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THE TREND OF CAPITALIST DEVELOPMENT

Capitalism is the epoch of the rise and decline of the Nation State. Without the Nation State, a market economy could not emerge and without a market economy the expansion of industry would be impossible.

But once industry is expanding a peculiar contradiction takes shape. Because capitalism is based on competition and driven by the profit motive it sets in motion a continuous revolution in the means of production. This in turn increases the organic composition of capital.

In order to survive on the market the owner of each unit of production is compelled to change and up-date his production equipment as frequently as possible. The ratio between capital invested in production equipment (constant capital) and capital invested in living labour (variable capital) consequently rises.

As a result capital becomes centralised into fewer hands and concentrated into bigger units. Firstly, those who are not able to keep pace with the expansion of constant capital are competed off the market. Secondly, as machine production advances the higher becomes the organic composition needed to achieve the average rate of profit. Consequently the average capital required to attain the average rate of profit also becomes higher. It is then harder for those with small sums of capital to set up against the giants already in existence. Gradually centralisation and concentration becomes a pronounced phenomenon. Modern statistic shows the extent that these developments have reached to-day. In the United States, for example, 1% of the population owns 80% of capital invested while in Britain 10% of the adult population owns 75% of personal wealth. And in Ireland, a recent report shows that 5% of the population controls 2/3rds of the country's wealth.

At the same time this centralisation is accompanied by wholesale concentration. It is estimated that within a few years no more than 300 giant concerns will rule the entire "free world" market.

THE SECOND INDUSTRIAL REVOLUTION

The first industrial revolution, usually known as The Industrial Revolution heralded in the epoch of capitalism. A period of Free Trade or laisser-faire capitalism followed. Towards the end of the nineteenth century a second industrial revolution occurred which precipitated capitalism towards its imperialist stage of development where the above discussed tendency reached full maturity.

Like the first industrial revolution the second industrial revolution changed the source of power for production and transport. Petrol and electricity, while not ousting coal and steam immediately or completely, became major factors in the production process.

Along with these new sources of power a number of inventions and discoveries were made. The Bessemer process, the open hearth furnace and the Siemens-Martin Refrigerators encouraged the use of steel as a basic raw material. Also important advances were made in chemistry which dealt a mortal blow to the traditional textile industry and opened the way for the production of synthetic materials.

The whole axis of production began gradually to shift. Previously cotton and coal were the leading industries but now steel and engineering were taking over. The industrial centre of gravity was altering as well. Within Britain the steel centre of Birmingham was overtaken by the cotton centre of Manchester and on a world scale the rest of Europe and America were steadily catching up with Britain.

The Second Industrial Revolution gave a tremendous impetus to the tendency of centralisation and concentration inherent in the capitalist system.

The very nature of the new discoveries and inventions which underlay the second industrial revolution favoured a higher degree of focussing in production. Electricity for example made it possible to develop mass production with not alone a division of labour within each plant itself but also between the different industrial sectors more complete and dictated further centralisation and concentration.

Moreover the organic composition of capital rose enormously. The new transformation of the steel industry did away with the old blast furnaces which were fuelled by wood. Henceforth massive capital outlay on plant and machinery was required. There followed a more or less rapid elimination of the small and middle businessmen from the key sectors of industry. Huge combines, employing thousands of workers became the norm.

This process was very general. A fairly comprehensive set of statistics for a number of countries has been compiled by to-day's leading Marxist economist, Ernest Mandel. The degree of concentration is shown as follows: In the US in 1880 only 540 enterprises employed more than 1,000 workers but by 1955 more than 21,000 did. In Britain, by the eve of the second world war approximately 50% of output and about 50% of employment was provided by large industrial units employing more than 1,000 workers each. Again, in Germany in 1882, 65.9% of enterprises employed less than 10 workers while only 11.9% employed more than 200. But by 1961 however, only 24.3% of enterprises employed less than 10 people while 45% employed more than 200. Figures are also available which show a similar process in France, Belgium, Italy, etc.

THE CONTRADICTION BETWEEN THE PRODUCTIVE FORCES AND THEIR NATIONAL LIMITATIONS

By the beginning of the 20th Century this tendency had given rise to an insoluble contradiction between the productive forces and their national limitations.

The narrow focussing of industry, while it placed supreme power in the hands of a small bourgeois elite, also gave rise to some problems. According to the Labour Theory of Value, profit is derived from the surplus labour time expended by workers. As industry becomes more and more concentrated this means that the employers invest their capital much more in plant and machinery than in the purchase of workers' labour time. Thus they are cutting the ground from beneath their own feet since they are reducing the possibility of making profit. In fact the tendency for industry to concentrate gives rise to another contradictory (as far as capitalism is concerned) tendency, i.e., a falling rate of profit.

As a result, countries where industry is highly concentrated become "over capitalised". That is to say, the surplus value created cannot be turned into capital and re-invested with the prospect of making the same rate of profit achieved by previously invested capital. An outflow of capital from these countries to less developed areas where a higher rate of profit can be made follows. But this again gives rise to more problems since fierce competition between the major capitalist powers is generated in the search for investment markets.

Capitalism in the course of its development not alone aggravates the contradiction between social large-scale production and private individual reaping of rewards but also aggravates the contradiction between the universal continuously expanding means of production and the national static boundaries within which they first grew.

BETWEEN THE TWO WORLD WARS

The holocaust of the First World War proved beyond doubt that this contradiction has sharpened significantly. The "socialised" or state organised economy of the beligerent countries was an intimation that the only way forward for manking was along the road to Socialism. Unfortunately the lessons involved escaped the working class.

But the ruling class did learn some lessons. Their problem was whether or not the struggle for markets was worth such disruption and devastation. Naturally they would prefer a more peaceful and less costly solution to this struggle. Strangely enough the erstwhile Marxist Karl Kautsky, a prominent scholar and German labour leader came to their aid in this.

While Marx's analysis showed that no peaceful settlement of this problem is possible, Kautsky heartened the bourgeoisie greatly by arguing that Imperialism or Monopoly Capitalism was not the product of the operation of the laws of capitalism, but a policy decided upon by the ruling class. If Imperialism is only a subjective policy, and not a system governed by certain objective laws, then it is possible to change this policy at will. That a self-styled "Marxist" should lend such aid and comfort to the bourgeoisie in the hour of their death agony was the first paradox issuing from the Great Slaughter.

The second paradox was no less striking. Firstly, the seeds of future co-operation were planted in the midst of this free-for-all among the imperialist powers. The Allies in their efforts to co-ordinate their strength set up the Supplies Commission which had some twenty sub-committees to deal with the international exchange and rationing of various groups of commodities. Secondly, the re-drawing of many national boundaries cut through numerous natural divisions of labour and forced much more co-operation on national sections of the bourgeoisie which had previously been hostile.

The question now was whether this co-operation could last. Two major obstacles stood in the way of a general economic recovery. The Gold Standard had been abandoned during the first World War. As gold is the universal commodity through which the relative value of all other commodities is expressed this was a disastrous occurrence for international trade. Without a common gold standard the possibility of exchange was greatly reduced. In addition high national tariff barriers existed for the purpose of protection and these also proved a thorough obstacle to the revival of trade.

A rehabilitation of the Gold Standard (or at least a stabilisation of the monetary system) and a massive reduction in tariff barriers was essential to post war recovery; without advances in this direction the competitive individual nature of capitalism could only become more pronounced.

By 1927 the monetary system had become more or less stabilised and a trend toward a reduction of tariffs was in progress. In 1931 plans were finalised for a huge free market in central Europe by means of a Customs Union between Germany and Austria. Almost parallel with this came the signing of the Treaty of Ouchy in 1932. This Treaty provided for a 50% reduction in trading tariffs between Belgium and Holland.

But already a crucial test had come. The French bourgeoisie had opposed successfully the creation of a Central European Free Trade area, fearing a dramatic German recovery and renewed competition. And now Britain in an endeavour to maintain her hold over Belgium successfully hindered the proper operation of the Treaty of Ouchy.

With no substantial advances in the trading situation the pressure on the monetary system was too great and eventually it collapsed again. This, on top of the Wall Street crash reversed any tendency there may have been towards international co-operation. Next Britain abandoned Free Trade and many other nations followed suit. A tariff war ensued. The net result was a slump in World Trade from $5,350 million in 1929 to $1,785 million in 1933.

SECOND WORLD WAR AND ITS AFTERMATH

The failure to increase international co-operation and create a supernational society led directly to the Second World War. Kautsky was proved wrong and Marx right. On the basis of the resulting carnage the perspective for a united capitalist Europe gained new dimensions however.

The whole of continental Europe was devastated. Giant industrial cities like Hamburg, Rotterdam and Cologne were levelled to the ground. Industrial production in France, Holland, Belgium, was but 40% of what it had been in the pre-war days and in Italy conditions were even worse after the dislocation caused by Mussolini and his fascist regime. The same story was repeated in agriculture. The intense productivity demanded by the war effort led to an exhaustion of the soil. Due to this and many other problems, such as a labour shortage, output grinded to a near standstill. Grain production for instance had fallen to only 1/3rd of what it had been in the 30's and the wheat harvest of 1946 was only 50% of what it had been prior to the war.

Initially British and American capitalism which had emerged from the war relatively unscathed saw the opportunity to finally smash their powerful continental competitors and reduce them to the status of serfs.

As Germany, now controlled almost exclusively by both countries (at least they controlled the Western part of it) was an important supplier of vital raw materials to the other countries of Europe, their strategy was to cut the production capacity of Europe by strangling Germany. The "Plan for the level of Post-War Economy" was introduced with a view to keeping a check on the revival of the German economy. Many industries, armaments, aircrafts, ball-bearings, heavy machine tools, sea-going craft (with a few exceptions) plus synthetic petrol and rubber were banned altogether. The production capacity of the steel industry was restricted to 7½ million tons while actual output was limited to 5.8 million tons. All this had the effect of stagnating the European economy.

TOWARDS REVIVAL

While the U.S. had started off in the industrial and economic race a long way behind her closest rivals, she took little time in catching up. From the time of the Civil War a period of rapid expansion took place. The rapid progress made can be seen from a glance at steel statistics. In 1880 Britain still produced 50% of the world's crude steel. But by 1913 America was producing 40% of the world's steel and more than Britain, Germany and France combined. The two world wars which mainly devastated Europe helped America reach her dominant position all the sooner. In 1945 the US was poised for absolute superiority when three important factors intervened to change her policy.

Firstly the attempt to strangle Germany and put Europe as a whole on a leash soon rebounded on the heads of Britain and the U.S. In 1947 a fuel crisis hit Europe accompanied by a severe winter and a food shortage. The "Spectre of Communism" was again "haunting Europe". Growing social discontent coupled with the postwar developments and advances of the Soviet system, forced a new approach to the situation on the Americans.

Secondly, the structure of the American economy after the War and at the end of the first postwar cycle dictated a policy of European Restoration. The war effort had geared the American economy up tremendously and this resulted in a surplus productive capacity in the post-war period. Coupled with this, the war effort had given rise to full employment. This put the workers in an ideal position for pushing up their wages and bringing about a decline in the rate of profit. But as usual the capitalist system operated in accordance with anarchic and contradictory laws. For on the other hand, an enormous and growing surplus capital was also being produced and due to the above mentioned factors this surplus could not be reinvested profitably in the U.S.

Previously, such capital as could not be re-invested economically in the metropolitan areas was exported to the backward countries. But the surplus capital in the US, generated during the War and which continued to grow afterwards, was concentrated in the hands of the giant oligopolies. For these types of concerns the markets in the Colonial world were too narrow and moreover (arising out of point three below) the lengthy time scale for the recovery of capital invested in very expensive equipment could not be guaranteed due to social and political flux.

The only area where investments could take place profitably, safely and in harmony with the overall political needs of international capitalism was in Europe. A new pattern in the export of capital began to emerge. Now capital was exported not to the Third World but to "backward" Europe. For instance the export of private capital from America consisted of $2.8 billion to backward countries and \$2.7 billion to other imperialist countries, in the period 1955-60. The following period between 1961-66 saw a further shift in the balance. Now \$2.3 billion was sent to backward countries whereas \$4.2 billion was sent to other imperialist countries. Thus by 1949 US capitalism had exported only \$7.2 billion to Europe while by 1967 it had exported \$60 billion.

Thirdly, the dissolution of the old colonial empires during the Second World War sparked off a massive colonial liberation movement. At an early stage this trend was directed by and large at West European interests. The opportunity then arose for American imperialism to penetrate these former colonies. However, the Cuban Revolution at the end of the 50's signalled the tide was turning against America and to-day the pro-revolutionary situation which characterises the whole Latin American continent indicates the breath of this movement. These developments forced US imperialism to strengthen Europe and use it as a rearguard against the Colonial Revolt.

The above three factors combined to give Europe a stay of execution. This was first reflected in major alterations to the "Plan for the Level of Post War Economy". The dismantling of some 780 plants was postponed, the ban on many industries lifted, and the production quota for steel was up-graded by nearly 100%. Together with this, US capitalism undertook a huge investment programme in Europe known as 'Marshal Aid' and ploughed \$4.878 million into various enterprises.

Gradually economic life in Europe began to revive. The extent of this process can be judged from the following figures: Western Europe's share of international trade had fallen to below 34% of the world total in 1947, while the North American (US & Canada's) share stood at 27%. By the mid 60's however, Europe had increased its share to over 40% while the North American share dropped to 18%.

EUROPE MOVES TOWARDS UNITY

After Marshal Aid was agreed on, the Organisation for European Economic Co-operation was set up to distribute the funds. A fundamental obstacle hindering the course of economic recovery was the absence of a stable monetary system. One of the first actions of the OEEC, therefore, was the establishment of a European Payments Union. This body formulated the Intra-European Payments and Compensations Agreements (or simply the "Agreements") which established an international payments mechanism similar to the commercial banks clearing house system. It also decreed that a certain portion of Marshal Aid be used by each country to open credits in favour of other countries signing the Agreements. Thus automatic multilateral method of payments for all member countries of the OEEC was established which limited the transfer and reserves of gold and hard currencies. In the following years, between 1949 and 1956, only 2.1% of deficits were settled by a direct transfer of gold while 70% of deficits were balanced by reverting to the EPU clearing house operations. This enhanced enormously, the stability of the monetary system and gave an impetus to international trade.

At the same time this growth of international trade set in motion a drive against protectionism. In 1947 the General Agreement on Tariffs and Trade which consisted of over 120 different agreements was ratified. Linked with the reform of the monetary system this gave an immediate boost to inter-European trade. It was expected that trade between European countries would reach the pre-war level by 1952, but in actual fact it rose by a third more and in addition, a general surplus in the balance of payments was created.

The overall revival which was taking place and which would lead to European integration was first marked by the formation of the BENELUX customs union. This was based on a revival in 1947 of a treaty signed in 1944 by the exiled government of Belgium, Holland and Luxemburg in London. The customs union incorporated many of the features of the European Economic Community, yet unborn.

THE FACTORS BEHIND UNITY

What was at the root of this growing tendency towards integration? For an answer to this question we must turn to a consideration of the Third Industrial Revolution. As we explained above, the second industrial revolution occurred due to a change in the source of industrial power from steam to electricity and petrol. In the same way, the third was sparked off by a change in the source of power to atomic and nuclear enegy, plus a more intensive use of electronic machinery.

The pecularity of this revolution was that while its predecessors were able to develop within the framework of capitalism, it was not.

Firstly, the technological revolution speeded up the amortisation period of capital and made the leading sectors of industry heavily dependent on the government for guaranteed returns. Secondly, the amount of capital needed for the development of modern projects and the utilisation of atomic and nuclear power was way beyond the capacity of any small sector of the bourgeoisie and called for the co-operation of several states. As Mandel puts it: "(All modern developments in industry) conform to the more general formula according to which the development of productive forces not only transcend private ownership but also the limits of the nation state". - Europe versus America.

These tendencies have given rise to a number of headaches for Western European capitalism. In the sphere of technology it lags far behind America and is in danger of becoming a serf. This prospect has led to an international inter-penetration of European capital to meet this challenge. Finally,the great lack of energy supplies in Europe demanded greater co-operation in exploiting modern sources of energy. The combination of these factors underline the momentum toward European unity.

TECHNOLOGY AND THE AMERICAN THREAT

The third industrial revolution gave a major impetus to the use of technology in industry. America, more than any other country in the world was best able to benefit from this. Many reasons could be deduced to suggest why this was so. All are connected in one way or another, with the particular way American capitalism evolved.

Due to the initial, relatively unlimited supply of land, the industrial labour force could easily turn to farming if conditions on the shop floor were too disagreable. Its proletarian status was less determined than that of its European opposites. As a consequence American workers received comparatively high wages which acted to cut the margin of profits. To remain competitive and continue to make profit the American bourgeoisie had to develop its technological capacity. Thus when technology became central to industrial production the Americans were in a position to bound ahead.

To-day America is well ahead of Europe. American industry produces twice as much goods and services as the whole of Europe combined. The aggregate profits of the ten largest firms in Germany, France and Britain (i.e. 30 companies in all) which amount to $2 billion do not even equal the profits of the single American company, General Motors which has profits of $2.5 billion. And not alone are American profits bigger but they are growing at a faster rate. Profits of American companies rose from 7.7% of GNP in 1961 to 9.5% of GNP in 1966, whereas the profits of French firms have actually dropped from 6.6% to 3.3% in the same period. As a final indicator of American superiority, we may add that among all firms doing more than a billion dollars worth of trade a year, 60 are in the US and only 27 are not American owned.

And this is not all. American penetration and domination continues at an even faster pace. In a survey carried out by the US Department of Commerce, it was found that from 1965 to 1966 American investment rose by 17% in the US itself, 21% in the rest of the world exclusive of the EEC and by a gigantic 40% in the EEC. Another survey revealed that leading US industrialists will consider it normal to invest 20% to 30% of their assets in Europe in future.

What is even more alarming from the point of view of the European bourgeoisie is the selective nature of this penetration. An examination carried out by competent authorities has shown that the greater the degree of technological advance in European industry the greater the American involvement in it.

This is demonstrated most dramatically in the computer industry. To-day computers are a vital part of industry. Already they take up the largest single item for investment. The Dubold Research Programme estimated in 1969 that 40% of consumer companies were using computers as a primary source of infomation. And the phenomenal rate of growth in the use of computers is illustrated by the prediction that by 1973, 75% of consumer companies will be using computers.

However, Europe is not yet suitable to carry an economical computer industry. An OECD Report considered that a firm would need to sell one million of the new integrated circuits (vital for the third generation computers now in use) if it were to make a profit. But it is also estimated that a market for no more than 250,000 of these components exists in Europe.

The European computer industry therefore, stands on very shaky ground and is continuously being assimilated by the US giants such as IBM. IBM in fact, has established ten plants, seven laboratories and employs a staff of 55,000 in Continental Europe. The Americans have seized almost the entire European computer market. For example, in Germany, which has the largest computer market in Europe the carve up is as follows:-

American	Market %
IBM	63
Univac	8.4
Siemens/RCA	8.3
GE/Bull	8.1
Honeywell	2.3
Others	9.9

The rapid ascent of America has had serious consequences for Europe. Since 1958 American corporations have invested $10 billion in Europe or more than a third of its total investment abroad. To-day America has $14 billion invested in fixed assets in Europe with as much more being used as working capital. The following figures illustrate the dimension of this penetration. American corporations in Europe control 15% of the production of consumer durables - T.V.s. Radios, etc. 50% of semi-conductors which is the new replacement of the old electronic tube; 80% of computers without which economic management in the future will be impossible; and 95% of integrated circuits which are crucial to the production of computers.

This rapid out-flanking, which began years back, left the various European bourgeois groupings in a difficult position: they just had not got the necessary resources to fight back. Take, for example, the two vital areas of education and research, both of which are interlinked.

(i) Research: The following table shows just how far Europe was and is behind America.

Gross National Expenditure on Research and Development					
	$M	Financial Year	Proportion(%) from: Govt.	Business	Others
United States	21,075	1963-64	64	32	4
United Kingdom	2,160	1964-65	54	42	4
Germany	1,436	1964	41	51	2
France	1,299	1963	64	33	3
Netherlands	330	1964	40	54	6
Italy	291	1963	33	62	5
Belgium	137	1963	24	71	5
Japan	892	1963	28	65	7

(ii) Education: Again in this sphere Europe lags a considerable distance behind America. The remnants of Europe's feudal past are largely responsible for this. Thus for example, while 50% of students in America come from a working class background, only 7% in Germany do. Hence the selection of technicians and scientists is restricted to a narrow social stratum and this of course prevents a rational utilisation of brain power resources.

These disadvantages, coupled with the comparative small size of European industry, have been one of the major factors pushing the European bourgeoisie towards close co-operation and integration. As Stuart de la Mahotiere, the noted "European" has put it: "...the logical policy would be, even at this late date, for Europe to pool all the resources she can muster, perhaps using the British nucleus with support from Germany and France, and Dutch units."

INTERNATIONAL INTERPRETATION OF CAPITAL

Arising from the American threat, the European bourgeoisie were forced to pool their resources or face liquidation. "There has been strong pressure within the EEC" says Professor Swann "to evolve policies at Community and national level which would hasten the process of centration, and therefore the emergence of larger firms which would compete with the giant enterprises of the US." Given the size of American plants and their scale of operation, it was obvious that such "great enterprises" could not be built within national boundaries but would have to transcend these. A number of supranational companies began to be formed. However, the <u>national</u> structure of Europe is a great hindrance to this process. The variety and divergence of company law and taxation impeded a free flow of capital. Thus, the central aim of the Treaty of Rome was to loosen the flow of the factors of production, especially capital.

But before this could be done an international standardised company law and system of taxation had to be evolved.

(i) <u>Company Law</u>: Professor Swann gives an example of the difficulties which still exist even to-day in this sphere: Supposing two companies operating in different member countries of the EEC, say, Belgium and Germany, wish to merge and set up headquarters in Germany, then according to Belgian company law, the Belgian firm must have the complete and unanimous consent of its shareholders. If, by chance, such unanimity comes about, more problems have to be faced - the company must be liquidated in one country and reconstructed in another, and huge sums are wasted in lawyers and registration fees. Then a liquidation tax on the difference between the book value and the actual value of the company's assets must be paid. In addition, taxes on capital gains at time of liquidation must also be shouldered. In the course of events tax liability could be so great as to make cross-border mergers a prohibitive proposition.

And even once the cross border merger has taken place the difficulties have not been fully overcome, for there is still the possibility of double taxation - in this instance the Belgian government would tax the profits of the Belgian company while the German government would tax the parent Germany company for profits made in Germany <u>and</u> Belgium. Thus the profitability of cross border companies, without a European co-ordination of company law, would be in considerable doubt.

(ii) <u>Taxation:</u> The usual form of taxation in Europe has been the "cascade" type. This meant that a turnover tax was imposed upon raw materials, semi-finished products, etc., every time they were sold by one firm to another. The result of this was that the taxes imposed in the initial stages were compounded in the final selling price of the product.

To minimise the effect of this type of taxation companies tended towards vertical integration i.e. all the stages of production, from processing of raw materials to the final product were undertaken by the one firm. Such a tendency prevented economies of specialisation from being reaped; it also made cross border mergers cumbersome.

If a free flow of capital between member countries of the EEC was to materialise the problem of company law and taxation had to be tackled at European level. Thus between Articles 63 and 72 of the Treaty of Rome, provisions are found enabling capital to move unimpeded from one country to another. These articles state that EEC countries will dispense with all restrictions on the flow of capital between persons resident anywhere in the EEC; that discrimination based on nationality or place of residence will be abolished; and that no restriction will be placed on areas of investment. Once these tenets had been accepted the European Commission asked the Council of Ministers to consider the problem of an European company convention and a change over to the Value Added Tax system was projected.

(iii) Nuclear Energy: The importance of nuclear energy in production is probably generally not realised. But it is a fact that, for instance, in the Steel industry, expenditure on direct and indirect energy make up 26% of total expenditure. In the chemical industry energy accounts for 10% of total expenditure, and in other important sectors of industry such as the production of non-ferrous metals, transport and building materials, expenditure of energy is respectively 15%, 14% and 12% of total expenditure. Thus the supply of energy is a key problem in industrial rationalisation.

On a world scale there has been a growing tendency to use nuclear energy. In the United States it is expected that more nuclear power (than coal) will be used in the generation of electricity by 1980. A considerable overall expansion in the demand for nuclear energy is expected in the immediate future. In the early 70's the market is expected to be £100m and £1,300M by 1980.

In Europe the demand for electricity is increasing by 100% every 10 years and a great need for nuclear power to generate this growing demand is felt. However, the cost of producing nuclear power is enormous and if it is to be economical it will entail a joint effort by all the countries of Europe. And here we have the third major factor behind European integration.

THE EUROPEAN COAL AND STEEL COMMUNITY (I)

It was perhaps in the European Coal and Steel industries that these pressures were first felt, and led to the fomation of the European Coal and Steel Community, the precursor of the EEC.

(i) The American Threat: The European steel industry was extremely weak vis a vis its American rival. For example, even by 1965, only 7.4% of European crude steel production came from plants of over six million metric tons annual capacity, as against 81% in the U.S. By contradistinction, 39% of European crude steel came from plants of less than two million tons annual capacity whereas the same figure in the US was only 15%.

The uncompetitiveness of European coal is shown by the following table:

Comparative Price Movement of Imported and Domestic Coal		
Year	Community Coal	Imported Coal(U.S.)
1956	12.53	21.60
1965	16.68	14.30

A steady tendency for the price of European coal to increase was observable while the exact opposite was the case with American coal.

(ii) Interpenetration of Capital. After the Second World War three quarters of French steel production was in the hands of six giant combines. In Belgium, two large combines dominated the market, while in Holland one combine controlled three quarters of the country's steel output. In Italy the fascist regime had left half the steel industry in the hands of the State, and in Germany, notwithstanding the anti-cartel drive of the Allies, monopoly firms like Krupp Tyssen, Phoenix and Dortmund Hoeder, continued to reign. In the coal industry the same structure existed.

With outside competition increasing and the internal market saturated, this structure posed an obstacle to further expansion. Increasing need for cross border rationalisation was felt and eventually this led to such supra-national combines as that between Hoogoven IJmuiden of Holland and Dortmund Hoeder and Hoesch of West Germany.

(iii). Energy. As already mentioned, 26% of the cost of steel is taken up by expenditure on energy. As Europe, at least since the war, has suffered from a severe shortage of energy, it was imperative that the European steel industry as a whole, be organised in such a way as would permit a rational use of available supplies. This of course could best be done through international integration and central direction.

As for coal, there was a general tendency for its use in the production of energy to decline. In 1950, almost 75% of Europe's primary energy was produced by coal. Today only 38% is. This has imposed the need to alter the structure of the industry which in turn meant international co-ordination.

Take the case of Belgium for example: Here the coal industry was particularly inefficient. In the Southern Basin for instance, output per man-shift in 1950 was 1075 Kilogrammes whereas in the Rhur Saar and Lorraine the output was 1486, 1676, 2088, kilogrammes respectively. Not surprisingly output of Belgian coal fell 40% between 1958 and 1966. As the coal industry employed

10% of the total labour force this situation could have caused considerable social and political instability had not aid been forthcoming from the other European countries.

THE EUROPEAN COAL AND STEEL COMMUNITY (II)

But to think that these were the only factors driving towards unity would be a gross over-simplification.Any discussion of the evolution of the European Economic Community would have to take into account a variety of social,political and economic factors.

The French were afraid that the new economic policy of America as expressed in the radical modification and eventual abandonment of the Plan for the Level of Post War Economy, would lead to a revival of Germany. In particular they were anxious to prevent Germany from regaining control over the Rhur. Since the Rhur supplied about 90% of the coke and coal needed for steel production in Lorraine a return of German authority would make things difficult. A European Coal and Steel Community was seen by the French bourgeoisie as the ideal way of surmounting this problem. The basic idea was that a special authority comprised of delegates from various interested countries but "independent" of any national influence would be in charge of policy and decision making.

Relevant European Governments were invited to take part in talks about this scheme. Needless to say, Britain almost immediately refused the invitation. The British bourgeoisie recognised that any move towards multi-national control of Europe's coal and steel would undermine their own control. Nonetheless France, Germany, Belgium, Holland,Luxembourg and Italy went ahead with their plans.

The French bourgeoisie's need to come to grips with Germany was outstanding in view of the two world wars. As the struggle for supremacy in the production and marketing of coal and steel, as expressed in the haggling over Alsace-Lorraine on the one hand and the Saar on the other, was a main bone of contention and an overall solution had to be found. The French economy could not cope with another world war pasting. Joint control of the coal and steel industry seemed the only way out.

The problem of the Saar induced quick realisation of this. The Saar had been occupied twice by the French, once during the 16 year period 1792-1814 and later in the inter-war period 1919-1939. Again after World War II the French were in control once more and sought to prevent its return to Germany. But the restoration policy,forced on the Americans by circumstances, made this inevitable. The French then attempted to have the Saar transformed into an independent region with the mines being controlled by the French and Saarland authorities. The German bourgeoisie in general gave staunch resistance and the plan had to be abandoned.

Obviously the only remaining way for the French to keep their finger in the pie, was through the coal and steel community idea. There was in the event, little difficulty in rallying the French bourgeoisie for this solution because a large proportion of industry had been nationalised after the war and it was just a question of the state bringing pressure to bear.

The German bourgeoisie certainly found the Community idea very attractive. Of course, there was regret that moves in this direction would widen the gap with the East and prevent capitalist hegemony in the future. But against this loss there was the prospect of gaining control over the Saar and Rhur which for the moment was in British, French and American hands. In addition there was the fact that West Germany supplied over half the coal and two thirds of the steel of the proposed community. An all round reduction in tariffs and a general streamlining of production could only be to the advantage of a country with such large economies of scale.

Acceptance of the idea was also readily found in Italy but for different reasons than in Germany; Italy was heavily dependent on the importation of raw materials and heavy production equipment for her industries. A reduction in tariffs, free trade and more efficient production, meant that Italy had nothing to lose. In fact she had everything to gain because a cheapening in raw materials and capital equipment would follow and a greater margin of profits would then exist on the finished product. Moreover it was felt that crosswinds of competition would revitalise a large stagnating section of industry.

Initially, in Belgium it is true, the proposed coal and steel community met with a non commital response. Firstly the anti-cartel laws of the Community Agreement were considered too restrictive. In Belgium, in particular, the need for capitalisation was felt as a means of safe-guarding the rate of profit in the non-monopolised sector which accounted for about one third of production in industry. Besides, the other two thirds of industrial output was controlled by eight financial groupings and any anti-trust monopoly or cartel laws would clearly be unwelcome in these quarters. Indeed a law encouraging or more precisely <u>forcing</u> cartelisation had been in existence in Belgium since 1935 and between 1935 and 1952 several hundred firms were affected by this law.

Secondly, the coal industry in Belgium, especially, the important coal-field of Sambre-Meuse was characterised by high production costs and low productivity. It was naturally feared that increased competition and Rationalisation would be a death blow to the coal industry and the Belgian bourgeoisie was apprehensive about strong competition.

However, once a few concessions on this score were secured and the anti-cartel laws were seen to be a sham, all opposition was overcome.

Since Belgium had decided to join the community, there was little Luxemburg could do except tag along. From 1922 on, a customs union had existed between Luxembourg and Belgium and the fate of both economies had become more or less bound together. Moreover, it was impossible for Luxemburg to adopt an isolationist policy because she exported large quantities of steel and imported large quantities of coal.

Finally, in view of the natural division of labour which existed between Holland and Germany the Dutch bourgeoise was also in favour of joining the new community. For instance, Rotterdam imported raw materials and colonial products for Germany while Germany exported many products through Rotterdam. Once Germany had decided in favour of the Community the Dutch bourgeoisie had to follow suit to preserve this natural division of labour. Apart from this, there was the fact that the Dutch coal mines were an extension of the Kampen coalfield in Belgium and the Coal and Steel community would allow it to be exploited more economically and efficiently as one unit. As for the steel industry, the great steel works of Ijmuiden had come into existence as late as 1923. As such they were fitted out with the most up-to-date equipment and were well able to compete with such places as the Rhur.

INSTITUTIONS OF THE ECSC

Thus was European unity being forged. On April 18,1951, the treaty setting up the Coal and Steel Community, was signed, for fifty years. France, Germany, Italy, Belgium, Holland and Luxemburg agreed to a Common Market in Steel and Coal by abolishing tariffs, quotas, subsidies, restrictive practices and price discrimination.

However, there was much more behind the ECSC idea than first meets the eye. Not alone was a European Common Market intended. This in itself would not have been such a great ambition. But there was an attempt being made to introduce an element of supra-nationality. This was quite visible in the administratinn structure of the community.

The Coal and Steel Community treaty set up five institutions - the High Authority, the Council of Ministers, the Consultative Committee, the Common Assembly and the Court of Justice. All were to be centered in Luxemburg except the Assembly which was to meet in Strasburg.

The High Authority was designed as a supra national institution. It was to be independent of industry and national governments and responsible only to the Common Assembly. It had the right to initiate policy and make certain decisions which the various national governments were supposed to accept. This was a unique and important development, since it meant that national bourgeois groupings would have to yield a portion of their sovereignty to a small clique of European bureaucrats.

But this little experiment firghtened the bourgeoisie. A council of Ministers was set up to ensure that the bureaucrats didnt go too far. The Council was comprised of Ministers from the member countries and had the right to 'recommend' policy to the High Authority. As might be imagined the relationship between the High Authority and the Council of Ministers, between the cosmopolitan bureaucrats and the nationalist Ministers, was an uneasy one.

The Common Assembly was supposed to be the equivalent of a European Parliament. It was to consist of 78 delegates who could be chosen by direct universal suffrage in each state, or chosen from each national parliament. Naturally the latter method of election was usually the one chosen. While formerly the Common Assembly had the right to force the resignation of the High Authority by a three to two majority, it had absolutely no legislative or financial power.

Finally the Court of Justice was to be composed of seven judges to exercise judicial functions in the ECSC. Its members of course did not have to be jurists so that economic experts could be included and thus the Court was deemed competent to deal with all aspects of the Community's operations.

THE EUROPEAN ECONOMIC COMMUNITY

The formation of the ECSC broke the ground for a broader integration. Towards the end of the 50's the time was ripe to take the necessary steps. The previous decade had seen steady growth and all round advance and the economic base had strengthened sufficiently to allow the important economic and superstructural reforms that were now necessary.

This will be seen if comparisons are made with Britain. The following tables tell the tale:

Gross Marginal Capital -Output ratios

	1950-1955	1955 - 60
UK	5.4	6.3
EEC	2.9	4.0

Thus productivity was sufficiently high in Europe to allow the European bourgeoisie to reap the same returns as the British bourgeoisie with only three-fifths the capital in the first half of the decade and two-thirds the capital in the second half.

The indices of Gross National Products also show the rapid advances being made in industry.

	TOTAL G.N.P.			
	1948	1950	1955	1961
UK	106	114	129	148
EEC	90	113	151	203

As can be seen, while the EEC countries got off to a slow start they picked up steadily in the 50's.

Again the same pattern is repeated in the sphere of Exports:

	Total Merchandise Exports (as % of exports from all industrial areas)				
	1937-38	1950	1955	1960	1961
UK	17.8	19.1	15.8	13.2	13.0
EEC	33.4	28.0	34.2	38.0	38.8

By 1955 the foreign ministers of the ECSC met in Messina and declared that "the development of a United Europe must be pursued by the development of common institutions, the progressive fusion of national economies the creation of a common market and the progressive harmonisation of their social policies". Following this a committee of 'experts' was established to investigate the possibility of further integration. After 9 months this Committee issued its findings,calling for a European Economic Community based on the same structure as the ECSC. The foreign ministers met again in Venice in May 1956 and accepted the findings of the committee, and in March the following year the Treaty of Rome was signed.

WHY BRITAIN IS JOINING

When the Common Market was established a number of factors prevented Britain from taking part.

Firstly, the post war period had seen an attempt by the British bourgeoisie to adjust to their position as a second rate power. This entailed an internal overhaul of the economy. As usual the reliable social democrats were at hand to do the dirty work. Nothing could be more beneficial than a bit of state intervention here and there and naturally the Labour Party was historically best equipped for this job. Under these conditions it was impossible for the British bourgeoisie to participate in the move towards European unity. To do so would have meant abandoning a certain portion of its sovereignty, especially over the coal and steel industries which were causing most trouble. Thus initially Britain had to sit on the fence.

Secondly, Britain's imperial past hung about its neck like a millstone. As late as 1958, practically a third of both imports and exports came from and went to, Commonwealth countries. As against this, only about 1/7th of imports and exports came from and went to Common Market countries. From the point of view of trade then, Britain had little to gain and much to lose by joining the Common Market.

Thirdly, as far as industry went, Britain was far more prepared for the American onslaught than was the rest of Europe, though admittedly that is not saying much. Even to-day 55 of the world's 500 largest firms are British owned, while Germany, which is the most industrially advanced of the EEC countries, owns only 30, with 23 belonging to France and 8 belonging to Italy. This left Britain in a relatively comfortable position between the States and Europe.

But in the early 60's all this changed.
(i) The post war rationalisation had been completed and the Tories returned to power for a thirteen year period.
(ii) A major change in the pattern of British trade took place. Imports from Commonwealth countries dropped from 1/5th to 1/6th to total imports. Exports to Commonwealth countries have also declined in importance - from about 1/3 of total exports in 1958 to 1/5th in 1967. By contrast, exports to Common Market countries increased from 1/7th to 1/5th of total exports while imports from the same area rose from 1/7th to 1/6th of total imports. Along with this, imports from all other areas rose, just over 1/3rd to ½ of total imports and similarly, exports increased from nearly ⅓ to ½ of total exports. Accordingly the strangling effect of the Commonwealth was greatly minimised.

Apart from this there have been important changes in the Commonwealth countries themselves. In Canada, for instance, the table below shows, thare has been a steady shift in trading relations, towards the US and away from Britain.

Changes in Canada's Exports 1960-65

By Country	1960		1965		% Increase
	$000,000	% of Total	$000,000	% of Total	
United States	2,932	55.8	4,839	56.8	65
Western Europe	1,509	28.7	2,083	23.9	35
United Kingdom	915	17.4	1,174	13.8	28
EEC	439	8.4	628	7.3	43
Japan	179	3.4	316	3.7	77
Rest of World	636	12.1	1,330	15.6	109
TOTAL	5,256	100	8,523	100	62

Thus in the first five years of the 60's, exports to Britain fell from 17.4% of total exports to only 13.8%.

In Australia about a third of exports went to Britain in 1953-4 but by 1964-65 only 1/5th did. The same story is repeated in most of the Commonwealth countries in Africa. Nigeria for example, sent half its exports to Britain in 1959 but by 1964 it was sending only just under one third. The same trend is observable in other countries, such as Uganda, Tanzania, Sierra Leone, etc.

(iii) The trend towards the international interpenetration of capital continued within the EEC - the long term perspective being that European production units should become as large as those of America. Already there have been a few major international mergers e.g, as between Agfa of West Germany and Gevaert of Belgium or between Hoogovens Ijmuiden of Holland and Dortmund Hoeder Hutten Union and Hoesch of West Germany. In addition to these mergers there has been increased international collaboration as exemplified by the co-operation between the leading French chemical companies, Rhone Poulner and the German Bayer Company. Also in the important fields of research and education the EEC countries have been pooling their resources. The continuation of these was undermining Britain's position as a large scale operator in Europe.

These three factors underlie the sudden change in Britains attitude to the Common Market which occurred in the early 60's. In July '61 the Tories, then in government, announced their intention of seeking EEC membership. Negotiations opened shortly afterwards but it soon became obvious that the climate within the community itself had changed. Originally the French had been anxious for British participation in a United Europe, now they were raising obstacles at every step.

During the late '50's France got into serious economic trouble t hee strong arm of de Gaulle was called upon to right matters. To preserve his scope of action de Gaulle attempted to put a break on the drive towards unity until France could get back in the race as a leader. Accordingly the cosmopolitan attitude of the French changed. De Gaulle's perspective was for a "Europe of Nations" rather than a "European Nation". However, Britain's entry with all the added advantages and resourses it would bring would act as a further powerful stimulus towards unity and the French were determined to resist this. Eventually as a result of French opposition the negotiations were broken off in January 1963.

Soon afterwards the Tories' 13 years of rule came to an end. With the Labour Party vainly attempting to discipline the British workers the EEC issue was kept well out of sight by both Labour and the Conservatives. But of course the British bourgeoisie wasn't fooled for a moment and between the time when negotiations broke down and were resumed over 100 British companies had launched subsidiaries in the EEC. During the same period pressures were building up inside France and they finally exploded in May-June 1968. After that De Gaulle's days were numbered and the French bourgeoisie were searching for new ways out of their predicament - the door to British entry could be re-opened once more.

IRELAND AND THE EEC

Once Britain had decided to join the EEC there was little alternative. Yet the fact that the Irish decision to join was announced before Britain's intentions were made public is symbolic of something much more profound than mere tail-ending, there was no mere mechanical interaction between the British and Irish decisions. To see what was involved in the Irish decision to join the EEC we must examine,however briefly, the evolution of the Irish economy over the past 50 years or so.

INDUSTRY - In 1921 the Treaty was signed. This was a compromise between British Imperialism and those interests in Ireland based on large-scale farming and commercial trading. This latter group,which found its political expression in Cumann na nGael, had no interest in introducing legislation which would hinder agriculture exports, or trade in general and a period of free trade followed.

But these people could not remain in power for long. Their strength lay not in their position in Irish Society but in the international situation. As long as the post war depression of trade continued, the small scale producers had nothing to fear from foreign competition.Consequently the antagonisms between this particular group and the group already in power was not so great, and Cumann na nGael was able, to some extent, to stabilise its position,

However, in 1932 the external situation took a sharp turn. Britain abandoned free trade and soon the governments of the world followed suit. For a while the Free State was almost alone in maintaining free trade, and a dumping epidemic broke out. The whole structure of the economy was in danger. Clearly a protectionist policy had to be introduced. But the only forces capable of introducing such a policy were the small industrialists whose very existence was threatened without it. And (ii) the skilled workers and artisans whose aspirations included an economy where they could set up their own businesses, protected against world developments. So in 1932, Fianna Fail, representing these and other sectors of the petty bourgeoisie, came to power. Almost overnight Ireland changed from being the only free trade country in the world to having the fifth most protected economy.

But Protectionism also implied a curtailment of foreign capital inflow. Without such a restriction foregin businesses would be able to set up behind the tariff walls and ruin native industry.Accordingly in 1934 the Control of Manufacturers Act,which made it obligatory that every new enterprise should be Irish controlled was introduced.

This new policy was of course contradictory. On the one hand protectionism gave an initial impetus to native industry. On the other hand, long term expansion was hindered by the restriction on outside capital. At the outset of the policy then, native Irish industry flourished. Between the late 30's and the early 50's the number of industrial concerns rose by 100%. But then expansion suddenly declined. The indices of industrial production rose only 10.3 points between 1953-1958, and the national income expanded by only 1.3% per annum. By the end of the 50's a situation of stagnation had been reached.

The main problem was lack of capital. For example, company savings at first rose by £6 million between 1938-48. But between 1948-58, such savings increased by only £1. million. So, in 1958 it was decided to abandon protectionism and seek capital from abroad. This policy has, by and large, been successful, During the 60's industry expanded at an average rate of 5% per annum, and 80% of investment behind this has come from foreign sources.

AGRICULTURE: Needless to say, it was not industry alone which changed over this period. The following table shows how the size of holdings have changed over the years.

Number of holdings (1000's) according to size 1912-60

Year	1-4 Acres	15-29 Acres	30-49 Acres	50-99 Acres	100 - 99 Acres	Total Holdings
1912	164	165	59	49	20	406
1931	104	90	62	50	21	336
1949	89	87	62	51	22	319
1960	71	73	62	54	23	290

A massive decline in the number of small farms (ie holdings below 30 acres) is shown with a drop of 50% between 1912-1960. As against this the number of farms over 30 acres has increased from 128 to 139 i.e. 5%. But this small percentage increase in large farms by contrast to the huge decrease in the number of small farms, covers up a very important overall change.

This becomes obvious when we analyse holdings in terms of acreage. By 1960 the total farm acreage under crop and pasture was 11,200,000 Notwithstanding the fact that 206,000 of the total holdings were below 56 acres in size, only 4,054,703 of this acreage was on farms in this bracket. By contrast, 7,144,983 acres were on the remaining 91,000 large farms. Thus over the years there have been fundamental and important changes in the structure of agriculture which have favoured rancher type farming.

The changing structure of both industry and agriculture has forced the government to take a closer look at the EEC. Initially when the EEC was launched it was ignored by the Irish Government. But now, it would be impossible to continue such an attitude.

Firstly, the fundamental reason behind the EEC is to allow the free flow of capital between member countries. With Ireland so dependent on British and European capital it would be disastrous for industry should the government decide not to join the EEC. The flow of capital would be disrupted immediately and it would be difficult to retain the capital already invested.

Secondly, it is in the interest of the large farmers to join the EEC. And since over the years they have strengthened their economic position they can act as a powerful pressure on the government. When Fianna Fail came to power in the 30's it was so weak that it could only do so with the aid of the small farmers and workers. But once in power it could contribute little to solving the small farmers' problems and is now in danger of losing one pillar of its support. To offset this Fianna Fail, has had to make concessions to the big farmers. As the overall EEC Agricultural policy is geared to large scale farming the local "ranchers" could not ask for a better sop than integration with Europe.

CONSEQUENCES OF MEMBERSHIP

The major forces pushing the EEC issue are the large farmers and those who are tied to foreign capital. This is not surprising since they will benefit most. The rest of the community, including important layers of the ruling class will however, suffer badly.

Take industry for example. Over 58% of establishments (in 1958) employed less than 20 persons each. A further 23% employ between 20 and 49. Altogether then, 81% of establishments employ less than 80 workers each. These pathetically small firms will be swept aside by the monopolistic monsters when the tariff barriers are removed entirely. They will be unable to hold their own even on the home market.

Already the effects of the Anglo Irish Free Trade Agreement have been seen. In March '72 The Economist stated that "About 40% of Irish industry will be affected by the abolition of import controls on manufactured goods by 1975 and some of the less efficient are already grumbling at the thought of unrestricted competition from Britain". The Economist report goes on to show that, in the five years between 1965÷1970, imports of industrial goods competing with Irish products have risen from 14% to 20% of the domestic market, whereas, in the years before the Free Trade Agreement, there was hardly any rise at all.

Entry into the Common Market will not affect the Anglo-Irish Free Trade Agreement in any fundamental way except by extending its adverse effects. The Government White Paper recognises this when it says "Under the Anglo-Irish Free Trade Agreement, the bulk of Irish Industry will, by mid-1975, be in a free trade situation with the United Kingdom. For most of Irish industry, therefore, the impact of free trade will have been felt for some time before the home market for industrial products will be fully open to European competition in general". The White Paper goes on to admit that when full free trade with Europe is reached some more sectors of industry will go to the wall.

The effects of the Common Market membership on Irish industry in general must be clear from all this.

The prospects for agriculture are not much better. Within the EEC as it stands at the moment, agriculture accounts for about 10% of Gross Domestic Product and is an important support to industry. Naturally, any attempt to rationalise industry meant a rationalising of agriculture.

To show the full nature of the dire consequences which await the rural population of Ireland within the EEC it is necessary to explain what the dynamics of this rationalisation are:

In order to make agricultural products cheaper it was decided to undertake a sustained effort to raise agricultural productivity. But to do this entailed offering security to the farmers. If they were not sure of selling their products and getting a good price for them they would have no incentive to produce more. This security was offered through a system of guaranteed prices, independent of market conditions.

However, a problem arose here. As farm holdings of less than 25 acres make up two-thirds of total EEC farm holdings, and as production differed widely from district to district, the result was that any reasonable or average price being offered meant a cut for somebody, somewhere, and so there was continuous uproar until the very highest price was fixed. Under the attraction of such high prices output soared and massive surpluses were created. Thus this policy as it stood was doubly wasteful; it gave rise to excessively high prices and unusable surpluses. Moreover the existence of high prices and over production was contradictory and made the agricultural policy in general very unstable.

The continuation of this policy was bound to lead to dispute at international level. Each member country of the EEC was obliged to contribute to the Farm Fund out of which price subsidies were paid. The following table shows the way the Farm Fund worked.

FARM FUND - The Balance Sheet to 31 December 1968 ($M)

	Contributions		Repayments	
	Guarantee	Guidance	Guarantee	Guidance
Belgium	156	23	95	15
France	436	82	875	44
Germany	538	87	168	56
Italy	413	64	306	150
Luxemburg	5	1	1	3
Netherlands	200	27	303	16
Total	1,748	284	1,748	284

(Note 1. The two sections Guarantee and Guidance have to do with price support and agricultural instruction respectively)

The Beneficiaries and losers from the Farm Fund can be seen as follows:

	Guarantee	Guidance
Belgium	- 16	- 8
France	+ 439	- 38
Germany	- 370	- 33
Italy	- 170	+ 86
Luxemburg	- 4	+ 2
Netherlands	+ 103	- 11

Thus France and Netherlands were in effect receiving huge subsidies from Germany in particular but also from Belgium and Luxemburg. These countries were not prepared to continue paying these huge sums and so the EEC agricultural policy had to be re-examined.

It was the famous (or perhaps infamous), Dr. Mansholt who came forward with the solution. His solution was simple and effective. He observed that since it was the large number of small farms with their wide diversification of production which gave rise to the surpluses, he urged that the number of small farms be halved. And so it became official policy to reduce the farming population by 50%, thus eliminating the small-man. As the table above on Irish Agricultural holdings shows, 209,000 of the 290,000 Irish farm holdings are below 50 acres in size and if Ireland joins the EEC a vast section of the farming community will have to be liquidated.

With regard to this problem the Government White Paper is totally dishonest. The paper states that the general flight from the land will not accelerate within the EEC but will in fact decline from 10,000 per annum to 7,000 per annum. This estimate is based on the assumption that higher farm income will entice more people to remain on the land. What the paper omits to mention is that this higher income can be made only on farms of fairly large size and that the government support which the small farms are receiving now will by and large disappear.

Needless to say, the working class will benefit little from the EEC. The complete disruption of industry which is likely to result from entry will have dire effects. Over 25% of the Irish labour force (non agricultural) is employed in firms which have less than 50 people working in them. As we have already mentioned, these industries will collapse once the first blast of free trade hits them, and their workers will be forced to wander the continent as cheap labour. For those who remain, the artificial food prices will reduce their lives to subsistence level.

Finally, while discussing the effects of EEC membership it is worthwhile examining the relationship between Britain and Ireland in this context. Practically every "pro-marketeer" has used the argument that EEC membership will help diversify production and reduce Ireland's dependence on Britain.

Speaking in Co. Roscommon, Mr. Lenihan put the Government's line as follows: "The British Market at present takes 75% of our agricultural exports. By deliberate British Government policy, this is a cheap food market. Irish farmers have for generations been at the mercy of this policy. The EEC, now offers us an opportunity of escaping from this dilemma and of joining an assured market, with relatively high stable prices,guaranteed regardless of quantity."

On the same occasion Mr. Childers, speaking in Cavan, said of industry that "Membership of the EEC gives us an unprecedented chance to escape from our present unbalanced relationship with Britain."

But the Government White Paper puts paid to this romancing with a few neat thrusts. For instance in Chapter 5 Section 5.11 it is made clear that Ireland's attraction for industrialists within the EEC will be to supply the United Kingdom market.

On agricultural exports the paper is even more specific. On cattle and beef it says:"It is expected that Ireland's main market will continue to be Britain which at present takes over 80% of Irish Cattle and beef exports." Of milk and dairy products it states: "The United Kingdom will most likely continue to be the main market for our dairy produce exports with the important difference that there will be no quantitative limitations on the amount of produce we send there...."

So much for "the increased independence which EEC membership will bring"...

SHOULD SOCIALISTS FIGHT FOR AN ALTERNATIVE?

The historical evolution of the EEC and Ireland's future within it which we have outlined above, indicates that there is nothing progressive about it. However, there are some professed Marxists, namely those in the British & Irish Communist Organisation, who believe otherwise.

Their position is put forward in a pamphlet "The European Common Market: A Communist History". There is little in this document which has not already been said by some bourgeois commentator or other. The only section of interest is that on "Workers and the Market", and here the reasoning is so weak, that it would deserve little attention,except that it is an extension of the B.I.C.O.s general accommodation to imperialist propaganda as already manifest in the Two Nations theory.

The argument is daring in its simplicity. Engels is quoted in 1866 (!) as favouring the unification of Germany. Marx is quoted in reply as saying that the working class should favour everything that leads to unity among the bourgeoisie. Having armed itself with this "blessing" from Marx and Engels, B.I.C.O. develops its position as follows: The founders of scientific socialism were in favour of everything which unified the bourgeoisie and workers; the EEC gives us the best of both worlds - while it helps centralise the workers it does not add in any significant way to the cohesion of imperialism. Thus we are informed "The workers stand to gain considerably from the integration of Western Europe..There is no political co-ordination between the workers of Western Europe whatsoever. There is some co-ordination at trade union level and this will grow as the means of production develops - something that will be stimulated within the EEC. In other words, as transitional firms appear so will transitional unions. This will make it all the easier to build a new Communist International. The workers are divided into their constituent national elements at present, and will be united by material circumstances as the EEC proceeds."

The weaknesses of this argument are easily shown. Firstly, the B.I.C.O. misses the point when it quotes Marx and Engels in favour of bourgeois centralisation, in an attempt to lend respectability to their pro-EEC stand. Both were in favour of centralisation during the last century for two basic reasons (i) only through centralisation could the bourgeoisie find strength to crush the remnants of feudalism, especially in Germany where they were particularly strong (ii) centralisation was necessary to facilitate the emergence of a national market and permit the working class, the historical agent of socialism, to take shape. By the end of the 19th century, in Western Europe at least,both these tasks had been accomplished. Further centralisation, the transcending of national boundaries,led to the disruption of capitalism and placed a socialist transformation of society on the agenda. Certainly Marxists are not against the centralisation of the means of production. As Mandel says "the working class after all, was never intended to prop up small scale capitalism or to prevent capital concentration" Quite the opposite, Marxists indeed are fully in favour of the greatest possible concentration and centralisation but they also hold this can only be accomplished by the working class in a socialist society. Any attempt to accomplish it under Imperialism as the experience of the past 70 years shows, leads to war and social degradation.

Thus in 1915, Lenin criticised the propaganda for a non-socialist United States of Europe: "Of course temporary agreements are possible between capitalists and between states. In this sense a United States of Europe is possible as an agreement between the European capitalists..but to what end? Only for the purpose of jointly suppressing socialism in Europe, of jointly protecting colonial booty against Japan and America, who have been badly done out of their share by the present partition of colonies, and the increase of whose might during the last fifty years has been immeasurably more rapid than that of backward and monarchist Europe,now turning senile. Compared with the United States of America,Europe as a whole denotes economic stagnation. On the present economic basis, i.e. under capitalism, a United States of Europe would signify an organisation of reaction to retard America's more rapid development..."-On the Slogan for a United States of Europe,pp.5-6. Progress Publishers, Moscow, 1971. As early as 1922 the Third International advanced the slogan for a United Socialist States of Europe against rampant bourgeois cosmopolitanism.

Of course it may be claimed by the B.I.C.O. that times have changed since Lenin wrote. The Europe of to-day is not the Europe of the first quarter of this century. The obvious reply to this is that the situation has changed even more - indeed, qualitatively - since 1866. However, all that we need do is ask the question: How have matters changed, in fact? The short answer is that, apart from the ending of monarchist rule over most of Western Europe, the countries of this area have changed only in their relative weakness vis-a-vis America (and,indeed, Japan). More than ever before, the United States of Europe carries the seeds of "an organisation of reaction" against the U.S.A. This ideal is, indeed, made quite explicit by such propagandists for "Europe" as Jean Jacques Servan-Schreiber in his work, The American Challenge. Thus, either capitalist Europe will remain subordinate to American imperialism or it will oppose its own imperialism to that with catastrophic results. It is doubtful whether either alternative is the most suitable way to achieve Socialism.

Secondly, and flowing from the above, it is a purely gratuitous assumption that "transitional firms" will give rise to "transitional unions" which will make it easier to build a "New Communist International".

Apart from anything else, the economic assumptions are dubious, to say the least. It cannot be stated without question that the EEC will automatically stimulate the development of means of production. With currency crises and the spread of unemployment beginning to hit even West Germany, the ordered development of the supra-national economy is beginning to appear doubtful. Indeed, the pressures are mounting for a new period of national protectionism that may yet destroy the Economic Community.

Even accepting the prospects of economic growth, the political reasons for assuming the continued appearance of "transitional firms" are not at all guaranteed. The strength and stability of those already in existence is not to be exaggerated. For example, Stuart de la Mahotiere says "Apart from the Agfa/Gevaert joint German Belgian operation in the photographic components business, there have been no complete trans-frontier merger of any size - certainly not of the size needed to compete successfully on an international scale and this is not likely to happen until the Six agree to give firms a European company status which does away with all legal and fiscal impediments to a workable amalgamation". And Servan-Schreiber is still harsher "Efforts of.... European coporations are timid....Among these the best known is the film company Agfa (part of the Bayer group),which two years ago decided to merge, with its Belgian rival, Gevaert. But it was not a very romantic marriage. The two companies exchanged directors, put a hyphen between their names (Agfa-Gevaert), and combined their research departments. That's about all. Aside from that,they have announced their intention to form a truly unified firm the day the Common Market gives the go-ahead by passing a still non-existent status permitting European-wide corporations. They are still waiting for legislation."

And they are likely to continue waiting for some time. Such legislation would mean the negation of the national framework within which capitalism is firmly rooted. It would entail a surrender of national sovereignty i.e. the surrender of control over capital, painfully accumulated down through the ages. The bourgeoisie are in no mood for such a surrender. As Servan-Schreiber notes "Beyond the obvious technical difficulties, there is a clear absence of real political will. This can be felt at a practical level. Should the Italian and the Belgian industrialists unite their businesses and operate on an international level? They don't know. They don't even know if it is legal. So they wait.

"How can businessmen really believe they should stake their plans, their investments, indeed their whole future, on real economic integration when the member states of the Common Market show their politics by preparing and managing national budgets - where each country is concerned only with its own individual efforts... on the industrial level the Common Market is still only a tariff union. To make the jump to economic union is not only to change scope,but our priorities and our state of mind."

So such vehement Europeans as de la Mahotiere and Servan-Schreiber are despondent about the present position of the supra-national companies and their future. Clearly,there is little ground for the B.I.C.O.'s assumption that this type of company will continue to flourish. Once this has been established the remaining nonsense about the growth of "transitional unions" and a new Communist International loses much of its logical foundation. (Unless we are prepared to postpone the revolution another half century at least)

Thirdly, the belief that the EEC will add to co-ordination of the workers struggle while making no significant contribution to the strength of the bourgeoisie, is incredibly naive. Insofar as there has been any co-ordination among the workers within the EEC, this has meant a centralisation of the labour bureaucracy and an increase in their power over the rank and file and it has further helped to integrate the trade unions into the state apparatus. Also international co-operation strengthens the resistance of national governments to the demands of their workers.

In conclusion, it is as well to give a glimpse of the basis for the B.I.CO.'s confusion. Essentially, it is a denial of the nature of the present epoch: a view that, in some countries, (including Ireland) the <u>objective</u> conditions have not been developed sufficiently for the working-class to seize power. Accordingly, the workers must rely either on the continuing development of the productive forces under imperialism or, as with the Social-Democrats of the colonial countries, on the triumph of the workers in the more developed countries. The B.I.C.O. looks to both events; its "two-nations" policy is, essentially, a declaration of faith in (and, even more, <u>reliance on</u>) the Orange worker; its EEC policy is a similar declaration of faith in European imperialism. It may be, too, that its recent rejection of Mao-Tse-Tung is in part the renunciation of a man who carried out proletarian revolution where, according to the B.I.C.O. thesis, he shouldn't have. For in this matter, as in so much else, the B.I.C.O. is only defending zealously the teaching of its guru, the late J.V. Stalin, who doubted the prospects for <u>proletarian</u> revolution in Russia in 1917 and who denied it for underdeveloped countries elsewhere in 1927. Such teaching has nothing to do with that of Lenin who wrote <u>Imperialism</u>, <u>The April Theses</u> and <u>The State and Revolution.</u>

THE ALTERNATIVE

What we have attempted to do in explaining the origins of the EEC and the reasons why Ireland is joining it, is to show that Fianna Fail's decision to seek membership was not an arbitrary one made out of sheer malice towards the workers and small farmers. This decision was in fact dictated by the pressure of strong economic factors. These economic factors in turn are deeply rooted in Ireland's objective position as a neo-colony.

As we have already outlined, Fianna Fail made stringent efforts to build a native and self sufficient economy. But the resources necessary for such a programme were not available internally. This led the government in the early 60's to change its policy and seek the necessary capital from abroad. This meant that two things would have to be done; special concessions would have to be made to foreign investors and the protectionist nature of the economy would have to be dismantled.

The first part of this policy was not likely to provoke much resistance from any section of the Irish ruling class. Most of this new capital would be invested in exporting industries which would not be in competition with native Irish industries producing for the home market. Statistics show that these new foreign companies did concentrate on exports since in 1958 exports of raw material and manufactured goods accounted for only about 1/3rd of total exports, while by 1968 they had increased to just under a half.

But the second part of the new policy got a different response. Protectionism had been necessary while attempts were being made to establish native industry - in future there would be no need for it. Tariffs were cut by 10% in July '63 and a further cut of 10% was made in January '64. Then the Anglo-Irish Free Trade Agreement came into effect in July '66 and this provided for an immediate 10% cut in duties on British goods and a further 10% cut each year until duties disappeared altogether. Native industry producing for the home market came under heavy pressure and was threatened with complete elimination.

An understanding of this process is essential to grasping the opposition to the EEC which has grown up, because the EEC is only the final culmination of that process which started a decade ago.

Firstly, it has given rise to opposition to the EEC on a completely wrong basis - on the basis that trade,is the most important thing to be considered. Thus the alternatives to the EEC which are offered, whether by Aoutacht Eireann, the Labour Party or Sinn Fein, are always projected within the framework of the existing economic system and based on some kind of trade agreement either with the EEC or some other countries. Such attraction as is possessed by the European Policy of the B.I.C.O. and of such of its satelites as the Kenny-Crowley organisation in Limerick for Socialism on a single city, is partly caused by its contrast to these petty bourgeois alternatives, though it accepts their common assumption while drawing opposite conclusions.

But the real problem is not whether Ireland could continue to trade outside the EEC. Irish trade with the EEC as it stands at the moment is negligible.

Exports (£M) by area - 1964-8

	1964	1965	1967	1968
Total EFTA	162.2	160.4	207.9	234.8
EEC	25.4	28.4	24.2	29.6
Other OECD	1.4	2.3	1.6	2.2
Dollar Countries	15.8	13.8	30.7	39.2
All other	8.8	8.5	12.4	18.9
Re-imports & temporary exports	8.6	10.6	7.5	7.8
TOTAL	222.4	224.0	284.4	332.5

As the above table shows, Irish exports to the EEC have declined from about 11% in 1964 to 9% in 1968.

Even when Britain and other applicant countries join there is indeed no reason why a special trading arrangement could not be arrived at.

In fact the real issue is not trade but capital. Unfortunately, the way the process has unfolded has not made this sufficiently evident and various strata within the ruling class who are opposed to the EEC have been able to make use of the resulting confusion i.e. they have been able to gloss over the fundamental issues which indicate that there is no future for capitalism in Ireland in or out of the EEC.

Only 5% of British exports come to Ireland and Irish exports account for only about 2% of total British imports. Therefore, while Ireland may be heavily dependent on Britain, Britain is not at all dependent on Ireland. Her trade would not be disrupted to any great extent and so there is no real reason why she should adopt a hostile attitude to Ireland's continued isolation.

Even the Government White Paper recognises that in principle there is no objection to Ireland not accepting full membership of the EEC. The paper merely argues that full membership would bring greater benefits "an associate agreement would deprive us of full benefits which would come from mmembership" in particular "the need to attract industrial investment"....

During the '60's 80% of capital invested in industry was foreign owned with the larger part of it coming from Britain. This forced the government into the Anglo-Irish Free Trade Agreement. Free Trade Agreement in fact is a misnomer for this pact since it was designed to liberalise the inflow of capital from Britain. The EEC agreement recently negotiated is only an extension of this. Paragraph 276 of the "Terms for Ireland's accession to the European Community" makes this clear. "In view of the freedom of capital movements between Ireland and the UK, our membership of the Sterling Area and the close monetary links between the two countries, we sought the same transitional arrangements as those which would apply in the case of the UK; in the absence of corresponding arrangements for the two countries the free movement of funds might be disrupted."

"Non-membership of the Community would make Ireland much less attractive as a base for foreign firms... A slow down in new industrial development....would be to the detriment of the economy as a whole including sectors not directly involved in foreign trade."

Garret FitzGerald also stresses the importance of capital inflow and EEC membership. In an article in the Irish Times (March '72) he states that up till now Ireland, for various reasons, has not been attractive to foreign investors, European and American, as it might have been. But, he goes on to say: "On Irish entry to the Community all the doubts and problems will disappear and the impact of North American and indeed general overseas investment in Ireland, should be very striking."

The real problem then is: where, especially if Britain joins the EEC, is capital for industry to come from if Ireland remains in isolation. This question has not been answered by any of the anti-EEC groupings. To answer it would undermine ll the humbug about trade agreements, etc., and the illusions in an independent capitalist Ireland. Within the present framework capital can be attracted only from Britain and Europe - there exists no other source.

This of course does not mean that there is absolutely no other source - there is, and it brings us right to the heart of the problem of an alternative. If Ireland remains outside the enlarged EEC the only way capital for further expansion can be found will be through the expropriation of profits already invested. Even at this stage funds will be limited so those available will have to be utilised in a planned fashion i.e. the market will have to be abolished. Needless to say the elimination of the market will evoke the wrath of the big farmers and they will have to be subdued by the expropriation of their estates and the division thereof among the farm labourers. In a word, if Ireland stays outside of the EEC private property in the means of production will have to be abolished and a centralised system of government and economic administration established. That is to say, socialism will become the order of the day. This is the true significance of the Fine Gael spokesman on foreign affairs' statement that "Every Communist and bigot in the country and every troublemaker who hopes to fatten on chaos and destruction, North or South, doesn't want Ireland in the EEC."

The only other alternative will be a deliberate strategy of capital starvation by big business to "prove" to the Irish people the foolishiness of their "no" vote. For obvious reasons, this could be a Double-edged sword.

But there is one final point. A Socialist Ireland will have to have a European perspective as much as its capitalist predecessor has now. For it will be difficult for such a state to survive in the face of a hostile western Europe - united if only in its common hostility. In such a case, the issue of trade would indeed be crucial. To-day, Irish exports account for 40.8% of the G.N.P: Imports, 43.6%. An embargo such as that placed by America on Cuba would be more effective if applied by the Imperialists to Ireland.

Does this mean, then, that, after all, the Socialist alternative is as unrealistic as the others? That opposition to Irish entry to the EEC can only hurt the real interests of Irish working-class power? That this should only be attempted at some further date when the European workers may be able to act in unison?

Of course not. All it does mean is that a major part of the policy of any Irish Socialist Government will have to be geared towards mobilising the workers of the countries of Europe towards seizing State power. Thus will Connolly's strategy be achieved and the Irish working-class will:-

"SET A TORCH TO A EUROPEAN CONFLAGRATION THAT WILL NOT BURN OUT UNTIL THE LAST THRONE, THE LAST CAPITALIST BOND - DEBENTURE WILL BE SHRIVELLED ON THE FUNERAL PYRE OF THE LAST WAR LORD."