy has caused an adverse movement in the prices paid by Britain for imports right from the first year of peace. When the 1945 loan began to be spent, the price of the goods bought with it in America began to rise rapidly. Then in 1949 came the blow of devaluation. The upshot of it all was that the cost of imports into Britain rose far more steeply than the prices received for exports. Taking 1938 as 100, the price-index for imports in 1951 was 430, whereas that for exports was 301. We were paying (per unit) nearly four and a half times as much for our imports, but getting only three times as much for our exports. The result of this movement of prices has been a heavy trade deficit.

By 1951 exports had increased in quantity by more than four-fifths compared with 1948. On the other hand, imports had in

<sup>1</sup> That is, sums of money expressed in pounds or francs which on the internal market represent values equivalent to a given sum of dollars and would buy quantities of commodities comparable to what the sum of dollars would buy, fall short of the dollars in their external purchasing power. To say this is not to say that the prices of imported raw materials have not gone up for the Americans. They undoubtedly have. But the point is that the Americans are *relatively* to the other imperialist powers far better placed.

every year after the war been well below the 1938 quantity up to 1951, when they were about the same. The following table shows just what happened.<sup>1</sup>

At the prices current at the time the U.K.'s deficits on trade were as follows:

## BALANCE OF TRADE AT CURRENT PRICES

	IN £ MILLION		
	<i>Imports</i>	<i>Exports</i>	<i>Deficit</i>
1938	835	533	-302
1946	1,092	888	-204
1947	1,574	1,125	-449
1948	1,791	1,588	-203
1949	1,974	1,820	-154
1950	2,372	2,225	-147
1951	3,497	2,708	-789

If the same figures are calculated at 1938 prices (using the London and Cambridge Economic Service Index for average values of imports and exports respectively for the first and second columns), we get the following balance of trade:

## BALANCE OF TRADE AT 1938 PRICES

	IN £ MILLIONS		
	<i>Imports</i>	<i>Exports</i>	<i>Deficit or Surplus</i>
1938	835	533	-302
1946	520	455	- 65
1947	610	505	-105
1948	620	645	+ 25
1949	670	725	+ 55
1950	720	850	+130
1951	815	900	+ 85

In the six years we had a total trade deficit of some £2,000 m. at current prices; if the "terms of Trade", the ratio of import to export prices, had not moved against us we should have had a trade surplus totalling over the six years £125 m. at 1938 prices. In terms of prices prevailing in the post-war period, this adverse movement of prices made a difference in Britain's trading accounts over the six post-war years of about £2,300 m., and turned what should have been a favourable trading balance into an extremely

<sup>1</sup> The figures are taken from the official Balance of Payments White Papers, Cmd. 7324 and Cmd. 8505.

unfavourable one. These adverse prices were the result of deliberate acts of American policy; the first was the boosting of the prices of the goods bought with the 1945 loan from America and under "Marshall Aid", and the second was the 1949 devaluation of the £.

The bulk of Britain's exports are raw materials and foodstuffs, and it is often argued that the adverse movement in Britain's balance of trade reflects the fact that the old imperialist exploitation that forced the colonial peoples to sell their products at low prices had been brought to an end. This is an altogether false claim. Such surveys as have been made since the war of living conditions in the colonial territories show that their standards of living are even worse than they were before the war. They eat less. There is mass unemployment in countries such as India. "Boom conditions" have meant for the bulk of their peoples rising prices, and therefore diminished, not increased, purchasing power.

Amongst the colonial peoples themselves only a few merchants and petty capitalists have benefited from the high prices paid for such commodities as tin, rubber and sisal during the speculative boom that followed the outbreak of the Korean war. The main benefits went to the foreign capitalists who own the rubber plantations, the tin mines and so forth, and who trade in these commodities.

The rising prices of commodities such as rubber and tin, whilst they were "adverse" to the British capitalists who used these materials, brought extra profits to the British owners of the plantations and mines. To this extent the loss to capital in Britain was compensated by gains to British capital in the colonies.

On balance, however, the British capitalists lost more than they gained. They gained where they had investments in primary commodities (mainly in the sterling area and in particular in the colonies); but they lost where they bought outside the spheres of British capital, that is, broadly speaking, outside the sterling area.

In 1951 only about 40% of Britain's imports of food and raw materials came from the sterling area, and of these less than half came from the colonies. Moreover, the imports that have risen most in prices are not sterling area commodities. On commodities bought outside the sterling area rising import prices usually meant

losses (that is, lower profits) for the British capitalist class as a whole. And what they lost was in large measure the Americans' gain. This is seen from the fact that the prices of the goods we buy from the Americans have increased much more than the prices of the goods they buy from us.

The position before devaluation was summarised sharply in a letter to the *Financial Times* on 19th July 1952, as follows:

"The average price for tin over the years 1935-7 in New York in U.S. cents per pound was 50.35. The average over the years 1946-9 was 82.73, an increase of 64 per cent. The Singapore price of rubber over the same periods in the same currency was 17.06 and 17.97, an increase of 5 per cent.

"Turning to the U.K. imports from the U.S., the following figures are illuminating. Taking the same periods as above, the average price of motor spirit imported from the United States into the United Kingdom was £16.31 per thousand gallons and in the second period £35.28, an increase of 116 per cent. The average prices of sulphur were £4.37 and £8.10 per ton, an increase of 85 per cent. Softwood £22.61 and £61.36 per standard, increase 171 per cent. Cotton, £2.67 and £8.74 per cental, an increase of 227 per cent. Tobacco, 1.37s. and 3.14s. per pound, increase 129 per cent.

"Gouging?"

After devaluation the increases in the prices of the American commodities were greater still. The following indices show what had happened to the prices of some of our main imports from the dollar areas, as compared with pre-war:<sup>1</sup>

	<i>Pre-war price (mostly 1937)</i>	<i>Price June 1952</i>	<i>Price ratio in sterling</i>
Wheat (Chicago May futures)	97 cents per bushel	243 cents per bushel	442
Maize (Chicago May futures)	57 cents per bushel	180 cents per bushel	558
Sugar (Cuban raws)	\$1.45 per 100 lb.	\$4.28 per 100 lb.	522
Cotton (New York spot) middling 15/16" cents/lb.	9.3 cents per lb.	40.5 cents per lb.	770

<sup>1</sup> From *London and Cambridge Bulletin*, June 1952.

The materials, such as rubber and tin, which the American capitalists get from British-controlled sources, have also risen in price—particularly after the outbreak of the Korean war—but the American monopoly capitalists have taken strong measures to counter these price rises.

These measures were taken through the agency of the American State. For example, the purposes for which tin might be used in the U.S.A. were severely restricted. Since America is far and away the biggest market in the capitalist world for tin (accounting for 50% of consumption in the capitalist world in 1950 as compared with 39% in 1936-8), restriction of demand there is bound to weaken the market. Further, when, following the outbreak of the Korean war, tin prices rose (from £600 a ton in June 1950 to £1,460 a ton in February 1951), the Americans, who had their buying centralised in a State agency, were able to break the market by a complete cessation of purchasing. Exports of tin from Malaya to the U.S.A., which in 1949 and 1950 had averaged more than 44,000 tons a year, dropped in March and the following months of 1951 to a mere trickle—250 tons in all during a period of five months, and then during the last half of the year complete cessation. By the end of July tin was down to £826 a ton, and throughout the following year hovered between £900 and £1,000 a ton. The American Government then agreed to buy 20,000 tons of tin (which was delivered in the first half of 1952) from the British Government at the price of £944 a ton.

The American tactics for breaking rubber prices were similar. (Malaya's tin and rubber exports together account for almost two-thirds of all dollar exports from British colonies, and in striking at these two commodities the Americans were, therefore, hitting at the main colonial assets of the British imperialists.) The State controlled the sale of natural rubber in America, limited the purposes for which it could be used, fixed its price considerably above world market prices, and sold synthetic rubber produced in State plants at non-commercial prices well below those of natural rubber. (In June 1952 synthetic rubber was 23 cents—20*d.* a pound). After a sharp boom in rubber prices following the outbreak of the Korean war which carried them from 24*d.* a pound in June 1950 to a peak of 72*d.* in February 1951, rubber



prices have fallen continuously, sinking to 26*d.* a pound in June 1952.

### *Control over Raw Materials*

It is characteristic of the imperialist stage of capitalism that the monopoly capitalists strive continuously to establish a wider and more soundly entrenched control over sources of supply of raw materials.

Control over extensive sources of supply of many materials (such as jute, copper, tin, gold, sisal, rubber, wool, cocoa) has in the past been a source of strength to the British imperialists. In many fields where British imperialism formerly dominated, American imperialism now has the upper hand; and considered as a whole the American position is today immeasurably the stronger of the two. However, the American monopoly capitalists have been greatly concerned in post-war years to strengthen still more their control over raw material supplies, seeing here a possible threat to the expansion of their capital. Their line of thought is as follows: if a bigger and bigger share in the control of industrial capital in the capitalist world is to be in American hands, then the American monopolies must also extend their control over a greater share in raw material supplies.

In 1950 American consumption of aluminium was almost seven times as great as it had been before the war (1936-8) and accounted for 62% of the consumption of the capitalist world as against 30% before the war. Consumption of copper had more than doubled and accounted for 54% of the capitalist world total as against 32% before the war. Lead consumption had increased by 80%, accounting for 52% of the world total as against 28%. Corresponding figures for other commodities were: rubber two and a half times (56% as against 50%), wool nearly double (26% as against 18%), wood-pulp more than double (68% as against 48%), sulphur nearly treble (70% as against 53%), and so forth.

In order to secure supplies the monopolies again acted through the State, using the stockpiling programme. In this Britain was made to co-operate as one of the conditions for receiving "Marshall Aid". By accumulating huge quantities of raw materials in their

stockpile the Americans put themselves in a position from which they could dominate the world market and world production, buying when it suited them and, likewise, stopping buying when it suited them. Now they are feeling their way towards even more grandiose plans of which a first blueprint appeared in the recently published Paley Report delivered in June 1952 to Mr. Truman as President. This recommends long-term State contracts for foreign materials and also U.S. investments by the State and private investors jointly, coupled with management contracts entered into by the U.S. State, with the object of bringing into America increased supplies from foreign sources. It may well be that some such scheme will provide the basis for some new super "Marshall Plan" by which the American monopolies try further to extend their domination and to tighten their grip on Britain and the British empire.

### *Super-Imperialism?*

So far has American dominance gone in the capitalist world and so extensively does American monopoly capital operate through the State machine, that it is sometimes suggested that the whole character of world capitalism has changed and that we now have a condition of "super-imperialism"—one giant monopoly controlling the whole world and replacing the anarchy of the capitalist market by "planned exploitation". This is an utterly wrong and politically harmful suggestion. It does not correspond to the facts, and tends to draw an exaggerated picture of the strength of American imperialism.

American imperialism is not unified; still less is the imperialist world. There are sharp conflicts between its major monopoly groupings, as between the Chicago "interest group" and the Morgan and other groups associated with the Wall Street financial interests. There are sharp conflicts between the big and the small capitalists in America. There are sharp antagonisms between the American monopolies and those centred round Britain and other capitalist powers. Even the monopolies of Japan and Germany, which American political control has so tenderly nursed back to life, are ready at any moment to assert their new-found strength, if need be in opposition to American intentions.

In the capitalist world as a whole there are sharp antagonisms between the capital based on the main centres of highly developed industry and the "underdeveloped areas". These antagonisms become more and more pronounced as a result of the uneven development of capitalism, resulting in a widening gulf between the big capitalists in whose hands is concentrated a bigger share of the world's capital whilst stagnation and bankruptcy becomes more and more often the lot of the general run of capitalists and peasant producers, particularly in the territories farthest removed from the main imperialist centres.

At the root of all this anarchy in the capitalist world lies the simple and inescapable fact that the production, whether it be of the largest American monopoly or of the smallest peasant producer, is production for the market governed by the laws of the market. Monopoly does not rule absolutely; it intertwines with competition, competition for profits, for a bigger share of the market, competition between small producers and the trusts, endless rivalry between the giant monopolies themselves. Monopoly is superimposed on commodity production; it exists on a basis of commodity production; that is, planless production for exchange.

The vast monopolies may be extensively planned in their internal organisation, but all this "planning" simply looks outward to an unplanned exchange "on the market", according to the laws of the market. The monopolies "plan" only to take for themselves a bigger share of the market, to make bigger profits; and their very successes lead to impoverishment of the masses of the people in the capitalist world and cause diminished activity for other capitalists. For, after all, the business that the monopolies gain is business lost for someone else.

The growth of the monopolies under American control does not diminish the contradictions of the capitalist world; it tremendously accentuates them. The accumulation of capital in the hands of a limited number of big capitalists is tremendously increased; the purchasing power of the peoples in the capitalist world as a whole is tremendously reduced. And the more is this so as the arms of big U.S. capital reach deeper into their affairs.

*American Imperialist "Integration"*

Imperialist motives are to be found in many other aspects of American policy. How could it be otherwise? Imperialism is the monopoly stage of capitalism. Great financial trusts and industrial monopolies are dominant in American society. Their influence is paramount in both the political parties. It is their men, men who have been attached to their way of doing things and to their way of thinking, men who belong to a small clique of millionaires or draw all their rewards in life from service to such millionaires; it is such men that make and administer American policy. How could they do otherwise than make and administer it according to the lights and code of monopoly capital?

Let us remind ourselves of the main points of American policy that show that this is so. When the first 1945 loan was made to Britain, America used it to secure a hold over Britain. Convertibility of the pound, release of the sterling balances and the "freeing" or "liberalisation" of trade, it will be remembered, were provided for in its terms. The effect of the convertibility of the pound, they calculated, would be to make the whole world a "dollar area". The sterling area would be broken up by the more powerful dollar, and Wall Street would become the undisputed financial centre of the world.

We have seen how funds were drained away from London even in the first few weeks for which the pound was convertible in 1947. Freeing of the sterling balances coupled with convertibility of the pound would have meant that countries such as India, Australia, Egypt, etc., would have been free to place orders in the U.S.A. "Liberalisation of trade"—a doctrine which America herself with her many tariffs and obstructive import regulations preaches but does not practise—was aimed at the removal of national economic barriers where they impeded the American monopolies.

All these policies were aimed, in particular, against British imperialism as American imperialism's most powerful rival, whose vast empire offered a glittering prize for American exploitation.

British imperialism did not dare to oppose American policy

openly, but tried to go slow in applying those policies from which it feared to lose most; the British, as the Americans put it, "dragged their feet". The Americans have, therefore, been looking for other ways round, and have, in particular, been pressing for "the integration of Europe", hoping to get from an economically unified Europe not only profitable markets and fields for investment, not only a warlike block to be thrust against socialism in the east of Europe, but also a means of diminishing the influence of British imperialism.

A first step towards this was the Organisation for European Economic Co-operation and the European Payments Union. The latter was intended to provide for free exchange of currencies between "Marshall Plan" countries with the help of a central agency through which the debits and credits of these countries to one another were settled. Its constitution was the subject of stubborn bargaining by the British financial interests who feared that it might undermine the financial strength of the sterling area.

Now the Americans use N.A.T.O. as an instrument through which to influence the economies of Europe. At the same time they press the Schuman Plan on Europe. The Schuman Plan—which the British capitalists have so far declined to join—provides for the control of steel and coal production by a "High Authority" that overrides the authority of the member states. It is, in fact, a giant state-sponsored cartel which the Americans support as a means of breaking down national autonomy in the basic sectors of economic life. Although the Schuman Plan covers only coal and steel, the suggestion that once started in these industries it could be expanded is openly canvassed.

The American Battle Act and other measures threaten with economic reprisals any countries which trade with the Soviet Union or the People's Democracies (save in a very limited range of goods). With Britain thus cut off from Eastern markets, Western German and Japanese monopolies are resurrected under American tutelage and threaten British trade in every quarter of the globe.

Here are all the familiar marks of the imperialist stage of capitalism—the domination of monopolies and finance capital,

a great monopoly capitalist power thrusting out to control new parts of the globe, seeking to monopolise sources of supply of raw materials, seeking for trade relations that bring to it additional profits and influence at the expense of others, ruthlessly aggressive and violent against the political movements of the working people, against the peoples of colonial territories and against the lands in which socialism is being built.

## VI

### WAS THIS SOCIALISM?

It is sometimes said that whilst the Labour Government made errors in the field of foreign policy it was progressive in home affairs. Yet it is precisely because no fundamental change was made at home that its foreign policy followed such a disastrous course. Britain under the Labour Government remained a capitalist country. The big capitalists made profits such as never at any time have been exceeded. The wealth of the millionaires continued to control the Press and other organs of propaganda and to dominate every sphere of social life.

The Tories could come back and take over where the right-wing Labour ministers had left off. How could this have been possible if any of the fundamental steps had been taken towards making Britain a socialist country? Could Britain become a socialist country and turn back again to a capitalist country merely because the occupant of No. 10 Downing Street had changed?

Of course not. And the reason why the Tories take over so easily from their right-wing Labour predecessors is that the capitalist basis of the economic structure of Britain has remained unchanged.

As in foreign affairs imperialist policies were allowed to camouflage their real content behind high-sounding governmental plans for "world reconstruction" and "the rule of law", so in home affairs the State has been used to give a pseudo-socialist form to undertakings of which the content was monopoly capitalism.

Since the power of big capital remained undisturbed it continued also to dominate in foreign policy. And the Labour Government piped to the tune it called.

As monopoly capitalism tends towards war, so socialism tends towards peace: but the Labour Government bent its efforts to spread the dangerous myth that the American capitalists stood for peace and freedom; they fostered every capitalist lie and misrepresentation of the Soviet Union's peace policy and fanned the flames of hostility in Britain against those whose support the people most sorely needed if the warlike aims of the forces of imperialism were to be frustrated.

Equally the colonial and empire policy of the Labour Government was in all essentials one of imperialism, despite the claims that were made to have changed things. British arms and administration were removed from India because they dared no longer stay. But British capital in collaboration with Indian representatives of monopoly capitalism continued to exploit the Indian people, to hold them down in the most abject poverty and to dominate their social life. The much-boasted schemes for the development of the "backward" areas, in so far as they had more than a paper existence, were projects sponsored by public authorities and financed mainly with public funds. But these projects followed lines suggested by, and were largely administered by, the most interested monopolies. When they failed—the groundnuts scheme is an example—they cost the monopolies nothing. When they succeeded, the monopolies reaped the benefits. The basic and inescapable fact about the "underdeveloped areas" of the British empire is that the colonial peoples continue to live in appalling conditions of poverty which all available evidence shows to be even worse than they were before the war.

(Where prices of colonial products have risen, little benefit has come to the colonial peoples, who have more often suffered because the cost of living has risen more rapidly than their incomes. The old economic relationships have continued and the capitalists have continued to make vast profits at the expense of the colonial peoples. Reports<sup>1</sup> of 355 British companies

<sup>1</sup> Companies analysed by the *Financial Times*.

issued in the first six months of 1952 showed profits of £338 m. obtained from rubber, tea, oil, tin, copper, base metals, gold and other miscellaneous mines in colonial and semi-colonial territories.

Year after year the dollars received by sales of materials and foodstuffs from the colonial territories have gone to provide funds for British imperialism. In the four years from 1948 to 1951 the surplus of receipts of dollars by the colonies over payments for imports from the dollar areas has been nearly £400 m., or, year by year, in millions of dollars, as follows:

1948	1949	1950	1951 in million \$
+164	+149	+371	+450

In return for the dollars that the colonial peoples have given to the gold and dollar reserves of the British imperialists the colonies have received a book entry recording for them a mounting total of sterling balances, which have risen from £510 m. on 31st December 1947 to £964 m. on 31st December 1951—that is, by £454 m.

Whatever fine words may have been used about the new relations between Britain and her colonies, the fact remains that British capital has continued to lord it in Malaya, in West Africa, in East Africa, in Rhodesia, throughout the colonial territories. Colonial exploitation has gone on as before.

The United Nations review of economic conditions in the Far East in 1950, for example, reached the conclusion that during recent years levels of production in food, industrial raw materials, manufactured goods and minerals have been lower than they were before the war. The Food and Agricultural Organisation of the United Nations has stated that consumption of textile fibres in Asia in 1950 was 1.5 kilogrammes a head as compared with 2.2 kilogrammes a head in 1938. In Europe consumption was 7.1 kilogrammes a head in 1950 and 6.1 in 1938 (a slump year), and in North America 17.5 in 1950 and 11.6 in 1938.

These colonial and semi-colonial territories produce values not for themselves but for the monopoly capitalist powers by which they are exploited.



A United Nations review of national incomes in under-developed countries gives the following picture of what happened to the goods produced by the people in the British colonial territory of Northern Rhodesia in 1949:

Compensation of employees .. .. .	37·7%	
Income of unincorporated enterprises .. ..	19·4%	
Property income .. .. .	42·9%	
of which paid abroad .. .. .		27·0%
retained by Corpn. or Govt. .. .. .		15·2%
received by residents .. .. .		0·5%

About five-sixths of the income of “unincorporated enterprises” represent an estimate of the output of peasant holdings of which more than nine-tenths was for the peasants’ own subsistence. Only about three-eighths of the wages and salaries of employees went to the African workers. Incomes of African workers averaged £23 a year as against £670 a year for non-Africans. The income (including the value of food, etc., produced for own use) of the African peasant was £9 a year as against £650 for the non-African farmer. The situation in Northern Rhodesia considered as a whole—and this is a typical British colonial territory—is that only about 30% of the values produced there go to the 1,900,000 African workers and peasants; 40,000 “non-African” residents—in fact, almost all Europeans—receive over 25% of the national income, and the balance, nearly 45%, goes to the foreign monopolies of which the bulk is paid abroad and a smaller part reinvested or paid in tax locally.

### *Capitalist Nationalisation*

The apologists for the right-wing policies of the Labour Government claim that it made economic advances in the direction of socialism in four fundamental ways: 20% of British industry was nationalised, industry was brought under control and made subject to central planning, social services were greatly extended, wealth was redistributed in favour of the poor.

The intervention of the State in economic affairs was, it is true, greatly extended; but always behind the activities of the State it was the interests of the monopoly capitalists that received first consideration.

Take first the claim that nationalisation was an instalment of socialism. The industries and institutions nationalised—transport, fuel and power, the Bank of England, “cable and wireless”, civil aviation, steel—were all basic industries or common services of which most have already been nationalised by countries that lay no claims to be in any way socialist. In addition, coal and transport were financially in a derelict condition; but the owners of these industries were compensated in full and generously in State stock of secure value. Indeed, in this business the Tories are the victims of their own election propaganda and of their sham skirmishes with the Labour front bench; for now that denationalisation has to be put on the political agenda, many of the former owners of the industries are thinking up a number of excuses for leaving them “socialised” and themselves safely in possession of their compensation.

In fact, the big capitalists have every intention of retaining State regulation of these industries and a large measure of State ownership. The Tories’ so-called denationalisation is a device for handing a few of the most profitable undertakings back to private ownership and also for attacking the living standards of the workers who will be asked to take wage cuts to cover the losses on the unprofitable sectors of the industry left in State ownership. Moreover, the “decentralisation” proposals for transport, for example, have little to commend them administratively, but will tend to break the national unity of the workers on questions of wages policy.

The management of the nationalised industries at all levels remained firmly in the hands of persons drawn from managerial grades of capitalist industry, together with a small minority of “tame” trade unionists. The appointment of Lord Hyndley to preside over the Coal Board and the retention of Lord Catto at the Bank of England were paralleled by similar appointments throughout the organisations. The wages of the workers were screwed firmly down at the levels prevailing for comparable employment in capitalist concerns and sometimes at lower levels. On the other hand, State control over these industries made it possible to keep the prices of coal, steel, gas, electricity and transport substantially below those paid by capitalists in Europe

and America. These relatively lower prices added to the margins of profit obtained by the British capitalist class as a whole.

In all these respects nationalisation favoured the interests of the capitalists whilst their strongholds of wealth and power in finance and industry remained untouched and indeed were benefited. Nationalisation under such circumstances was not socialist. To speak of these nationalisations as measures of socialism can, moreover, be politically dangerous, since the general run of people build up in their minds from their experiences of bureaucracy, poor conditions of work and so forth, a false picture of what a socialist Britain would be like.

The nationalisations carried through by the Labour Government were not instalments of socialism but demonstrations of how the dominant monopoly capitalists can use State ownership for advancing their own ends. It was not socialism but State monopoly capitalism. However, nationalisation advanced the interests of the working-class in so far as the workers by struggle, within this general framework of State monopoly capitalism, succeeded in winning improvements in their conditions, in so far as the political demand for "nationalisation of a new type" began to be more widely raised.

At the end of the six years during which the Labour Government had been in office, capitalism emerged, in fact, not politically weaker but stronger than it had been in 1945. A golden opportunity to teach the people of Britain to understand and love socialism, to give the industrial workers a sense of their power and ability to lead the construction of social and economic relations based on a fuller, stronger and more human attitude to life than that of the capitalists; this opportunity that 1945 offered was thrown away. The leaders of the Labour Party were guided by purposes utterly opposed to the aims and interests of the working-class. They did not attack, but defended the position, the wealth, the power and the ideas of the capitalists. They were socialists only in name; in practice they did not fight for the working-class against the big capitalists. History will certainly condemn them—like Ramsay MacDonald and others before them—as crypto-capitalists, men who in their innermost thoughts and intentions, and therefore in their actions, sided with capitalism.

*Capitalist "Planning"*

There was nothing socialist about the measures of "planning" and control introduced by the Labour Government. Building licences, allocation of materials, and price controls, were continued from the war-time period and very considerably relaxed in favour of the capitalists. For example, as the report of the Douglas Committee showed, long before Butler abolished the Utility scheme, the Labour administration had made so many concessions to the capitalists that even before it came to an end the Utility scheme had ceased to serve the original purpose for which it was intended; namely, to provide goods of tested quality at low and closely controlled prices.

The "Planning Staff" set up by the Labour Government had no control over the decisions by industrialists as to the commodities they would or would not produce; these were reached by the industrialists themselves in the light of the prospects that the market offered of making profits.

There was no national production plan, but only an annual Economic Survey, a collection of figures and forecasts, mingled with arguments for reducing the living standards of the people.

The only measures that in any way shaped the activities of the capitalists were the use of controls (for example, raw material controls) to limit sales on the home market and direct more commodities into the export markets, the curtailment of government expenditure on buildings and equipment for social services such as education, hospitals, health centres, etc., and the limitation of new industrial building in already overcrowded areas. But at every stage in the administration of these measures the property rights of the capitalists were regarded as sacrosanct.

Such absence of socialist content in the administration of economic control under the Labour Government was inevitable because nothing was done to remove direction of the State machine from the anti-socialist and anti-working-class cadres of the capitalist class by which it was manned. Under pretence of political neutrality and impartiality State officials saw to it that nothing was done to undermine the continuity of the existing régime—which, in fact, meant the continuity of the capitalist régime.

*Social Welfare*

The Labour Government's programmes of social welfare did not differ greatly from the proposals drafted by Beveridge and others, and could hardly claim to be socialist measures. Even so, they came to be greatly whittled down as a result of drastic curtailment of the capital expenditure necessary for their implementation and the rise of prices which reduced the benefits under pension and insurance schemes to a mere pittance. Here again many people in Britain mistakenly believe that the treatment they get from the bureaucratic and parsimonious welfare and social services in capitalist Britain today are, in fact, foretastes of what it would be like to live under socialism. At best this dampens the enthusiasm of supporters of the Labour movement; at worst it breeds bitter opponents.

The only substantial new benefits obtained under the Labour Government in the field of social services were the free medical and dental treatment under the health services. Here the political determination evinced by the workers in the course of the war forced the Coalition Government to prepare plans for great improvements at the end of the war. The impetus of the great mass movement that swept Labour into office in 1945 forced these measures on to the Statute Book. But the Government from the first limited the scope of the advances. Cripps used the excuse of the 1947 crisis to make far-reaching cuts, and the health centres, which were the key to the success of the whole project, were prevented from coming to anything in practice.

Moreover, the social services that the workers received were more than paid for by the workers themselves in taxation. Indirect taxes, that is, the taxes that are primarily paid by the workers and the poorer sections of the population, steadily mounted. The official White Paper on National Income (Cmd. 8203) gives the following figures:

	IN £ MILLIONS					
	1938	1946	1947	1948	1949	1950
Indirect taxes on personal consumption ..	578	1,459	1,655	1,919	1,852	1,904
less Subsidies on personal consumption ..	-35	-358	-450	-553	-506	-468
Net indirect taxes on personal consumption ..	543	1,101	1,205	1,366	1,346	1,436

An American economist employed by the E.C.A. mission in Britain has calculated that the taxes paid by a family of moderate means more than paid for the social service expenditure from which such a family stood to benefit. His figures (as quoted in *The Economist*, 1st June 1950) are as follows:

<i>Current Social Expenditure per family per week</i>	<i>Shillings</i>	<i>Approximate Taxes paid by Lower Income Families<sup>1</sup> per family per week in 1948</i>	<i>Shillings</i>
Social insurance .. ..	14	Income tax .. ..	8·0
National assist. (poor relief)	3	National insurance .. ..	5·4
		Death duties .. ..	0·6
Family allowances .. ..	2	Total Direct .. ..	14·0
Housing subsidies .. ..	2	Drink and tobacco .. ..	31·4
Food subsidies .. ..	15	Purchase tax .. ..	4·6
Education .. ..	9	Local rates .. ..	4·8
Health .. ..	11	Other indirect taxes on consumption .. ..	2·4
Miscellaneous .. ..	1	Employers' national insurance contribution	10·6
		Total personal con- sumption taxes .. ..	53·8
<b>TOTAL .. ..</b>	<b>57</b>	<b>TOTAL .. ..</b>	<b>67·8</b>

### *Redistribution of Wealth*

Speaking to the Croydon Fabian Society shortly after the defeat of the Labour Government at the 1951 elections, Douglas Jay said:

“We shall use and improve the three main instruments which have gone so far in the last six years to lessen inequality, destroy poverty and make our economic difficulties manageable. These are the redistribution of wealth, control and planning and social ownership.”

With control and planning and social ownership (nationalisation) we have already dealt. It remains to consider how far “wealth has been redistributed”, how far “poverty has been destroyed”, and how far “our economic difficulties have been made manageable”.

Marx's studies of political economy led him to the conclusion that the mode of production of a community determined, broadly speaking, that community's distribution of the social product. If

<sup>1</sup> Families with under £500 a year income in 1947.

this is correct, it means that within a capitalist community a fundamental redistribution of wealth and incomes is not conceivable. Nothing that has happened in Britain in the last six years does anything to disprove Marx's contention.

The Labour right-wingers and social democrats who argue that there has been a redistribution of wealth in Britain generally argue, as does Strachey in *New Fabian Essays*, or Transport House in *Facts and Figures for Socialists, 1951*, that this is proved by the National Income figures on the "Distribution of Personal Incomes". *Facts and Figures*, for example, states: "The redistribution of income in favour of wage earners in the United Kingdom began during the war. The process has been deliberately carried further since 1945, through Labour's taxation policy." (p. 174.) Reference is then made to the White Paper on National Income in which the following figures are given:

	IN £ MILLION			DISTRIBUTION IN PERCENTAGE		
	1938	1946	1950	1938	1946	1950
Wages .. .. .	1,682	2,857	4,096	39	42	47
Salaries .. .. .	1,054	1,507	2,164	25	22	25
Pay of Armed Forces .. .. .	77	512	233	2	7	3
Rents, dividends and interest .. .. .	1,448	1,969	2,197	34	29	25
<b>TOTAL .. .. .</b>	<b>4,261</b>	<b>6,845</b>	<b>8,690</b>	<b>100</b>	<b>100</b>	<b>100</b>

These figures certainly give the impression that about 9% of the wealth produced in Britain has been taken away from the capitalists and handed over—apart from the 1% going to the increased armed forces—to the workers. This impression is an altogether misleading one.

The suggestion that the Attlee government pursued a tax policy favourable to the workers at once strikes one as odd, if the facts about the heavy tax burden borne by the workers, that we have given above, are kept in mind.

It is true that rates of income-tax and surtax have been increased, and that the man with a very large income or an unearned income pays a higher proportion of his income in tax. However, the real point is: whose interests are served when the

taxes come to be spent? The great increase in income-tax rates came with the Second World War and is now being sustained to support the vast military expenditure that the policies of imperialism call for. In 1935-6 the military expenditure of the British Government amounted to £137 m. The estimate for 1952-3 provides for an expenditure of £1,462 m.

At the same time it would be wrong to suppose that the big bourgeoisie are personally much affected by heavy taxes and incomes. It is not for them the burden that it can be for the petty capitalist or the professional man. Even after all taxes had been paid, there were still in 1949-50 over 5,000 persons with incomes of over £4,000 a year and 88,000 with incomes of over £2,000 *after tax*.

But it is not the declared income that really counts in the case of the capitalist actively engaged in companies that are making big profits, since there are numerous ways in which taxes are evaded with the greatest of ease. The most obvious is the charging up of all sorts of personal expenditures to the expense account of the firm. Also the capitalists at the centre of things are always well placed to make profitable speculations and to enrich themselves in various ways at the expense of the rest of the community.

But in a capitalist society personal income is not the important thing for the capitalists. For them income that can be turned into capital is what matters. Capital is the thing. The ownership of much capital and through ownership the control of still more capital—that is the important thing in modern monopoly capitalist society. That is the basis of the power of the small dominant clique of big capitalists and, given that they have much capital under their control and much power, the means of living in personal luxury are assured.

If personal income does not from time to time suffice, such people can always find money by drawing on their constantly increasing accumulations of capital. But though they live in considerable personal luxury their total personal expenditure does not amount to much in relation to the total personal expenditure of the whole British people, precisely because they are a small clique.

There are about 4,000 British public companies of substance



with capital assets averaging about £4 m. apiece. If there were five or even ten individuals connected with each of these companies spending on personal consumption £200 a week—no mean feat—they still would not account for one-twentieth part of the total personal expenditure in Britain.

In a capitalist society it is capital that counts and there is no question that this is still concentrated in the hands of a small number of people. For example, in 1950-1 there were some 700 people who died and left estates of £100,000 or more. This 700 was about 1% of the total number of estates exceeding £2,000 and liable to death duty in 1950-1, yet they accounted for a third of all the company shares belonging to those who died in the year. On an average these "rich 700" had company shareholdings of about £120,000 each.

Capitalism being the system that it is, what we should look at in order to judge the distribution of wealth is the distribution of the product of industry, the trend of profits and the accumulation of capital. Figures comparing the national product in the three years covered by the table on p. 75 have been calculated by F. W. Paish in the *London and Cambridge Economic Service* for March 1952. Whilst the method of computing the national product in the National Income White Papers on which Paish's calculations are based are not altogether sound, they nevertheless show quite clearly the actual trend of events.

Paish's figures are as follows:

£ MILLION AT CURRENT PRICES

	1938	1946	1950
Personal consumption .. .. .	4,335	6,886	9,041
Gross domestic capital formation .. .. .	845	1,235	2,277
Consumption by Public Authorities .. .. .	731	2,431	2,025
Balance of Payments on Current Account <sup>1</sup>	-246	-430	+104

Calculating these figures as percentages we get the following distribution of the product:

<sup>1</sup> + = surplus and - = deficit of exports, plus net invisible earnings (that is, interest on overseas investments, shipping, etc., minus payments for such items as overseas military expenditure, etc.) as against imports.

	IN PERCENTAGES				1938	1946	1950
Personal consumption .. .. .	..	..	..	..	76	68	67
Capital formation .. .. .	..	..	..	..	15	12	17
Government expenditure, etc. .. .. .	..	..	..	..	13	24	15
Balance of payments .. .. .	..	..	..	..	-4	-4	+1
					100	100	100

Here we see the truth about "the distribution of wealth". The consumption of the people has been greatly reduced. In the total of personal consumption the clique of monopoly capitalists will not count for much and the figure given above is a fair indication of how the general run of the people are faring, and it shows that they have surrendered 9% of the national product in favour of capital, government expenditure and increased exports (covering, amongst other things, export of capital and overseas military expenditure).

These figures show that the big capitalists have gained both by bigger accumulations of capital and from increased expenditures on the implementation of their imperialist policies.

The commonly held belief that there has been redistribution of wealth is due not to any transfer of wealth out of the ownership and control of the big capitalists, but to the fact that there has been some redistribution within the middle classes and within the working-class. But the total wealth available to these classes has not increased. Since the members of these classes are not capitalists or are only capitalists in a small way, their personal expenditure is a fair indication of their wealth: and, indeed, it is they who account for the bulk of consumption expenditure in Britain.

The fact that total personal consumption in 1949 and 1950 was—as we shall show—not much more than it was in the slump year of 1938, and possibly rather less, is an indication, therefore, that redistribution of the total values produced has not occurred in favour of the people, that is, the working-class and middle classes viewed collectively.

It is, however, a fact that the relative incomes that determined how the general run of the people share out the total mass of consumer goods amongst themselves, have been distributed more favourably to the lower paid workers at the expense of skilled

workers and some sections of the professional and middle classes.

The wage rates of many skilled workers have increased by comparison with 1938 considerably less than the cost of living, the largest increases in wage rates going—with some exceptions such as the railwaymen—to those sections of the workers who were worst paid before the war.

Throughout industry the wages of women and juvenile workers have increased relatively more than those of men; and within industries unskilled workers' wages have increased relatively more than skilled. In his book *The Levelling of Incomes since 1938* Dudley Seers calculates that allowing for changes in the cost of living the weekly wage rates of bricklayers and railway firemen had fallen, whereas those of bricklayers' labourers and railway-shed labourers had risen. Weekly wage rates in the engineering industry had fallen for both fitters and labourers, but the fall in the case of labourers was considerably less. His figures are as follows:

## WEEKLY WAGE RATES EXPRESSED IN 1939 PRICES

	1939		1949	
	s.	d.	s.	d.
Bricklayers .. ..	72	9	68	4
Bricklayers' labourers ..	54	6	55	1
Engineer fitters .. ..	67	6	58	3
Engineer labourers .. ..	51	4	49	4
Railway firemen .. ..	68	7	60	10
Railway shed labourers ..	47	7	51	2

When we remember that over this period productivity had increased by 15% or more, we get some measure of the extent to which exploitation is being increased. The workers were producing more and getting for themselves a smaller share in their product.

The big capitalists have not been squeezed but only the smaller and rentier sections of the capitalist class—and then only when they have not been in a position to evade taxation. Professional men and women and others who have put their savings into investments have lost both through the falling value of money and through increased taxation, but the big capitalist has been able to look after himself better than ever.

“Redistribution” has, then, been within the working-class and to a certain extent at the expense of the middle classes and the small rentier owners of capital. These trends are shown by figures calculated by F. W. Paish (in the article referred to above) as follows:

	INCOMES ARRANGED IN DESCENDING ORDER					
	1938		1938		1949	
	Income range		Before tax	After tax	Income range	
	per annum			per annum	Before tax	After tax
1st million .. ..	Over £450	28.1	23.0	Over £875	21.0	15.1
2nd million .. ..	£300-450	8.3	8.7	£630-875	8.3	7.6
3rd million .. ..	£238-300	6.1	6.5	£520-630	6.2	6.3
4th million .. ..	£205-238	5.1	5.5	£450-520	5.4	5.8
5th million .. ..	£184-205	4.5	4.9	£408-450	4.6	5.0
1st 5 million ..	Over £184	52.2	48.6	Over £408	45.5	39.8
2nd 5 million ..	£123-184	17.0	18.3	£290-408	19.5	20.8
Remainder .. ..	Under £123	30.8	33.1	Under £290	35.0	39.4
		100	100		100	100

In dipping into the bowl that contains consumer goods, the lower paid workers have, to use Marx’s phrase, been given a slightly broader spoon, and the higher paid workers and the middle classes a slightly narrower spoon. That has been the effect of wage changes and changes in *direct* taxation during and since the war.

Changes in indirect taxation—a form of taxation that strikes most heavily on the poorest sections of the people—have, however, worked, as is evident from the facts already given above (pp. 73 and 74), in quite the opposite way. The effect of this heavier burden of indirect taxation has been, roughly speaking, to cancel out the gains coming from increased government expenditure on social services. (Here the only benefits of substance have been in the health services.)

When we come to examine the quantity of consumer goods in the bowl from which the workers and the middle classes have alike been drawing, we see how severely the people have been squeezed to serve the aims of the big capitalists.<sup>1</sup> Professor Paish’s figures

<sup>1</sup> The workers account in Britain for a substantial part of all personal consumption. On the assumption that wages are spent in full, 45% of total personal consumption in 1950 and 38% in 1938 was accounted for by wage earners. The increased share in 1950 as compared with 1938 is, of course, largely accounted for by the fact that there were over 2 m. more workers employed in 1950—an increase of about 17%.

suggest that the total quantity of goods entering into personal consumption in 1950 was about 9% more than in 1938, but since the population of the United Kingdom has increased by over 6% since 1938, the increase per head of population was only 2½%. Moreover, he states that "real personal income per head of population actually employed fell by perhaps 4 per cent". When one remembers that 1938 was a slump year, these conclusions do not put Attlee's economic achievements in a very favourable light. Even so, there are some grounds for thinking that the quantity of goods consumed by the British people may have been less even than Professor Paish's figures suggest; quite certainly, the quantity of consumer goods that went to the British people in 1951 was less than it was in 1950.

The main ground for thinking that the volume of consumption in Britain in 1950 was lower than pre-war is that where quantitative comparisons can be made in a direct and straightforward way they indicate falls in total consumption.

The following comparisons are obtainable from the Board of Trade returns on supplies of consumer goods to the home market.

	1935 <sup>1</sup>	1950	1951
Non-rubber footwear—monthly rate, million pairs .. .. .	10·7	10·8	10·0
Plimsolls, goloshes, etc.—monthly rate, million pairs .. .. .	2·23	2·1	1·76
Gloves—monthly rate, million pairs ..	2·92	2·42	2·69
Corsets and Brassières—monthly rate, millions .. .. .	2·3	2·37	2·31
Mattresses—monthly rate, thousands ..	208	278	273
Linoleum—monthly rate, million sq. yds.	4·75	2·58	2·15
Wool carpets—monthly rate, million sq. yds.	2·83	2·58	2·50
Household brushes—monthly rate, millions	5·0	4·07	4·38
Watches—monthly rate, thousands ..	530	227	262
Pedal cycles—monthly rate, thousands ..	142	111·7	103·1
Domestic sewing machines—thousands ..	8·3	7·2	7·7
Prams, etc.—thousands .. .. .	49	64·8	56·9

Corsets and brassières, mattresses and prams are the only items in this list to show an increase.

Figures published by the Ministry of Food (which take into

<sup>1</sup> Economic conditions in 1935 were rather worse than in 1938; unemployment in July 1935 was 2·0 m. as against 1·9 m. in 1938 and 1·7 m. and 1·4 m. in 1936 and 1937 respectively.

account the increase in population since the war) show decreases or little change in consumption of all foodstuffs except milk (the main item in "Dairy Produce") and potatoes, which, however, as the poor man's "fill-up", is in itself a sign of deteriorating food standards. The figures are as follows:

### FOOD SUPPLIES FOR CIVILIAN CONSUMPTION

	LB. PER HEAD PER ANNUM		
	1938	1950	1951
Dairy Produce excluding butter .. ..	38·3	54·1	54·7
Meat (edible weight) .. ..	109·6	95·6	75·3
Fish, poultry and game (edible weight) ..	32·6	28·0	30·8
Eggs (shell egg equivalent) .. ..	28·6	31·9	28·2
Oils and fats (fat content) .. ..	45·3	44·6	45·8
Sugar and syrup (sugar content) .. ..	109·9	80·0	86·5
Potatoes .. ..	176·0	243·6	237·3
Pulses and nuts .. ..	9·6	11·1	10·0
Fruit (including tomatoes) .. ..	141·4	125·1	126·9
Vegetables .. ..	107·5	102·5	110·1
Grain products .. ..	210·1	220·3	219·2

Overall comparisons of prices over longish periods are notoriously difficult, and no comparison of price-levels before and after the war can be conclusive and reliable. Official estimates for the main items of consumption, namely, food, clothing and durable household goods, which together account for more than half of personal expenditure on consumer goods, give the following indices of the total expenditure on consumption at 1938 prices in the United Kingdom and from these indices of consumption per head have been calculated.

### TOTAL CONSUMPTION IN U.K.

	1938	1946	1950	1951
Food .. ..	100	95	109	108
Durable Household Goods	100	62	98	92
Clothing .. ..	100	74	101	91
Population .. ..	100	103	106	106

### CONSUMPTION PER HEAD

	1938	1946	1950	1951
Food .. ..	100	92	103	102
Durable Household Goods	100	60	92	87
Clothing .. ..	100	72	95	86

It would be wrong to attribute to these figures any very high degree of accuracy, but it is unlikely—in view of the fact that these are based on official figures—that they will understate present levels of consumption. None the less all these figures point to one broad and definite conclusion—namely, that the standard of living in Britain in 1950 was certainly not noticeably higher than it was in the slump year of 1938, and may well have been appreciably lower. When one remembers that national production has markedly increased over this period,<sup>1</sup> one sees in this confirmation of the view expressed above that the most significant redistribution of wealth has been to the disadvantage of the people. More is produced, but the wage earners and salary earners and professional workers get less of what is produced.

### *Wages and Profits*

The claim made by Douglas Jay that poverty has been destroyed cannot be substantiated. Under Attlee's Government the old relationships of exploitation have continued. By setting the wages of productive workers (which totalled £3,116 m. in 1950) against the total national product of £13,447 m. as given by Professor Paish (see p. 77 above) we can readily see that the workers who were engaged in production received for themselves only one-quarter of the values they produced. The surplus value produced by them represented no less than three times the value of their own subsistence. This went to maintain the many unproductive and socially unnecessary occupations that are entailed in the wasteful structure of a monopoly capitalist society economically based on the exploitation of an extensive empire. It went to pay for the imperialists' military brutalities. It went to swell the accumulations of capital in the hands of the big capitalists.<sup>2</sup>

The movement of profits when set against the movement of wages tells the inner story of Attlee's economic achievements. Here are the figures. (This table is based on Professor Carter's

<sup>1</sup> There are further details on this on pp. 7-8.

<sup>2</sup> In the space of one year 2,501 companies—which issued reports in 1951 and were analysed by *The Economist*—enlarged their net assets from £3,946 m. to £4,429 m.

figures in *Public Finance*, Nos. 1-2, 1952, with additions for later quarters by the Labour Research Department.)

## 2ND QUARTER 1947=100

	1948	1949	1950	1951	1951	1951	1952
	2nd	2nd	2nd	2nd	3rd	4th	1st
	qtr.	qtr.	qtr.	qtr.	qtr.	qtr.	qtr.
Index of weekly earnings	110	115	120	132	—	136	—
Index of wage rates ..	106	108	110	118	120	124	126
Index of retail prices ..	109	110	114	123	127	129	132
Index of food prices ..	106	109	125	136	143	146	152
Index of import prices ..	115	115	127	183	182	181	183
Ratio of wage rates to retail prices .. ..	97	98	96	96	94	96	95
Index of industrial profits	106	110	130	162			

These figures show that profits have risen far more rapidly than the average earnings of wage workers, and that the rates of payment to workers in 1950 and 1951 were markedly less in terms of purchasing power than they were in 1947.

Even the official index of retail prices—the one given above—points to this conclusion; but there are strong grounds for holding that this index understates the real rise in the cost of living. The fact that average earnings have increased faster than wage rates points to the fact that workers have been working harder and longer in order to make up their money. But the purchasing power of the average wage packet at the end of 1951 was, according to the indications of the official price-index, only 5% more than it was in 1947, and, if we consider the movement of the food-index, a better indication of the real movement of prices, we should conclude that by the end of 1951 the average wage a worker was taking home bought 7% less than in 1947.

Any precise comparison of wage rates before and after the war is virtually impossible because of the inadequacy of the price indices. The available indices tell us, comparing 1951 with 1938, that export prices have trebled, import prices have increased by over four times, wholesale prices by over three times, raw material prices—the Statist index—by over five times, but retail prices, we are told, have only doubled. This is not easy to believe, and it cannot be attributed to squeezing profits out of distributors or anything of that sort as the profits of distributors have quite



substantially increased. For example, the Inland Revenue returns show that wholesalers' profits between 1938-9 and 1948-9 increased from £89 m. to £202 m., and retailers from £143 m. to £335 m.

Perhaps the simplest and soundest comparison is to set the movement of profits by the side of the movement of wage rates without making any correction for changing prices. The figures are as follows:

## LONDON AND CAMBRIDGE ECONOMIC SERVICE

	<i>Index of wage-rates</i>	<i>Index of profits</i>
1938	100	100
1948	188	188
1949	193 $\frac{1}{2}$	198
1950	197	237
1951	215	322 <sup>1</sup>

These figures show without need of further refinement that profits have risen much faster than wages.

## VII

## THE TORY POLICY

For the purposes of the general election the Tories talked a good deal about "setting the people free" and made play with the arguments of economists such as Hayek (author of *The Road to Serfdom*) and Jewkes (author of *Ordeal by Planning*), who roundly attribute all evils to State interference which, they hold, turns upside down the self-perfecting tendencies of the excellent capitalist system which man always denies its chance to prove its excellence.

The capitalist Utopia that these gentlemen depict never has existed and never will. It is a figment of their fallacious theories which serve only to voice the yearnings of the smaller bourgeoisie who see themselves being crushed between the upper millstone of the monopolies and the nether millstone of the working-class.

<sup>1</sup> Labour Research Department's calculation.

The Tories use these arguments and this talk to please the smaller business men whose support they need politically. But the real policy of the Tories, the policy that they operate, in fact, is that of the monopoly capitalists—and they have no intention whatsoever of setting the people free, or even of setting the small business man free.

Their policy is based on the use of the State machine to advance the interests of the big industrialist and financier. The essence of the Tory policy is the re-establishment of the empire and of their commercial and financial domination over it. In the pursuit of this policy opposition to U.S. imperialism is bound to develop on a more considerable scale, but always with divisions and reservations within the capitalist ranks. There are, however, no divisions and no reservations in the Tories' aims of exploiting the British and colonial peoples more intensively. For this reason they will never whole-heartedly support the cause of British independence. At best they will take a wavering attitude and they will produce a host of capitulationists, anxious to have American backing in striking against their own working people and ready for any treachery to save their capital. Only the Labour movement can give consistent and determined leadership to the British people in their fight to safeguard their independence.

In practice, therefore, the choice of policies before the British people is between the Tory way (or the right-wing Labour way, which is a variant of the same thing) and the anti-Tory way.

What is the Tory way?

In their election speeches the Tories promised more food, more "good red meat", more houses and so forth. It was one of the most dishonest political campaigns, judged even by the standards which the British people have come to expect of many of their politicians.

In fact, of course, precisely because all the elements of the Labour Government's economic policy that provoked the sharpest resentment from the people were just those elements that were dictated by its deference to the ideas of big capital—cuts in consumption, in social services, in food imports, acceptance of the huge arms programme, brutal and violent suppression of the colonial peoples, economic subservience to the U.S.A., acceptance

of the American ban on "East-West Trade" and so forth—because all this was anyhow the policy of big business and not the policy of the Labour movement, the Tories must continue with it.

### *Tories Attack the Poorest*

The Tories, however, continue with a difference. They encumber themselves less with progressive disguises. They go straight ahead raising the prices of just those things that hit the poorest most hardly. Hire-purchase regulations are introduced requiring lump-sum payments for such things as washing-machines and radios, which carry them beyond most workers' means.

Even before the Budget, the Tories increased the prices of bacon, cheese and milk by amounts that put up the weekly food bill by 6*d.* a head. By cutting the subsidies Butler, the Tory Chancellor, added a further 1*s.* 6*d.* a head a week falling on the prices of bread and flour, tea, milk, meat, cheese, butter, sugar, eggs and bacon. Coal has gone up in price. Fares have gone up, and the increased petrol-tax will mean further increases. The Utility scheme was scrapped and a wider range of clothing made subject to purchase-tax. Price controls of consumer goods were scrapped. The Labour Research Department (*The Tory Attack Unfolds*) listed sixty-six items of food and twenty-four household and toilet articles in normal everyday use which have gone up in price between November 1951 and April 1952. Health and education services are openly attacked. Local education authorities have to cut their expenditure by 5% at a time when the numbers of schoolchildren are increasing. A charge of 1*s.* is placed on prescriptions under the National Health Service, up to a pound is to be paid for dental treatment and more for dentures. Surgical appliances are to be paid for. Day nurseries are to be paid for.

In principle, all this is not new. Cripps started the attack on the social services in 1947. Gaitskell accepted the Tory arguments against the food subsidies and began the process of paring them down. Gaitskell started the idea of paying for the health services. The Labour administration was lavish with its arguments for

cutting down consumption and imposed taxes on consumer goods on a scale never before known.

The Labour Government was, however, continually under fire from the Labour movement, to whom the anti-Labour nature of the administration was becoming more and more apparent. When Attlee handed over to Churchill, Low, the *Daily Herald* cartoonist, showed him and former members of his government splitting their sides with laughter at the hot spot in which Churchill's administration found itself, as much as to say, "Well, we're well out of it." One cannot doubt that this cartoon expressed feelings that were very real. There must have been many Labour ministers who asked themselves how they could do what big capital required of them in its hour of crisis without once and for all exposing the distance they had travelled from the aims of the Labour movement and the desires of the British people.

The Tories, however, were not inhibited by the same considerations. To be sure, they have their own difficulties with the small capitalist and the professional man, who fondly believes that Tory policy aims at advancing his interests; but in their attitude to the poorest sections of the community the Tories are ready to be much more ruthless. The theme of Tory policy and right-wing Labour policy is the same; but on this theme the Tories play a more sinister variation:

"We believe", they say, "that there must be incentives to increase production. So we will make the poorest sections a lot poorer and everyone will work harder to escape the extremities of poverty. We will therefore cut down the consumption of the most poor."

And so the Tories set about restricting the consumption of the people still more and impose the heaviest restrictions on the very poorest.

This was one of the purposes of Butler's Budget of which the *United Nations Bulletin for Europe* wrote:

". . . The result is generally regressive. . . . On balance, all families with an annual income of below £350 . . . will be worse off; those with between £350 and £550 will 'break even';

the remainder of the population above this level will be substantially better off."

The idea of the Tories is to break the morale of the working-class, to destroy their hopes in the health and education services, to make them, with the constant fear of poverty and unemployment at their backs, more pliant to the wishes of their employers.

But what has all this got to do with the crisis? The arguments, by which the Tories connect their onslaughts on the living standards of the people with the crisis that they use as an excuse for them, are thin in the extreme. They amount to this. If we consume less, we can import less. If we cut social services and restrict home consumption, resources will be released for export. If wages go up, export prices will go up, and we will lose export markets.

The sum total of Butler's declared policy for beating the crisis is restriction of imports of consumer goods, some running down of stocks of materials (with the help of restriction on credit—of which more below), more exports of engineering products and restriction on sales of engineering consumer goods on the home market.

Consumption has already been so drastically "rationed by the purse", by the reduced purchasing power of incomes due to rising prices and particularly food prices, that there is a slump in the consumer goods industries. What export markets can we win because fewer medicines and surgical belts are bought? And the materials for buildings, are they not here in Britain and the labour too? Why should the social services be starved? And are the radio and the washing-machines that the workers are now not buying going into the export markets? Of course they are not. The reason is the buyers are not there overseas either.

Is it true that higher wages will lose export markets? Is it on this that the matter turns? One could much better argue that if wages had been doubled five or six years ago the capitalists would have been forced to hasten forward the technical development of British industry that is now so long overdue and, if this had been done, would stand better today to meet the competition with which their rivals on the capitalist market confront them.

For those who believe in trusting a nation's fortunes to the uncertainties of the capitalist world market this is the more logical line of argument. But, even taking the narrow short-term line of argument (and have we not been treated month by month this last seven years to enough exceptional short-term expedients to meet "exceptional" circumstances, all of which, in fact, were expressions of very permanent fundamental weaknesses?), is it true that wage increases would price us out of the export markets?

Let us consider the most important export industry at the present time, namely, mechanical engineering. In 1948 the gross value of its output was £453 m.—that is, what the firms received for the goods they sold. Against this they had to set £195 m. for costs of raw materials and fuel—43% of the gross value—and £110 m. for workers' wages—24%—leaving a margin of £148 m.—one-third—for overheads, salaries of directors, managerial staff, etc., and for profits. These figures show that the level of workers' wages is not the decisive factor in determining the winning or losing of export markets. Moreover, it is of fundamental importance for the health of British economy that the capitalists should not run away with the idea that they can always veer and haul on the workers' wages, so as to maintain their margin of profit.

Butler's declared policy does not begin to touch the fundamental problems that the present crisis raises for the British people, nor, indeed, those that it raises for the British capitalists.

### *Tory Financial Policy*

There is, however, also an undeclared Tory and capitalist policy, which, whilst it remains all confusion in its positive aspects is definitive enough in its negative aspects. The kernel of this is the Tory Government's financial policy—the increase in interest rates and the restriction of credit.

This policy is, of course, very much more than a way of putting more money in the pockets of those who lend capital. It is a policy for starving the general run of industry of capital, a policy for deliberately spreading the unemployment and short-time that is now beginning to appear.

It aims at reducing the whole scale at which British capitalism

is operating. Even if this means some fall in the mass of profits accruing to the monopolies, they meanwhile will continue to make big profits from arms orders and also from safe export markets protected by international monopoly agreements. They are, also, both bankers and industrialists and need never fear that they will not be given credit when they want it or, with the connections they have with Government departments, be debarred from making extensions to their capacity when they so desire.

The monopolies calculate in this situation that they will be able to extend their grip over the workers, over the small capitalists and over the colonial people. Without it being possible to place precise responsibility for it, through the operation of "impersonal economic forces", unemployment will swell and a number of the smaller capitalists will either go bankrupt or very greatly reduce their scale of operation. This in turn will mean an economically weakened working-class whose wages can be cut, and also less competition to be faced by the big capitalists from their smaller brethren both in the markets in which they sell and in their demands for imported raw materials and for plant and equipment.

Of course, none of the big capitalists will publicly say all this in so many words, but *The Times* comes very close to it. A leading article on 30th April 1952 states:

"Britain has been buying abroad more than she can pay for by the proceeds of her goods and services; she cannot supply or sell abroad goods and services sufficient in value to pay for her essential needs from overseas; and a main cause of this lack of balance in the trading account has been excessive spending at home. The chief purpose of Mr. Butler's policy—in spite of the disposition of many politicians and some Ministers to shrink from the consequences of sterner economics—has been to redress the balance not only by direct retrenchment, but also, and more important, by creating the economic and financial conditions in which retrenchment, private and public, will be the natural course and fresh efficiency and vigour the natural outcome. It would be a mistake, however, to suppose that the more realistic appraisal of the country's present crisis has yet furnished any remedy, or early prospect of remedy, for the

underlying British problem, which will remain even if the national accounts, at home and overseas, are brought into balance in the comparatively near future. *The fundamental question is at what level, in terms of standard of life and the means of livelihood, the accounts can in fact be balanced.*" [My emphasis —J. E.]

What else does this mean but letting the poverty of the unemployed and of workers on short-time reduce the "natural" call for supplies from the shops and so through undernourishment and starvation reducing the call for imported foodstuffs? That is all that the reference to the standards of life in the last sentence can mean. And what purpose does the reference to "the means of livelihood" serve but to remind us that the industries from which come means of livelihood in the sense both of wage packets and the production of consumer goods, also devour raw materials and must settle down to a much lower level if . . . If what? . . . if the overseas accounts are to be balanced in a manner that permits the imperialist policy of vast military expenditure, of co-operation in the American war alliance and of accumulation of capital by the monopoly capitalists, to continue to be pursued.

But *The Times* is also aware that the positive side of British imperialism's policy is still wrapped in obscurity. "The danger", the same article states, "is that, lacking its old advantage in bargaining for its livelihood and deficient in innovation, this country may lose its place in that [i.e. world] trade."

The spokesmen of the big capitalists and the Tories, supported by right-wing Trade Union and Labour leaders, are unhesitatingly opposing wage increases that would help to stimulate demand for consumer goods. They are going bald-headed for the policy of creating unemployment on the plea that workers must transfer to the export industries, to produce the exports to pay for the imports, etc., etc., etc., and all the time they know perfectly well that the only industries that have good export prospects are those that are already laden with arms orders, and that already, for three-quarters, even, of the engineering industry, overseas markets are shrinking through falling purchasing power, administrative import restrictions and so forth.



They know also that German and Japanese competition, unencumbered by arms production and bolstered by American aid, is rapidly mounting in all the British markets. In the first nine months of 1951 Japanese exports averaged 108 m. dollars a month as against 68 m. in 1950—an increase of 60%. Over this period exports to the sterling area increased from 25 m. dollars a month to 47 m. German exports, which in 1949 were about one-sixth the size of British, had by the end of 1951 increased to nearly a half. Here are the indices (average for 1949=100) as given by the United Nations Economic Commission for Europe:

<i>Exports from</i>		<i>1949 in \$ m.</i>	<i>1949 3rd qtr. Index</i>	<i>1951 3rd qtr. Index</i>
Western Germany	..	1,125	101	329
United Kingdom	..	6,556	95	118

These figures are but one indication of the pressure to which British export markets are now exposed.

In this situation the *Economist* declares:

“Mr. Butler’s monetary policy is proving to be much more effective than many critics of credit restrictions, as a supposedly outmoded economic weapon, ever supposed. . . . It has not yet forced many firms to contract, and so free labour for more important uses, but it has induced many firms to go more cautiously and, in particular, to stop wildly building up stocks of materials. Its restraining influence on some forms of consumer buying is also apparent; the sharp fall in used car prices can be attributed in part to tighter credit. These are the results that monetary policy was designed to produce. . . . For the Tories to get into a panic because their policy is working—a little—is another matter; it should be cherished by historians as an extreme example of the curious nature of politics. There is not even the excuse that monetary policy has yet got to the stage of producing in any volume the transitional unemployment that is the unpleasant but unavoidable forerunner to producing more arms and more exports quickly.” (14.6.52)

Here is the essence of Tory policy—the creation of unemployment, euphemistically called transitional, in order to clear the lines for the most reactionary imperialist interests and to create

a situation in which an all-out attack on British living-standards can be launched. The Tories are aware that the old routines of monopolistic restrictions and imperialist domination have been worked to exhaustion; but they have nothing to offer instead, no way out of the double crisis that they face. The crisis of world capitalism is bringing to light the deep-seated weaknesses of the British imperialists that their temporary good fortunes during the last six years have covered up.

The Tories strike ruthlessly at the people in order to eke out the resources of their monopolist masters. But they are still left faced with the need for a policy or a strategy. They dream of restoring the former strength of the "City". They speculate about a reinvigorated empire protected from the competition of outside interests. But, concretely, the means to any decisive solution of their actual bankruptcy escape them and, like a gangster in difficulty, who seeks the "protection" of another stronger gangster, they are drifting more and more into the clutches of American imperialism.

But to the British people all that the Tories have to offer is poverty and unemployment, powerlessness before the advance of American domination and entanglement in the war that American imperialism is preparing.

The whole of the Labour movement must unite to smash the Tories before the Tories smash Britain. The struggle against the Tories for higher living standards, for peace, for trade, is the patriotic duty of every worker. Only from the working-class can the lead come that will save Britain. But in fighting to save Britain the Labour movement must seek allies from the broadest sections of the people, from all who want peace, from all whom the mounting crisis hits.

Here are the proposals that Harry Pollitt, speaking at the Twenty-second Congress of the Communist Party in April 1952, put before the Labour movement:

"It will be the aim of this mass movement not only to defend successfully the living standards of the working people, but, gaining strength from this, to ensure the crushing defeat of the Tories at the next General Election, and the return of a Labour

Government which would be compelled to carry through an entirely new policy.

"We suggest this policy should be based upon the following measures:

"1. The withdrawal of all cuts in the social services, restoration of cuts in food subsidies; wage increases to meet the rise in the cost of living, and increased benefits for the unemployed, old-aged and disabled.

"2. The development of East-West trade.

"3. The reduction of armaments.

"4. The signing of a Five-Power Peace Pact.

"5. Withdrawal of British troops from Korea, Malaya and Egypt.

"6. Throwing off America's domination of Britain.

"We are confident that such measures will command the support of the decisive sections of the Labour movement as a whole. . . . It is not a question of working out a programme that suits only some particular section or grouping in the Labour movement, but the policy to save Britain from disaster on which unity can be reached."

Any man or woman who has honesty can ask himself or herself whether there is any other road to the salvation of Britain.

## VIII

### ECONOMIC POLICY FOR PEACE AND THE PEOPLE

The crisis facing Britain permits of no narrow economic solution. It is the creature of reactionary, imperialist policies, and can be solved only by policies of peace and progress. To show this has been the central purpose of this book. Britain's crisis is not an "economic" crisis in any narrow sense, but a crisis of policy.

The warmongering of imperialism and its suppression of the political liberties of the working people are rooted deep in the

economics of capitalism in its period of general crisis. Of the bloodthirstiness and unscrupulous villainy of the rule of the monopolies in the world of decaying capitalism there are economic explanations, it is true: but to oppose these things the economic struggle alone is quite inadequate. The policies of imperialism and war must be fought in the political field by a movement guided by wisely conceived policies of its own. Without this the economic struggles of the workers will be sterile; with this they will succeed in their aims and at the same time become the heart and the strength of a great patriotic movement.

### *Crisis of Peace and War*

Before all else the severity of the developing crisis has been the result of the war policy, the arms drive and the cold war which wastefully inflate the volume and the cost of imports. Despite all the talk of cutting off imports none of this applies to the arms programme.<sup>1</sup> The arms programme distorts the whole balance of the engineering industry and chokes up the capacity best suited for lasting and remunerative export markets. It creates shortages of steel and other key materials. American policy has coupled with the imposition of crippling arms programmes on the capitalist world the banning of East-West trade, and has at the same time resuscitated the West German and Japanese monopolies as competitors for the restricted markets of the capitalist world.

The peace of the world lies in the hands of the peoples of the world. In this a tremendous part is to be played by an understanding of the unreserved devotion of the Soviet Union to the cause of peace, rooted in the fact that the socialist economy of the Soviet Union has no interest whatsoever in expansion and domination: it is planned production for use in which all the

<sup>1</sup> "Among imports of manufactured goods", writes *The Times*, comparing the first six months of 1952 with the same period of 1951, "increases of £46 m. in iron and steel, of £34 m. in metals, and of £29 m. in machinery dwarfed the downward trend in textiles, refined petroleum, chemicals and paper board. These particular increases, it may be hoped, will be translated in due course, into more goods for defence or, if the United Kingdom goods remain competitive in price and delivery, into more goods for export. But this qualification is becoming increasingly important."

energies of the people are devoted to raising standards of living and culture at home.

The building up of excessive armed forces in Britain to be put at the disposal of American commanders increases and does not diminish the danger of war. It is dangerous waste. Very well then, end the arms programme. But how can Britain get on without American support economically and in the maintenance of the empire? And is not Britain economically dependent upon its empire?

Peace and the economic policy for peace, national independence and an economic policy of self-reliance, relations of equality with the peoples of the empire and all other peoples of the world—all those are things that can come only as the fruit of determined struggle and clear political vision. Peace is the central issue for the people of Britain, but it can only be won if the people take the cause of peace into their own hands.

Alongside the fight for peace goes the fight against poverty. And here the leaders of the working-class have a special responsibility in the struggle for wages, which is the spearhead of the fight against poverty.

The issues of peace and of wages are distinct, and people's attitudes towards them will differ. But the issues are not separate. Peace is the issue that stands out in importance before all others, and if it were, in fact, necessary in order to safeguard peace to forego wage increases, the mounting struggle for wages would not command the support it does. But, in fact, the struggle for wages is mounting to new heights—and will continue to mount—only because the issues of peace and war are becoming more clearly understood in the minds of the British workers. Further development of the struggle for peace is the indispensable condition for the further development of the struggle for wages. As the conviction grows in the minds of the workers that in fighting for wage increases they are fighting also for peace and for the future and independence of Britain, so unity, wisdom and determination in the struggle for wages will increase. And then in turn the struggle for wages will help to drive forward the struggle for peace.

The very condition for *starting* to implement the policies we

have been discussing in the last few pages of this book is the development of a clear-sighted, many-sided, determined political struggle led by the organisations of the working-class in Britain. And when the first step has been taken, the conditions for the further progress and development of these policies will be the same, namely, persistent struggle against the opposition and obstruction of the imperialists and all whom they can rally to their side.

But what a victory the imposition of a policy of peace and independence will be for the forces of progress, and what a blow to the forces of the imperialists! Of course, while production for profit still remains the danger of profiteering remains, and the certainty that where there remain vast private fortunes there will remain also breeding-grounds for the power of reaction. But the relationship of forces will be changed in favour of the working-class, and new resources of confidence, enthusiasm and initiative will be released. Taught by the experiences of the struggle for peace, millions who do not now see or fear the dangers of continued capitalist strength, will see these dangers clearly enough when the time has come to deal with them—and will then deal with them.

Politically and economically the crisis now facing Britain is the crisis of peace and war. War is the policy of the imperialists—war against socialism and war against the colonial peoples. Poverty, economic crisis and restricted trade is the price of this policy. Peace is the policy of the people. For the people peace also means a halt to poverty and economic stagnation. Peace or war—that is the immediate issue; not capitalism or socialism. Or, rather, the issue is being joined between the policies of the socialist working-class and the capitalist imperialists, and the first contest is between war and peace.

When the threatening crisis of war has been thrown back, the working-class and the people of Britain will not complacently surrender themselves to the capitalists and abandon all political concern. They will have gained new understanding and will have begun to learn their own political strength. Political appetites will grow with feeding, and those who have fought to take their first step to peace will be quick to learn that the step to socialism

must be taken if the full fruits of winning the peace are to be enjoyed.

It will become clearer and clearer that if Britain's resources are to be developed to the full, if the working people of Britain are not to be robbed of the fruits of their labours, if a stable structure of foreign trade is to be built up, if the machinations of the imperialists are to be scotched, then public ownership of the means of production and production for use in accordance with a plan in the implementation of which the whole people co-operate; in short, socialism and working-class power will be indispensable for further progress.

Many of those who fight with us for peace today, tomorrow will be fighting with us for socialism. In the fight for peace today, in the fight against poverty today, many millions will learn to know and love socialism. We should, therefore, never cease to discuss and explain the path that lies ahead. In issuing a programme and a perspective for the advance of Britain to socialism in *The British Road to Socialism*, the Communist Party has, therefore, done a great and lasting service to the British working-class.

The economic policy for peace, the economic policy to free Britain from the menace of mounting crisis that has here been discussed, needs to be seen, if it is to be fully understood, as a turning away from the road of Britain's economic stagnation and political and social decline, as a gateway to a new and rich future, as a first and decisive step along the British road to socialism.

### *Peace and Trade*

Is all this a dream or is it a practical proposition? Let us consider the figures, to which reference has already been made in Chapter I, setting out Britain's balance of payments on overseas account. In order to assess some of the economic consequences of a changed policy we make the following assumptions:

First, Britain ceases to impose her will by force on any subject peoples and cuts overseas military and Government expenditure from the present level of about £200 m. a year to the pre-war figure of £16 m. a year.

Second, the economic exploitation of the colonial and other

backward peoples is altogether abandoned—with the result that Britain does not on balance receive profits and interest from overseas.

Third, net profits from shipping average about £100 m. a year. (This, allowing for the generally higher level of prices today, is not much more in real terms than the post-war average and is fully justified if policies for developing empire and East-West trade, referred to below, become a reality.)

Fourth, receipts for “other items” which in part represent disguised forms of surplus value going to financial and commercial interests, fall to one-quarter of their present level, whereas payments for “other items” continue at their present level.

Fifth, the volume of imports is in the same proportion to the volume of exports as has, in fact, been the case on the average in the years 1946–51, and the ratio of import to export prices is the same as it was in 1938. (The reasonableness of this last assumption is further considered below: see also Chapter V, pp. 55 ff.)

On these assumptions the balance would in round figures be as follows at current prices:

	<i>£ millions</i>
Excess of receipts for exports over payments for imports .. .. .	+ 50-75
Net receipts for shipping .. .. .	+ 100
Receipts for “other items” .. .. .	+ 66
Overseas Government expenditure .. .. .	- 16
Receipts of profits, etc. from overseas capital	nil
Payments for “other items” .. .. .	- 50
	<hr/>
	+ 216-241
	<hr/>
Balance	+ 150-175

On these assumptions Britain could abandon entirely the line of policy that the monopoly capitalists, anxious to safeguard their “rights to exploitation” in the four corners of the globe, have to date imposed, could abandon entirely all claims to “unearned income” from overseas and the costly privilege of bombing and shooting colonial peoples into respect for these claims, could abandon exploitation and still show a favourable balance of trade.

Are the assumptions that have here been made reasonable and is the abandonment of an imperialist line of foreign economic



policy a feasible proposition? On the latter point, the issue is simply that policy must cease to be made and administered by those who think in terms of "their" rubber plantations, "their" sisal crops, "their" banks, "their" tin mines and so forth, and must instead be made and administered by those who think in terms of the interests of the people of Britain and treat the colonial peoples as equals with whom they have no desire to interfere contrary to their wishes.

Amongst the economic assumptions it is necessary only to consider further the balance of "visible trade". Can we really get for our exports more than we have to pay for our imports? To this question there are three aspects: (1) the volume and source of imports; (2) the volume of exports and; (3) relative prices (of imports compared with exports).

It should be possible to raise the standard of life in Britain greatly without raising the volume of imports above the average for the six years 1946-51; that is, a level about 15% below pre-war. This should be possible because: (1) materials would not be extravagantly swallowed up on the arms programme; (2) many of the most urgent home requirements (such as houses, hospitals, homes and school buildings) do not call for much imported material; (3) home production of food could be expanded; (4) other British resources (for example, of iron-ore) could be developed.

A restriction of imports to pre-war levels does not, therefore, mean a holding back of British civilian production. At the same time, if it is possible to increase exports above the level provided for in these estimates, it may well be desirable to expand imports. To free ourselves from the deficit with the U.S.A. and Canada we would need to cut our imports from these areas to about half the 1951 level (or two-thirds the 1950 level, which was not so high).

This should not be difficult as about a quarter of our imports from North America are grain and flour which we can get elsewhere (from Australia and the Soviet Union in particular, as well as by growing more ourselves); one-tenth is wood and timber that we can certainly get elsewhere, and in particular from the Soviet Union; about 9% is tobacco which we can get elsewhere, and in

particular from empire sources. In addition, very substantial sums are spent annually on American films. Great savings could be effected by encouraging the British film industry (in which, given the funds and resources, there is first-rate talent to be exploited) and by making use—with skilful “dubbing” by top-grade British actors—of the best of the French, Chinese, Soviet, Polish, Italian and Czech films—all of which can be bought without spending dollars.

If to all these items we applied a cut of three-quarters and to all other items a cut of one-quarter, the deficit would be covered.

There are practically no supplies from the dollar area that we could not do without, if we had to. At the same time we would welcome any trade “without strings” and at reasonable prices with the Americans or anyone else on the basis of balanced accounts.

There could be no question of maintaining exports at present levels if it were just a question of carrying on with the old policy of leaving the capitalists to fling their commodities out on the markets of the capitalist world, hoping to find purchasers in the teeth of increasing German, Japanese and American competition as the crisis deepens. But if a new economic policy is adopted with regard to empire countries and with regard to the Soviet Union and the People’s Democracies, then it is perfectly feasible to maintain exports at their present levels.

Britain is a country that is rich in economic resources and should never, in face of the needs of the world, be thinking in terms of shortages and poverty. It is rich in resources because it has what today is more pressingly needed than anything else: namely, many men and women with abundant experience and skill in industrial processes of production.

As the vast economic expansion of China, the Soviet Union and the People’s Democracies proceeds, there is an almost limitless market available for the products of British engineering industry in particular, but also for the goods produced by many other industries. If we encourage the economic development of India, the colonial territories and the dominions, we shall not only increase the markets for our products, we shall also increase

the productivity of their economies as a whole, and raise—not lower—their ability to supply us with primary products.

If Britain were to restore trade with the Soviet Union and the People's Democracies even to the level of pre-war days, it would mean a great addition to our overseas markets. The volume of British exports to Eastern Europe in recent years, taking 1938 = 100, has been as follows:

	1948	1949	1950
U.K. exports ..	39	54	45

The fall in trade with Eastern Europe expressed as a percentage of all trade is even more marked:

	<i>Percentage of U.K.'s Total Trade</i>		
	1938	1950	1951
<i>U.K. Exports</i>			
All commodities (excl. re-exports) ..	4.5	1.1	0.6
Machinery .. .. .	8.3	4.5	1.7
Iron and steel .. .. .	0.7	0.2	0.2
Vehicles .. .. .	2.0	0.2	0.2
Non-ferrous metals .. .. .	15.0	1.0	0.4
Woollen and worsted .. .. .	5.0	0.7	0.3
Chemicals .. .. .	0.9	0.4	0.4
Electrical goods .. .. .	1.1	1.2	1.0
<i>U.K. Imports</i>			
All commodities .. .. .	5.8	2.4	2.3
Grain and flour .. .. .	7.7	8.7	11.0
Wood and timber .. .. .	26.0	15.0	6.0
Misc. textile materials (incl. flax) ..	10.0	0.8	0.5
Hides and skins .. .. .	18.0	8.0	10.0

Shortly before the World Economic Conference held in Moscow in April 1952 a number of leading Soviet economists reviewed the possibilities of East-West trade and made some statements that deserve to be known and studied in the Labour movement here. For example, M. Alexandrov in a brochure issued by the Academy of Sciences of the U.S.S.R., after pointing out that before the war Eastern Europe supplied 35% of the timber imports of Great Britain, France and Belgium and 47% of those of Germany, and also supplied 20% of all the wheat, 18% of the fodder grains, and 20% of the eggs imported by Western Europe, stated:

“At the present time Eastern Europe is in a position to export still larger quantities of commodities like timber, fur, certain kinds of ore, oil products, coal, wheat, rye, butter, meat, sugar,

eggs, etc. On the other hand, the vast peaceful construction that is going on in the Soviet Union, the European People's Democracies, and in the Chinese People's Republic opens up the possibility of placing big and profitable orders with the industries of the Western countries for equipment for the innumerable schemes that are being carried out in a vast area stretching from the South China Sea to the Danube. Nor are there any business considerations that can hinder an increase in the export from the Western to the Eastern countries of the products of the consumer goods, and food and other industries. Even if trade with Eastern Europe were brought back to the pre-war level—and in view of the steady improvement in the conditions of life of the people in the East European countries this could easily be exceeded—Great Britain could increase her exports of cotton goods by 80 per cent, woollen cloth by 50 per cent and worsteds by 24 per cent.”

This same article refers to the traditional trade between China and Britain in which we in the past have imported egg products, tung oil, bristles, wool, raw silk, tea and other commodities and have exported manufactured goods, equipment, chemicals and fertilisers. At the same time, the removal of the East-West trade bans could give a great stimulus to the trade and economic development of a number of countries in the sterling area. For example, M. Alexandrov states that “India could sell to the Soviet Union jute, shellac, tea and pepper, and buy grain, industrial equipment, machine tools, locomotives, tramcars, autobuses, automobiles, chemicals, agricultural machines, weaving looms, etc.”. Here is an offer of great importance—that is, if our policy is to develop the trade of the sterling area on a basis of equality, and not the old imperialist policy of stimulating only those economic activities that bring advantages to the big capitalist interests in Britain.

There is also, states the article by L. Fituni, a basis for similar exchanges of rubber and tin. (This would be of great economic benefit to the people of Malaya when once their exploitation by British capital has been brought to an end.)

Attention needs also to be paid to an article in *Problems of*

*Economics*, the leading journal for Soviet economists, which shows how trade in the capitalist world has been hampered by instability of exchange rates, shortages of dollars and other foreign currencies and all the other balance of payment problems with which we are so painfully familiar. In conclusion, the article says:

“The resumption of the former, natural trade relations with the countries of Eastern Europe would enable them (the states of Western Europe) to obtain the goods they require without spending gold or dollars. The fact of the matter is that trade relations between the countries of Western and Eastern Europe could be based on barter and clearing arrangements, which would obviate the necessity for foreign exchange (either dollars or other currencies). The development of such mutually advantageous trade would undoubtedly help to normalise the balance of payments of the West-European countries and would create the necessary prerequisites for the relative stabilisation of their exchange rates.”

(A. Smirnov, p. 45, No. 3, March 1952)

There should be scope for developing in time trade with empire countries arranged, in part at least, on similar principles; namely, supply of definite quantities of commodities over a number of years and in payment for these delivery of certain definite quantities of goods manufactured in Britain. At the outset naturally British exports in such arrangements would be manufactured goods, plant, machinery and so forth, in the main; in return for them raw materials and foodstuffs from the empire countries.

Arrangements of this kind would provide both assured supplies and assured exports that would not either in price or as regards possibility of effecting sales be at the mercy of the unstable markets of the American-dominated, capitalist world. They would provide what Britain needs more than any other country in the world; namely, some stability and certainty with regard to foreign trade.

Finally, given the kind of foreign economic policy that we have sketched out above, what are we entitled to expect will happen to the relation of export to import prices? On this it is not easy to be precise. As Smirnov notes in the article quoted above, a

firm basis of reciprocal trade covering a substantial percentage of our essential supplies would make the stabilisation of exchange rates possible. It would, in particular, relieve the "pressure against the pound" which in the last analysis always means dollar pressure, and make possible exchange relations based not on the pressures exerted by the manœuvres of big capital but on the relative values of the goods exchanged. The exploitation of Britain through adverse exchange rates would be brought to an end. At the same time, Britain would no longer be in a position to impose adverse prices on other people.

Broadly speaking, it is certain that the relative import and export prices would be more favourable to Britain than they are at present. The main reason for this would be freedom from the financial domination of America; but it should also be noted that as the "backward countries" supplying raw materials began to develop industrially and to raise the living standards of their workers, prices would be more likely to fall than rise as a result of the improved production methods that would accompany these tendencies. Moreover, these countries would, provided they had assured markets for their products, be ready to pay a fair and reasonable price for the industrial equipment of which they stand in such great need, and would be as much concerned about delivery times and credit terms as about price. Britain should be able, out of the favourable trade balance that she can expect, to offer good credit terms for industrial equipment and plant. This is an important factor because it will be much easier for a former colonial territory, for example, to repay part of the price of capital equipment with the added production which such equipment makes possible.

It would not, of course, be necessary or reasonable that Britain should be entirely dependent on trade of the somewhat new type that we have just been discussing. There would still be plenty of trade to be done with the rest of the world, with Europe, with South America and with North America; but an important factor in this trade would be that an "iron ration" of supplies and certain firm export markets would already be assured. Dependence on American supplies and the uncertain markets of the capitalist world would no longer weaken our bargaining position. We

would be strongly enough placed to see that this trade was entered into on a fair and equal basis and with full regard to our national interests.

### *The Road to British Prosperity*

A sound solution to the problem of Britain's external trade would be an achievement of historic importance. It would not, however, automatically solve all other economic problems. Far from it. Indeed, in order to carry through a sound foreign trade policy, it would be necessary right away to take certain corresponding measures relating to British industry. The sort of reciprocal trade arrangements that we have been considering would necessarily require not only a considerable amount of Government buying of foodstuffs and raw materials—which is nothing new and has been practised extensively during and after the war—but also Government responsibility for price, delivery to date and so forth, of the exports that constitute the other side of the bargain.

There is no great difficulty about this. The Government, after all, assumes responsibility for a vast arms programme, and from the practical standpoint there is no reason why what is done on behalf of the Chiefs of Staff and General Ridgway should not be done on behalf of the people and those who stand against the vile war plans of the American monopoly capitalists and for the peaceful co-existence of the socialist and capitalist systems and for the independence of Britain.

But administrative organisations are practically incapable of performing the simplest tasks if the will and political determination is lacking in those who make them function. Those who cried "impossible" to the Soviet Trade Agreement that was being negotiated in 1947 will do so again when similar negotiations are mooted. The implementation of the trade policy necessary to the salvation of Britain will, therefore, call for the most vigorous, persistent, and well-led struggle on the part of the Labour movement, and its allies in the cause of peace, to overcome obstruction from the champions of imperialist policies amongst officials and business men.

It should be noted also that it will be highly advisable to see

through the agency of Government control that capacity released with the cutting down of arms orders is systematically put over on to export commitments of national importance.

But what about the slump in home production of consumer goods? Will a correct foreign trade policy solve that? It cannot be expected to do so. It will mean some increase in export orders, but there would still be much idle capacity. The main market for Britain's consumer goods industries must be Britain. Any "solution" to our economic problem that sets out to lower the standards of consumption of the people, and not to raise them, is no solution to *Britain's* economic problems—though it may well serve the purposes of big capital. But the interests of the British people and of the big capitalists are not the same. This is the fundamental confusion that at the present time, more than anything else, needs clearing up—the confusion between the crisis and policies of the people and the crisis and policies of the imperialists.

The first essential to a healthy British economy is an expanding market within Britain, and this means first and foremost—more wages. The level of wages, as we have shown, is the main factor determining the level of personal consumption in Britain. It will also be necessary to see that productive capacity is directed, as a first concern, to the production of goods needed by the workers and the general run of the people. These goods must be of good quality and cheap, and it is therefore important to reinstitute without delay improved Utility schemes, to see that the prices of Utility goods are properly controlled and that the producers are not held up by material shortages or by having to pay excessive prices.

A great deal can also be done to stimulate demand by removing purchase-tax from goods entering into mass consumption and by reducing the huge burden of indirect taxes that the workers carry.

Increased Government expenditure on social services is also most necessary and important from two angles, both as a means of raising standards of living, health and culture, and as a means of expanding the home market. All the cuts will need to be speedily restored and enlarged programmes worked out as soon as possible.



There are many other things that need to be done and to which a Government committed to the defence of peace and a break with the policies of imperialism would have to direct its attention. For one thing, the improvement of production technique in British industries is a matter of outstanding importance. In addition, it would be necessary—with the aid of Government subsidies where needed—to increase greatly the output of British agriculture and to stimulate production of raw materials available in greater quantities from British sources.

Where, it will be asked, is the money coming from for all this? A question that is never asked, it seems, when it is expenditure for war that is at issue. We need only remind the champions of capitalism who so wisely shake their heads in disapproval of State expenditure, that the abandonment of imperialist policies of war and domination will result in vast economies of State expenditure in other directions.

But is all this an adequate policy? Will not many powerful capitalists sabotage it? Will there not be vast profiteering out of social service expenditure, just as there is out of State orders for war? Will there not be profiteering also on export orders? Will not the increased spending power of the people create shortages of consumer goods in relation to the bigger demand, and will not this too mean bigger profits for somebody? And will not the very success of the policy in increasing economic activity swell the profits and therefore the power of the big financiers and monopolists?

All these fears are well founded. These are real dangers. But they must be seen in their proper setting: that is, against the background of the crisis to which this policy is the first and immediately necessary answer, and also in the light of the political action of the Labour movement and the people by which alone a change of Government and a change of policy can be effected.

The present crisis is a crisis of policy—a crisis in the policy of imperialism and war. It is because the political aims of the Government are wedded to the consolidation of imperialist rule and the crushing of socialism that the way out of Britain's economic crisis cannot be found.

This the Labour movement is now coming to see, and the

realisation is growing that a united fight can defeat the Tories and those who fight for Tory policy in the Labour movement. The aim of this fight should be the establishment of a new type of Labour Government with a new policy. Such a new type of Government with such a new type of policy could begin to master the economic crisis and take the road to peace and social progress. In so doing the lasting solution to the economic difficulties of Britain could be found. At long last it would be possible to put an end to cuts in social services, dwindling wages, rising prices and rising taxes. The way to a rich and happy future would be opened for the British people, the way that leads to a socialist Britain.

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