

# WORLD POLITICS

**A REVIEW OF THE WORLD'S  
TROTSKYIST AND REVOLUTIONARY MOVEMENT**

MARCH, 1967

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BRITAIN, 1967: THE NEED FOR A TRANSITIONAL PROGRAMME by P. Peterson

The experience of the Wilson Government has demonstrated not only the complete betrayal of even reformist principles by that Government but also, and more important for us, the utter bankruptcy of the traditional left wing forces in this country. In fact there seems to be an almost mathematical relationship between the speed at which Wilson adopted more and more right wing policies and degree of response from the traditional left. The relationship has, sad to say, been an inverse one: the more Wilson has gone to the right the less effective has been the resistance of the left. Two examples are instructive:

(1) The attitudes of the left parliamentarians. When a solid block of Labour M.P.s started to abstain on certain issues in Parliament many on the left, including this writer, greeted this phenomenon. We regarded this as the beginnings of an institutionalised parliamentary opposition to Wilson. We hoped that more and more M.P.s would follow this course, and that eventually some would actually vote against the Government. How wrong we were! The exact opposite process has taken place: less and less M.P.s abstained and then, finally, even this token resistance was dropped. Vicious anti-trade union legislation has been passed through the House of Commons during 1966 with left M.P.s voting for it.

(2) Trade union opposition. In 1966 the most savage attacks on trade unionism for decades took place. It is not necessary for me to re-iterate them in detail, but let us recall that the principle of taking legal action against trade unionists for calling official strikes has been established; and that freely negotiated wage increases have been stopped by the Government which has threatened the employers who wanted to pay them. The response to these vicious attacks has been minimal both officially and unofficially. There has been only one major strike against the Government: the seamen's strike which was completely unsupported by the rest of the movement. The number of working days lost by strike action is drastically down. If we subtract those days lost through the seamen's strike from the total we get some measure of comparison for the unofficial or locally based responses. The comparison is a gloomy one: the number of days lost in 1966 is only half of what were lost during the comparable period of 1965.

Thus the Wilson Government has been successful in carrying out the traditional role of a social-democratic Government: that of getting the working class to accept anti-working class measures without a real struggle.

However, an objective examination of this process, aimed at breaking the impasse is not helped by a ritualistic denunciation of the "fake-lefts". This profoundly non-Marxist approach, which substitutes the psychology of Labour Leaders for an objective social analysis, is, indeed the reverse side of the coin of the opportunism of the traditional left leaders. In fact some responsibility for this state of affairs accrues to the sectarians for diverting important cadre forces away from the struggle at a crucial stage. The pulling out of several

hundreds of young people from the Labour Party by the S.L.L.; the attempt by some others to rationalise a move away from the Labour Party by substituting unofficial bodies and the shop stewards; and the "social fascist" theories advanced by various Macist tendencies are mistakes just as reprehensible as that of the Communist Party tail-ending the left parliamentarians.

In considering the role of Marxists in helping to solve this problem, it seems to be that the following are both very necessary and possible:

- (1) to help to intertwine and to fuse all the sectional struggles into a generalised one against the Government;
- (2) to help to ensure that some successes are gained in the struggle against Wilson and his Cabinet;
- (3) to resist tendencies towards a syndicalist retreat from political solutions;
- (4) to counter the tendencies towards adaptation by the left; and
- (5) to give the movement a strategy

In other words to elaborate a transitional programme

#### From sectional struggles to an overall struggle

When there is a low level of resistance to attacks against workers' standards the dangers of sectionalism are intensified. Those areas and factories which have the most highly organised and conscious workers will tend to go into battle in isolation. We must fight against this tendency and stress the need to always generalise the struggle. This means intervening in these struggles with a set of slogans which pose the local fight in national terms.

#### To ensure some successes

The whole morale of any army - political or military - is determined by the extent to which it is confident that it has some perspective of success. In the present situation of a low level response to the attacks of the Government this can only mean taking certain struggles which are on a fairly small scale and mobilise every possible bit of assistance for them. In particular it means, on the industrial front, trying to ensure that the unions like the giant TGWU and dynamic ASSET use their full resources to inflict defeats.

#### Opposing syndicalism

There are bound to be powerful syndicalist tendencies develop in the organised working class. This is particularly so because the attacks on the unions are coming from a Labour Government. Syndicalism can take the form of unions "going it alone" and giving up the idea of trying to achieve political solutions to their problems. Concretely this could quite easily take the form of some militant unions like ASSET or SOGAT relying entirely on industrial struggle and even severing their connections with the Labour Party. At the present stage such action could only isolate the more conscious workers from the rest of the class. Rank and file syndicalism can be equally directed against right wing controlled unions. Again, however tempting it might be, it could only divide the working class. The fight against syndicalism involves linking the political and industrial struggles. It means that we should call upon the industrial militants to insist that the Labour Party rank and file supports them. It means pioneering wherever possible a strategy of militants going to the Labour Party to take over units.

### Opposing adaptation

The evolution of Anthony Greenwood is one that is possible for anyone once they put tactical considerations above those of principle. Marxists have a duty, in a sensitive and non-sectarian manner, to point out to the left wingers they work with the path they are treading once they move in this direction. However, it also means building movements which demonstrate that it is both possible to stick to principle and to retain wide support.

### Giving the movement a strategy

A transitional programme has to be evolved to be adopted by a united front of trade unions in opposition to the government, the minorities of those unions which support the government, left wing Labour Party members and other socialists. Such a united front would be meaningless unless it involved leaders who, in the eyes of millions of Labour supporters, appeared as an alternative leadership to Wilson and co. No doubt this would have to be achieved in stages, but the popularising of the idea of a broad conference of the left, convened by nationally known trade union leaders, and at least some unions and Labour Parties should be started. The programme put forward should include:

- (1) Immediate abolition of the wage freeze and anti-union legislation;
- (2) The re-iteration of the principle of full freedom of negotiation by unions;
- (3) A sliding scale of wages to compensate for the increase in the cost of living;
- (4) Huge cuts in military expenditure;
- (5) Nationalisation of the commanding heights of the economy under workers' control;
- (6) A workers' plan for the development of the British economy, including the "solving" of its balance of payments problems by more East-West trade and long term trade agreements with under-developed countries;
- (7) Opening the books of all employers and workers councils in all places of work to control hiring and firing, welfare allocations, etc.
- (8) A socialist foreign policy, with Labour on the side of the oppressed instead of being partner in their suppression; and
- (9) A call for an all European conference of labour to meet the threat to workers' conditions posed by the greater unity of European capitalists.

## INTERNATIONAL LIQUIDITY AND THE CRISIS OF IMPERIALISM

By John Walters

1.

The problem of international liquidity (1) has been the grumbling appendix of imperialism for a number of years now, one that has been nagging and insistent. In the coming year it would seem that this problem will become acute. Therefore it is necessary that as Marxists we should analyse and understand what this will mean both to capitalist society and particularly to the working class.

An important indication that this question is reaching crisis point was the fact that in the year 1966 no new gold was added to world (i.e. capitalist world) reserves. The January Economic Letter of the U.S. First National Bank pointed out that this was the first occasion in modern times that this had happened. All the new gold that came on to the market went into private hands, and only one third of this for industrial use. The letter said "... during the first nine months of 1966 official gold stocks, as published, actually declined by some \$50m., as compared with a gain of \$250m. in 1965." And although the decline in U.S. gold holding was not so large in 1965, it still continued to lose gold and its stock is now down to the level of 1938.

To understand the full significance it is necessary to retrace our steps a little and examine how the present international monetary system came into being. Up to the early 1930's there operated in most countries what was known as the Gold Standard. This was the system whereby the amount of currency in circulation was in a ratio to a quantity of gold, and gold was also used to settle international debts. Therefore when a country had a balance of payments deficit and it lost gold from its reserves there was supposed to be an automatic reduction in the amount of money in circulation, and ultimately there would be deflation. (2)

Because of the great slump in the early thirties, Britain and nearly all other capitalist countries went off the gold standard and there ensued a period of floating exchange rates and devaluations in a period which was dominated by what Joan Robinson has aptly described as "beggar my neighbour policies".

After the second world war there was devised what is known as the Gold Exchange Standard. Under this system the only country whose money was directly related to gold was that of the United States. (3) However,

(1). Liquidity can be briefly described as command over money or near money, i.e. those assets that one's creditors will accept in payment for a debt, or one can easily turn into money. For instance if one holds a bill that is due to be paid in three days time, this is a much more liquid asset than say a bill that is not due to be paid for twelve months. In this sense international liquidity is the reserve of 'money' that is available in the capitalist world. It is a very important element within the system, as it helps the flow of world trade.

(2). See Appendix.

(3). By law there must be 25 per cent gold backing for the notes in circulation.

all currencies are now linked together via the dollar and gold. The U.S. treasury has set the price for gold at \$35 per ounce, and has not increased this since the 1930's. Therefore there is now a system where the rest of capitalist world currencies are only indirectly linked with gold, and this for international purposes only, since exchange rates are quoted in dollars. But for internal usage the limits put upon the quantities of money by the old Gold Standard no longer obtain. An integral part of the Gold Exchange system is that the Dollar and Sterling play the role of key currencies, in other words they are accorded a special status, but it should be noted that as far as sterling goes this role has been strictly by courtesy of the U.S. treasury.

Due to the greatly expanded world trade since the end of World War Two there is no longer sufficient gold supply to maintain adequate reserves and liquidity. Between 1950 and 1966 world trade rose by  $7\frac{1}{2}$  per cent per annum, gold stocks by less than  $1\frac{1}{2}$  per cent per annum. This has led to the Dollar and Sterling being used as key or reserve currencies. Central banks have been willing to hold these two key currencies as part of their reserves. Since both are on the gold exchange standard this has meant that in theory that they could be regarded as being as good as gold.

This was fine so long as both currencies were strong. But one of the major problems has been that sterling has not been strong. Given the high ratio of liabilities to reserves (running at approximately 4 - 1 since 1945) it has meant that Britain has not been able to substantially contribute to world liquidity.

The Gold Exchange Standard was able to function quite well so long as all the capitalist countries outside of the U.S. were short of dollars. These were needed to buy goods and capital equipment which in the immediate post-war years only the U.S. could supply. During this period Dollars were eagerly sought after, and the U.S. had a surplus in balance of payments. The situation began to change in the mid-fifties when the boom in Western Europe and Japan really got into its stride. Those areas began to build up large Dollar balances, and the U.S. found itself running into balance of payments deficits. In some respects there is a similarity between the U.S.'s and Britain's problems, but they are more apparent than real. The U.S. has a favourable balance of trade, i.e. it is still selling more abroad than it imports, its balance of payments deficits arise from other sources. The British problem is that along with some of the factors that relate to the U.S. it also has an unfavourable balance of trade, i.e. it imports more than it exports. This has been usual historically.

The deficit of the U.S. has two aspects. On the one hand it is an expression of the increasing strength of its competitors. On the other hand it is an expression of the still great superiority of the U.S. economic and technological strength over these competitors. The U.S. still has a favourable trade balance as can be seen from the following-

Exports of goods	£ 16 billion	1958 (1)
"	£ 26 "	1965
Imports of goods	£ 14 "	1958
"	£ 21 "	1965

Where does the deficit come from then? From two sources, overseas investment and military aid. In much the same way as Britain, the U.S. has increased its overseas investments tremendously since 1945. The value of this investment has risen from \$19 billion in 1955 to well over \$50 billion in 1966. (2) The reason for this is not hard to find, it has been estimated that the rate of profit on overseas investment for the U.S. corporations is 15 per cent as compared with 10 per cent at home. Moreover this capital export helps to maintain the sagging profit rate at home. Military and other U.S. Government overseas grants amounted to \$3.4 billion in 1965, in the same year the net private overseas investment was \$3.7 billion. In that year the U.S. had a balance of payments deficit of \$1.4 billion.

Similarly, Britain has increased the export of capital on a great scale since the end of the last war, the latest estimate puts it at £6,000m. in this period. However, certain factors have to be noted about this. Investment income for 1950 was, gross, £271m. and net £159m. By 1961 these figures were £676m. and £252m. respectively. This it would seem was a healthy trend.(3) But net property income as a per centage of means of payment for imports declined from 14 per cent in 1950 to 6 per cent in 1961, i.e. although the total amount has rapidly increased the specific weight of this item in the balance of payments has declined drastically. (Historically the decline has been even greater, in 1913 this item accounted for 25 per cent).<sup>x</sup> Another element that has to be noted is the rise in the Government Account in the balance of payments figures; in 1950 this stood at £136m, by 1964 it had swollen to £439m. In this way both of the major imperialist powers have a common pattern, i.e. rising foreign investment, rising military expenditure, and continual balance of payments deficits.

Although there is no close correlation between capital exports and overseas military expenditure in the sense that the two items do not necessarily take place in the same countries, it is obvious that the intensity and extent of the colonial revolution since 1945 must account for the rise in military expenditure. Therefore, it must be seen as a necessary cost - in an overall way - for the maintenance of overseas investments. This is why both the U.S. and Britain have been putting the pressure on their allies recently to share some of the cost involved in military expenditure, e.g. both are talking of cutting troops in Western Germany.

## II

I said earlier that the deficit of the U.S. was an expression of its own superior economy and the relative strengthening of its capitalist competitors. This can be seen in this way. The large dollar

(1) Quoted by D. Michaels in 'Monthly Review' Dec. 1966.  
 (2) *ibid.* (3) see A.R. Conan 'The Problem of Sterling' p.13.  
 x Barratt-Brown 'After Imperialism' p. 276.

reserves accumulated by Western European countries are an indication of their recovery from the prostration of the immediate post-war years and their increasing role as competitors. The contradiction arises because the dollar reserves are only one side of the coin, the other is that these reserves represent a large penetration of U.S. capital into Western Europe. In 1957 there was approximately \$500m. U.S. investment in Western Germany, by 1965 this had risen to approximately \$2,400m. France, Italy, Holland, Belgium etc. have all seen increases of a similar order. In Britain, in 1957 U.S. investment stood at a little under \$2,000m. by 1965 this had risen to \$5,000. (1). What has been taking place has been a massive invasion by American capital and the taking over of dominant sections of a number of industries. For instance in Britain 80 per cent of the typewriter industry is owned by foreign based companies, mainly U.S., and as is well known, 50 per cent of the British automobile industry is now controlled by U.S. firms. In the field of computers, a key industry for the development of modern technology, the industry is becoming dominated by the U.S. giants such as I.B.M.

This invasion, and dominance, is one of the major questions at the heart of the 'liquidity dispute'. The French have been the most vocal and persistent critics of the large American deficits, and have been converting their dollar surpluses into gold over the last few years. However, they have not been the only ones, most of the other European countries have been converting an increasing part of their dollar surpluses into gold, hence the decline in U.S. gold stocks. There is a fear that vital parts of the economies will be completely subordinated to U.S. interests. The problem here is two fold, firstly there is a fear that in the event of recessions it will be the European subsidiaries that will suffer the cut backs, rather than the U.S. parent companies; secondly that research will more and more be concentrated in the U.S. and that the European countries will become even more dependent on the U.S. for technical advance. What this would mean would be the transformation of Western Europe from the position of relative vassalage to one of absolute dependence. De Gaulle's 'anti-Americanism' therefore is far more than the whims of an old man. (2). However, it would seem that the U.S. has outflanked the French. Recent reports indicate that the French Government has had to modify its attitude to new U.S. investment. In recent years the French Government has been blocking much of the attempted U.S. investment in the country, and trying to get its Common Market partners to do the same. However, they seem to have been unsuccessful in their attempts, with the consequence that they have been faced with a prospect of the U.S. firms intervening in the French market from Germany, Italy, etc. This posed a problem for them. Since it seemed that they couldn't keep the Americans out of the French market anyway, (because of the Common Market) wouldn't it be better to have them inside France where at least they would not create direct balance of payments problems. This seems to have happened and in 1966 there seems to have been a new policy introduced by the new finance minister Michel Debre.

(1) See Geoffrey Owen, Financial Times 2. 1. 67.

(2) In the same way the French attitude to British entry into the Common Market can be viewed. De Gaulle regards Britain as the Trojan Horse of U.S. imperialism.



Far from solving the problems of international liquidity, this move is likely to intensify the quest for a settlement. At the moment the large dollar reserves that have been accumulated in Europe have helped to lubricate international trade. These reserves also have the advantage of earning interest, since they are largely held in the form of short-term U.S. Government bills. The exchange of these into gold means that they do not earn interest. Therefore the larger the amount of reserves that is held in gold the larger the amount of capital that is frozen and unremunative.

At present gold has a price of \$35 per ounce, this was fixed in 1934. This is one of the big disputes over the liquidity problem. The U.S. Government is willing to buy and sell gold at this price to any non-American citizen or Government. However, since this is a fixed price it means that because of inflation the value of gold in real terms has declined over the years. In this situation where large holdings of dollars have been held by overseas creditors it has entailed a transfer of value to the United States. The French, and others, have been arguing that one solution for the present shortage of international liquidity would be to increase the price of gold, suggesting that \$70 per ounce would be nearer the true value today. In effect this would mean a devaluation of the dollar. This the U.S. is strongly resisting. Along with the suggested price increase for gold, there has been great pressure put upon the Americans to reduce their balance of payments deficit, since it is argued that these continual deficits have an inflationary effect upon the world economy and inside the U.S. as well. Of course behind these arguments lie the fears of U.S. hegemony.

This uncertainty explains the disappearance of gold into private hoards, the speculators are hoping for a price increase and so make a 'killing' when they unload it back onto the market. Alternative ideas for increasing liquidity have been circulating for a number of years now. The one that Britain and the U.S. seem to favour is that the International Monetary Fund should create a new international reserve unit which would be acceptable to all countries in the settlement of debts. The crucial problem with such a plan is who is to control this creation of a new unit. And how will it be distributed and on what terms.

The whole point in having reserves is to enable one to continue buying when one's income is reduced, or when one wants to buy more than one's current income will allow. If the I.M.F. is to control the use of such reserves it means that it will be able to dictate economic policy to those who wish to borrow. This in fact has been happening already particularly with the underdeveloped countries. Since those who put the most into the Fund also get the most say, this has in effect meant that America has controlled the fund. On the one hand America has been following a policy of deficits for itself, paying its creditors with paper dollars; on the other it has, through the I.M.F., been forcing the small fry of the world (including Britain) to adopt deflationary policies when they have run into balance of payments problems. Therefore it (the U.S.) has been getting the best of both worlds. Should a new international unit of money be created which has been cut off from its gold base the stage will be set for the complete domination by the U.S. and an orgy of inflation. This is what the other capitalist powers are

are afraid of. But the urgency of the situation is becoming clear. The Financial Times editorial of January 3rd said "The pressure on gold supplies in general... and the possibility that it may increase makes it even more urgently necessary to agree on some means of stretching these supplies to support the continued growth of world trade." Further on talking of the conflict between the U.S. and France it said "...it may be necessary to devise a compromise scheme in which composite units are created for use as a supplement to gold in international settlement."

### III

There is one aspect of the problem that I have not dealt with yet, and that is the question of the underdeveloped countries. Reading the general and financial press this question only rarely gets a mention, nor is this surprising since the control of international liquidity is an aspect of imperialist domination of the colonial and ex-colonial countries. On this aspect all the capitalist powers are united.

If the situation between the imperialist powers is contradictory then the relationship between them and the colonial world is doubly so. The problem is not only that the imperialist powers want to obtain raw materials and food products as cheaply as possible, but they also need to sell their exports to such countries as dearly as possible. Despite the fact that the largest increases in world trade since the end of the war has been between advanced countries, this does not mean that the trade between the 'two worlds' has declined, far from it. To attempt to overcome the problem of the realization of surplus value the imperialist powers will look more and more to the underdeveloped world. It is in the process of world trade that the exploitation of the colonial world takes place by the imperialists, even after formal independence has been granted. "Trade between industrialized and underdeveloped countries at 'world market prices' is not based on an equal exchange of value, but on a constant transfer of value (surplus profit) from the underdeveloped to the industrial countries, exactly in the same way as exchanges between firms, some of which enjoy monopolies of technical knowhow (and so produce at a level above the national average), transfer surplus profit to those firms on the national market of a capitalist country." (1).

In a crude way this can be seen from the balance of trade figures for primary producing countries over the years 1957 to 1965.

	Exports	Imports	Balance	in \$ billion.
1957	7.38	8.54	-1.16	
1958	7.03	8.09	-1.06	
1959	7.46	7.96	-0.50	
1960	7.87	8.89	-1.02	
1961	8.03	9.03	-1.00	
1962	8.41	9.19	-0.78	
1963	9.22	9.65	-0.43	
1964	10.08	10.69	-0.61	
1965	10.57	11.41	-0.88	

(from table 26 p. 80 Economic Review, Nov. 1966)

(1) Ernest Mandel: Contemporary Imperialism WLR No. 25.

Thus we can see that for the whole period the primary producing countries were in deficit. One point should be made on this, such countries as South Africa and New Zealand are included in this category. Also world prices have moved against primary products during this period, so that to obtain an equivalent amount of money more of the product would have to be exported. Henri Vallin writing in the Summer 1966 issue of International Review makes the point very tellingly in relation to Nkrumah's downfall "...the real conspiracy that brought Nkrumah down was not the military one...The real conspiracy was the catastrophic decline in the price of cocoa during the past seven years to nearly one-fifth of what it was in the late fifties. (Emphasis in original). From a peak of over \$1,000 a ton in 1957-58, the price dropped to \$504 in 1963-64 and down as low as \$210 last summer..." This of course reveals one side of the picture, the transfer of surplus value to the imperialist powers and the unbalanced trade of the colonial countries. However, this itself presents a contradiction because the lower the income of these countries the less they are able to import. Mandel indicates how this is partially overcome "...the adverse evolution of the terms of trade is no absolute check on the imports of manufactured goods by underdeveloped countries, so long as supplementary purchasing power can be found: a) in the revenue of the native ruling classes, exchanged for imported luxury goods (which might imply a drain of gold and silver, if the adverse trend of the terms of trade creates a balance of payments deficit); b) through an increase in the quantities of primary products produced and exported, which might offset the effects of the adverse movement of the terms of trade on the balance of payments; c) through a development of capital exports by industrialized countries, which play the role of credit, enabling the underdeveloped countries to increase their imports of manufactured goods..."(1). It is this last point that has special relevance for us here. Referring back to the table of Primary producing countries trade balances we can see why the provision of credit assumes such an important part of the question of international liquidity. Allowing for some effect from Mandel's a) and recognising that the ultimate outcome of b) will probably be a decline in income the question of credit assumes an overwhelmingly predominant place not only for the underdeveloped countries but also for the imperialist powers. In this context it is interesting to note that immediately after the coup in Ghana, European banks advanced a loan to the military regime, and the I.M.F. moved in a little later with a larger loan. This had previously been refused Nkrumah, for obvious reasons, but the imperialists were very anxious that the economy of Ghana should not grind to a standstill completely, for that would imply a cessation of imports.

Total reserves of gold and foreign currencies for industrial countries in 1955 stood at \$37.50 billion, by 1964 they had risen to \$49.69 billion. However, those of the primary producing countries had only risen from \$10.52 billion in 1955 to \$12.69 billion in 1964.(2)

(1). Mandel op.cit

(2). Table 29, Economic Review. Nov. 1966.

Therefore as a whole world liquidity was becoming smaller in relation to increased world trade, and the primary producing countries were actually sloping back. Their position was worsening. From the point of view of the needs of the primary producers they should have had access to more liquidity. Balogh explains this so - "Poor countries will probably have a greater need for holding reserves than richer ones, and this for two reasons. On the one hand, the instability of primary products markets and of harvests is notorious, and they mostly depend on a few products of this type, which increased their risk. On the other hand their capacity to obtain credits on reasonable terms is much less than that of the richer countries, unless purposive international institutional arrangements are made...The limitations on the choice of policy (e.g. the prohibition of direct control over imports and exports) imposes disproportionate burdens on poor countries. Their acceptance of such burdens is rational only if international arrangements are made to offset this burden by special grants or credit arrangements." (1)

However, from the point of view of the underdeveloped countries, the suggested remedies are at best only palliatives that cannot basically alter the situation. Their poverty and slow development remains a function of the imperialist powers just so long as that relationship exists. Loans can only be a short term measure, nor should the cost of them be ignored. But from the imperialist point of view grants and loans are very profitable. The profitability of loans needs no explanation, both in terms of interest and induced exports. Grants need a word or so more. Seen from the point of view of 'national interests' the grants of aid by the imperialist powers to the underdeveloped countries seem to be very altruistic. However, seen from the point of view of the monopolists who are interested in exporting to such countries, either consumer goods or capital goods, these grants are a permanent subsidy to them. In just the same way overseas military expenditure can be seen not as a debit in the balance of payments account of, say, Britain, but as a gift to the monopolists. The point here is that the whole economy, via taxation pays for aid and military expenditure, whilst the monopolists makes the profits. True enough that they also pay taxes, but this is only a fraction of the cost of either of these items, particularly in Britain where the incidence of taxation on consumption has risen far more than taxes on companies since the middle-fifties.

Another aspect of this question is that more and more the developed countries who do give aid are tying the loans, so that the recipient country is forced to buy from the donor. The United States has recently been in conflict with the International Development Agency over the question of making the quota that it subscribes to the Agency tied. At present 90 per cent of U.S. aid is tied, and because of the balance of payments difficulties it is encountering, it wants to increase this.(2).

At the moment it is difficult to predict how the imperialist powers will resolve the problem of international liquidity. Without the present

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(1) T. Balogh Unequal Partners Vol. 11 pp 243-244.

(2) see Financial Times 29th December, 1966.

massive American deficits the situation would be catastrophic for the capitalist world - there would be a tremendous contraction of trade, and a slump of the thirties dimensions. Therefore the French suggestion of a return to the Gold Standard - which implies a drastic reduction of international liquidity in present circumstances - can be seen only as an extreme position taken up for bargaining purposes. No matter how much they twist and wriggle the West European capitalists will have to face up to the fact that despite their improved financial position since the middle fifties, they are in no position as yet to have a direct confrontation with the United States. The overwhelming technological and productive superiority of the U.S. ensures its eventual dominance in the financial sphere, even though it appears to be somewhat weakened at the moment; for as I have tried to indicate this apparent weakness in reality flows from its basic strength.

#### IV

Therefore, given the elements indicated, plus the slowing down in the growth of world trade that has been predicted for 1967, the situation seems to be shaping up for a compromise, as was suggested by the Financial Times. Such a compromise, however, will still leave the U.S. the dominant power and with it the underlying drive towards war. For Britain there will probably be some attempt to settle the status of Sterling, without upsetting the system greatly, either by funding the Sterling balances or by further loans and/or an extension of the re-payment period for those debts already contracted. Whichever method is used, it means that Britain must take measures to 'correct' the internal economy. This implies that Mr. Wilson's 'medicine' will be continued, and the working class will be the ones to carry the burden.

For the underdeveloped countries an increase in world liquidity may mean further loans and a little more aid, but this will only be to more firmly chain them to the imperialist system. And this implies their further slide into poverty.

The editors of Monthly Review wrote in December 1966 "...the United States balance of payments deficit is a powerful time bomb ticking away in the financial engine room of the world capitalist system. Unless the bomb is defused in good time, a shattering explosion is inevitable..." It is to defuse this bomb that the finance ministers etc. are now scurrying round the world. The apparent stability of world capitalism is today more threatened than at any time since the 1930's. Not only does it have the 'time bomb' ticking away, it has the awakened colonial world to face. Vietnam is in this way merely (if one can use that word) the tip of the ice-berg. All of these events have a dialectical unity in their contradictions. Both the irrationality and the contradictory nature of monopoly capitalism express themselves on an international scale via genocidal war and, for most people, that mysterious animal international liquidity. They are not separate phenomena, but merely facets of the same system.

APPENDIX

Readers should clarify in their minds the difference between a trade deficit and a balance of payments deficit. The trade balance is the difference between physical imports and exports. The balance of payments is made up from a number of items, of which the trade balance is only one.

£ Million.

	<u>1950</u>	<u>1951</u>
Exports	2254	2752
Imports	<u>2390</u>	<u>3501</u>
Trade Balance	-0136	- 749
Investment Income		
Credit	271	3-5
Debit	<u>112</u>	<u>158</u>
Net	+ 159	+ 147
Shipping (net)	+ 141	+ 133
Government Account	- 136	- 150
Other items	+ 269	+ 201
Current Balance of <u>payments total</u>	+ 297	- 419

For each of these two years if one adds up all the negative items and subtracts the sum from the total of all the positive items one arrives at the last item, the total. What should be noted is that in each year the balance of trade was in deficit yet in 1950 the balance of payments was in credit while in 1951 it was in debit. Therefore, while balance of trade figures are important they do not tell the whole story. This distinction should be borne in mind.

## IS RUSSIA CAPITALIST?

PART 1. (from The Militant.)

By Barry Sheppard

"The Soviet Union has changed from being a country whose means of production were owned by the working people to one controlled and owned by a new exploiting class whose origins are in the former managerial-technical-professional strata."

"The state apparatus (in the Soviet Union) is in the hands of capitalist forces, and this is what characterizes the system today."

These quotations are from the statement by the national committee of the pro-Maoist Progressive Labour Party in the Feb.-March issue of Progressive Labor. The theory that the USSR is capitalist is not new. With this statement, PL has arrived at the same position on the sociological nature of the Soviet Union as the Socialist Labour Party, Norman Thomas and Erich Fromm of the Socialist Party, most Russian Mensheviks, and a host of others. From its beginning, the Trotskyist movement has countered this wrong and dangerous theory, which can lead to profoundly counter-revolutionary conclusions and conciliation with capitalism.

Unlike PL, most of the other groups which believe the USSR to be capitalist are rabidly anti-Stalinist and anti-Communist. But there have been important recent precedents for PL's latest discovery within the camp of Stalinism itself. In 1948, when Moscow forced a rupture with Yugoslavia, Stalin and his spokesmen characterized Yugoslavia as Capitalist - and fascist to boot. In 1950, by way of retaliation, Milovan Djilas, the Yugoslav theoretician, put forward the conception that the USSR was state capitalist. More recently, Mao has characterized Yugoslavia as capitalist, and it appears that PL is only a step ahead of Peking in so labeling the Soviet Union.

### No Theoretical Basis.

In all these cases, the characterization of the nature of the regimes was changed overnight from socialist to capitalist. This was not done on the basis of any objective analysis of fundamental transformations in the structure of the countries involved, but amounted to name-calling to justify factional and temporary diplomatic needs. Thus, when Moscow and Belgrade patched up their differences in 1955, each then acknowledged that the other had rejoined the roster of socialist countries.

One peculiar feature of PL's analysis is its vagueness on the question of when so momentous a transformation occurred in the Soviet Union. If their analysis is true, this reversal of the October Revolution signifies a colossal defeat for the workers of the world.

When did this epoch-making counter-revolution occur? PL attributes it to the "revisionists", the gang of bureaucrats, especially Krushchev and his heirs, who took over after Stalin. They say that the "new economic system" was "ushered in" by the proposals advanced by the economist, Evsei Lieberman. Since Lieberman's projected reforms go back only two years, presumably it has been within the past two years that the counter-revolutionary process was completed and the new capitalist ruling class took over the former socialist society.

This is amazing. A total counter-revolution in the oldest and most powerful non-capitalist state occurred - peacefully and unnoticed, except by the theoreticians of PL. Neither Washington nor Wall Street, which

should be exceedingly interested, is yet aware of this development.

#### Didn't Notice.

What were the Soviet workers doing while the capitalists came in and took their factories away from them? Was this earth-shaking event performed by some sleight of hand, like a card trick, so that it went unobserved by the workers? A capitalist counter-revolution could not have succeeded in the Soviet Union without violent class struggles in which the workers were crushed in battle. No such clashes have taken place. PL's theory of a peaceful throwback from socialism to capitalism is no better grounded than the theory of a peaceful transition from capitalism to socialism, which P.L. correctly criticizes.

PL is forced into this ridiculous contention because, out of loyalty to Stalin and Mao, it must insist that the counter-revolution had to take place since the death of Stalin. They still uphold the theory that the Soviet Union under Stalin had arrived at socialism.

Is the socio-economic structure of the Soviet Union today fundamentally different from what it was under Stalin? The four arguments PL offers on this question are paltry. They are: 1) "Profit - the private appropriation of the society's economic surplus - has replaced planning the economy for the benefit of the workers. Profit has been brought to the fore in all aspects of the Soviet economy" 2) The managers, the new capitalists, live "high on the hog" at the expense of the workers. 3) The USSR is imperialist. 4) The managers possess "...the ability to will away complete personal fortunes to heirs."

Profits, that is, the difference between the cost of production prices and selling prices fixed by the state, have been used in Soviet accounting since the second five year plan in the 1930's. "The enterprises - which are state property - are administered as juridically independent enterprises. Each enterprise receives from the state equipment and capital(money) for its own exclusive use. It then operates independently, with its own financial accounting system, its own bank account, with credits which are often extended to it, and finally with the right to realize a certain profit." The Soviet Financial System, 1945, pp.8-9)

The reforms advocated by Lieberman boil down to using the profits of the enterprises as an indication of their performance within the overall plan. They would also allow individual managers in charge of firms a certain latitude in gauging the market and adapting products to "consumer taste" and effective demand. Part of the profits are to be set aside for "bonuses" for workers and, especially and disproportionately, for the top industrial bureaucrats and technicians.

PL quotes from the October issue of Soviet Life: "To us the Volgograd Red October Works as an example, : Of its 800,000 rubles of additional profits, 720,000 rubles are going for bonuses..." This quotation implies that the vast bulk of the profits of enterprises would be in the form of bonuses under the proposed reforms. In fact, according to the proposed reforms, 75 per cent of the profits of the enterprise would be returned to the state. The remainder would be used in part for bonuses, part for re-investment, part for payment of previous debts, etc. Re-investment by the enterprises would have to be in accordance with the state plan.

#### State Ownership.

The profit level itself would depend to a very large extent on the prices of raw materials and finished articles - fixed by the state. All funds invested in Soviet enterprises do not belong to the enterprises but



to the state. In other words, the state still owns the means of production.

Under these conditions, the nationalized character of the means of production and the planned character of the economy are not fundamentally altered by using profit as an index of the efficiency of production. There are certain dangers inherent in the Lieberman reforms, especially the increased reliance upon the market which can disrupt the plan, and, as in Yugoslavia, increased social inequality. But, in and of themselves, they do not amount to a restoration of capitalism. They are essentially technical in nature and do not affect collective ownership of the means of production whatsoever. Finally, the reforms themselves are still being debated in the USSR, and have only been introduced on a limited experimental basis.

The use of bonuses is not at all new. In 1947, 51.4% of the total revenues of engineers and technicians of the metallurgy industry was in the form of bonuses. (E.L. Manevich, Forms of Wage Payment in Soviet Industry, Moscow, Gosplanizdat, 1951, p. 190.) The bonuses paid managers and technicians are part of the gravy these upper layers of society skim off at the expense of the direct producers. Bonuses are part of the special privileges the bureaucracy and labour aristocracy enjoy, and are marks of inequality. Is this growth of inequality and special privileges new? Hardly.

The Stalin constitution of 1936, which proclaimed that socialism had been achieved in the USSR, took as its motto, "to each according to his work." This unequal norm of distribution does not distribute according to the needs of the workers, (which can be realized in full only at the final stage of communism) but rather according to their disparate output. Moreover, it enables officials, who define how much work is worth, to reward themselves much more generously than the workers.

In 1935, the ratio of high-ranking engineers' salaries to those of janitors, porters and night-watchmen, was 20 to one. (A. YUGOV, Russia's Economic Front For War And Peace, p. 165) In 1952, another investigation reported a janitor's salary at 300 rubles; 700,800 for a chauffeur; 2,500 for a chief of a technical section in a ministry, and 7-8,000 for a chief of a large enterprise. (Bulletin of the Institute of Statistics, Oxford, Sept-Oct., 1952). Such inequality which enables the upper crust to "live high on the hog" goes back to the days of Stalin.

Stalin intensified speed-up methods developed by capitalism to force workers to greater production. <sup>the</sup>Stakhanovite movement was designed to pit worker against worker and reward special skilled and favoured workers at rates of pay many times higher than ordinary employees. Progressive Labor further points to the counter-revolutionary role of the Kremlin's foreign policy as proof of its capitalist class character. Is this something new? What about Stalin's policy during the Spanish Civil war, which subordinated the revolution of the Spanish workers and peasants to the government and interests of the Republican sector of the Spanish bourgeoisie - with the same results as the recent Communist catastrophe in Indonesia? What about the betrayal of the Greek revolution by Stalin after World War 2? What about Stalin's opposition to the Yugoslav revolution? In France after World War 2, in accordance with the agreement Stalin made with Roosevelt and Churchill, the Communists were told to join de Gaulle's tripartite government which salvaged and consolidated French capitalism. Sabotage of workers' revolutions elsewhere is not new for the Kremlin; it goes back to Stalin and marks his whole era.

The laws of inheritance are not new either. They are restricted to personal belongings and do not allow anyone to pass on property rights in the means of production, and thereby have no bearing on the collective ownership of the means of production, which is the basis of a socialist economy.

#### SOVIET EXPLOITATION

PL argues that the Soviet regime is itself imperialist, not only because it helps suppress revolutions and aids imperialism, but because it exploits other Communist countries. "The Soviet leaders," PL says, "under the guise of the 'International Division of Labour', have tried to stifle the economic development of the other socialist countries." Such inequity in the terms of trade was one of the reasons given by Belgrade in 1948-50 for resisting Moscow and has remained a persistent source of friction ever since between the USSR and other Communist countries. Che Guevara complained about this in his last speech abroad, in Algeria early in 1965. However, this relationship of economic inequality between the USSR and the other workers' states cannot properly be categorized as imperialist, as will be explained later.

In reality, there have been no decisive changes within the social and economic structure of the USSR since Stalin's time. The evils PL sees in present Kremlin policy have their roots in Stalinist bureaucratism. If their position that the Soviet Union has become capitalist is correct, then it must have been capitalist since Stalin's rise to power.

But the declaration that capitalism prevails in the Soviet Union does not hold water. In order to determine the class character of a state, it is not sufficient to look at the policies of its leaders. That would be impressionism, which is <sup>the</sup> superficial and non-Marxist method of the PL leadership. The economy itself, the property relations that the state defends, must be analysed and appraised.

If capitalism has been restored in the USSR, it is certainly a most peculiar capitalism - one that does not obey any of the major laws of the development of this economic system which surrounds us Americans.

Capitalism is an economy based upon the maximization of private profit. Profit seeking is the sole motive force in its economic life. All investments and the accumulation of capital are regulated by the laws flowing from this search for profit. The law of the falling rate of profit, which leads to the concentration and centralization of capital, has determined the transformation of free competition into monopoly capitalism.

This law also explains the tendency for capitalists in all capitalist countries to invest more heavily in those industries where there is not a formidable mass of accumulated capital which bears down on the rate of profit. Investments tend towards less capitalized industries, peripheral industries, and out from the metropolitan centres into the colonial countries, where the rate of profit is higher.

#### Marxist Term.

This is related to the Leninist concept of imperialism. The term imperialism is not an epithet to be used loosely and wildly against political adversaries, as PL does, but is a precise scientific term describing the present, final stage of capitalism. This stage is dominated by monopoly and by the export of capital (foreign investments) to colonial and other areas of higher profitability by the monopolist corporations.

Soviet economy does not operate under this fundamental law of monopoly capitalism. Investments are not made in accordance with the search for maximum profits, but in accordance with the overall plan. The plan

is based upon production for use, not for profit, although it is distorted in its design and application by a self-seeking bureaucracy. This means that Soviet investments can be made, and in fact are made, in branches of industry which would be less profitable under capitalism. It also means there is no inherent drive to seek foreign investments as there is in the advanced capitalist countries. The USSR is not imperialist, therefore, in the Leninist use of the term which describes present-day capitalism.

In an economy ruled by profit, monopoly capitalism has been characterized for several decades by failure to apply thousands of inventions and technical improvements, which would risk devaluating enormous masses of capital in various monopolized sectors. Can PL point to a single example of this in Soviet economy? Unlike underdeveloped capitalist countries, the Soviet Union continues to raise the level of its economy, in the face of hostile pressures from world capitalism. This is possible because the Soviet state has erected a barrier against the pressure of the world capitalist market in the form of the monopoly of foreign trade. The Soviet Union is not a market open to either goods or the investments of the world's capitalists, and is therefore not a part of the world capitalist market.

Consequently, Soviet economy does not follow the ups and downs of booms and recessions of world capitalism. There are no cyclical movements of the economy in the USSR, which would result from capitalist investment for profit. We have already pointed out, in discussing Lieberman's reforms, that capital investments in the USSR are not made by individuals, private groups or enterprises but by the state and are owned by the state. The plan and not profit is the motive force behind investment.

If we are to credit PL, the USSR has an extremely peculiar "capitalist" economy. It is not an economy for profit; it is not integrated in the world capitalist market; it is not subject to the cyclical ups and downs characteristic of the rest of capitalism; it is not governed by the laws of the development of capitalism. In addition, it is an economy without a capitalist class, without private owners of the means of production. What remains to justify calling it "capitalist"?

The economy in the USSR, under Stalin as at present, is one where the means of production, banks, etc., are nationalized. This publicly owned property is operated by planned production. There is a state monopoly of foreign trade. These basic factors make the Soviet state, whatever defects it suffers from (and they are many), a workers' state because it defends and develops, in its own way, these basic conquests of the 1917 revolution.

There are enormous differences in remuneration between the workers and the Soviet bureaucrats. But these differences relate to the sphere of distribution, not production, and do not warrant designating the basic economy capitalist. The question whether the Soviet Union is capitalist or still based on socialist relations of production is not a quibble over words. It has the most momentous political consequences, especially in case of conflict with genuine capitalist powers. If the Soviet Union still rests on the basic conquests of the 1917 Russian Revolution, no matter what the crimes, mistakes or deficiencies of its leadership, every socialist has to defend it against imperialist attack. However, if, as PL asserts, the Soviet Union has become capitalist and imperialist, what reason has any Marxist or progressive person to rally to its defence?

Have the members of the PL considered this counter-revolutionary implication of the position their leaders have just adopted?

(To be continued.)

The Marxist notion of the unity of theory and practice means that truth is developed out of practice and proved in practice. Theory without practice is empty and practice without theory is blind. The two sides must constantly be brought back in harmony with one another. Without the experience of action, theory degenerates into sterile dogmatism; neglect of theory leads to directionless pragmatism.

Theory and practice and the dialectical relationship between them, in ongoing purposeful activity, may be designated praxis. Now the scale of the praxis must be adequate to the subject matter of the activity. This factor has profound importance for working class politics. At bottom the scale depends on the level of productive forces. Clearly in the middle ages, based on domestic hand craft and agriculture, events in Japan had normally no influence on those in England. To all intents and purposes, social and political praxis needed to develop only within a national or even regional scale. However, the extraordinary development of the productive forces brought about by capitalism has, for the first time in history, brought all of humanity within the comprehension of a single system, the world market.

Human praxis must now become commensurate to the reality of the situation it finds itself in. It was for this reason that Marx stressed the necessity for the transcending of national boundaries and the need for a universal appropriation of the means of production. From the need to achieve this flows the need to build a movement truly universal in scope, consisting of nothing less than the international working class, whose purpose is the achievement of a world wide communism, and where praxis must be commensurate with that purpose. The instrument of this revolution, the revolutionary party, must therefore be an International, a world party of the International, unified in praxis.

Never before has it been so plain as it is today, that the politics and economy of capitalism, its markets, its crises, its wars - all have an international character. And just as socialism cannot be realised in one country without world revolution, so no revolutionary national grouping can develop completely without a world party. The world historical character of events today means that the correct analysis of the world situation is more complex than ever before.

his analysis cannot be developed abstractly in a single head. Such would be sheer idealism. Only analysis of the world situation, constantly re-examined and tested in the light of practical action can enable all the sectors of a world wide movement to feel the pulse of history in the making. Only an International based on democratic centrism, permitting different tendencies to confront each other democratically, while uniting them in action, can allow experiences from all corners of the world to become properly weighed and translated into revolutionary tasks on a world scale. A nationally based grouping cannot arrive at a correct analysis or action, only a universal praxis will suffice.

What is involved is the construction of something qualitatively different from the mere sum of national organisations. By pooling national experience and opinion in accordance with the rules of democratic centrism, it is possible to build an international leadership, much superior to anything within the capacity of a single section. The basic concept

is not that of assembling a staff of intellectuals, however valuable and necessary this is, but of combining on an international scale leaderships that are deeply rooted in their own national soil and connected in a living way with the masses of their own country. An international leadership of that kind is capable of performing the difficult dual task of keeping theory up to date and of working out viable policies of revolutionary action on the great world issues of the day.'

(Seventh World Congress of the Fourth International).

Such an 'international' cannot at all be a mere association of national parties having independent programmes, held together merely by loose ties, an association of 'federative' or 'polycentrist' character. Still less with a mere 'feeling of solidarity' with other oppressed peoples engaged in struggle do. There must be a common international programme on the basis of which the national sections develop answers to the particular problems of their country. Their experience is then fed back into the international organisation.

The only possibility of developing revolutionary cadres with a correct analysis and an international outlook and practice, lies in their being part and parcel of a living international, democratic in organisation, and unified in action. For not a single minute during his political work should such a revolutionary forget that what he is doing is essentially one with his comrades all over the world, with whom he shares a common purpose and praxis.

How do we stand today on the question of the international? The Second International is nothing but a joke. The Third International was served up as a burnt offering to his imperialist allies by Stalin, during the war. And, of course nothing so sinister looking as an international must be allowed to disturb peaceful co-existence with capitalism and imperialism. Only the Fourth International, founded by Leon Trotsky, strives to build a revolutionary International.

The abdication from this task by the traditional social democratic and stalinist parties has had catastrophic results for the workers' movement. We recently suffered the spectacle of Anthony Greenwood, star of the social democratic left, gassing schoolchildren in Bahrain on behalf of an autocracy frightful even by the standards of that area. Within weeks of the slaughter of a million workers and peasants of Indonesia, Michael Stewart was first ashore shaking the bloody hands of the butchers and promising them every assistance. Hardly a voice was raised in the Labour Movement - so deep going is the demobilisation of consciousness on the question. It is no accident that the Government's domestic policy is equally class collaborationist.

With the stalinist parties the situation is no better. The pernicious theory of socialism in one country with the resulting conversion of the Communist Parties into instruments of Soviet diplomacy, has developed into a diffuse polycentrism - every party its own way to socialism and to hell with the rest of the world. Recent episodes in the long history of Kremlin treason to internationalism were the sabotage of the Chinese economy by the withdrawal without notice of technicians and plans, the arming of India against China and now the granting of \$ 100M to the military regime in Brazil, a repressive regime which represents the high peak of counter revolutionary consolidation in South America. This last shows the complete lack of any living link between the Kremlin and the Brazilian revolution.

The Chinese C.P., inspite of its revolutionary phraseology, is equally sunk in Chauvinism and opportunism stemming from its lack of any idea of internationalism. The way they rushed in to recognise the counter revolutionary coup d'etat in Algeria in hopes of gaining factional advantage over the Russians if the proposed conference was staged there, shocked even neo-colonialist African states. There is their collusion with the military dictatorship in Pakistan. Then there is their criminal silence over the opportunist policies of their Indonesian friends, which continues even though the lessons of the subsequent ruin need driving home to the world movement.

However, it would be a mistake to think of these episodes as mere aberrations which may easily be corrected. These anti internationalist attitudes have deep social roots in authoritarian structures concerned with conserving the power and privilege of a parochial buresucracy. This was why Trotsky decided to start again, to build a new international dedicated to breaking the grip of social democratic and stalinist buresucracies on the workers' movement. The Fourth International has assembled the nuclei of such a world party. It has sections in 40 countries. Built on democratic centralist lines it has regular Conferences, at which minority platforms are put forward and properly discussed. Its national sections participate actively in the organisations of the workers in their country. Greatly strengthened by the recent reunification Congress, from which only the parochial tendencies of the sectarian Healy and Posadas stood apart, the Fourth International is striving to construct the leadership and develop the praxis, needed by the working class to overcome capitalism. 'WORKERS OF ALL COUNTRIES UNITE!' An old slogan but never more relevant.

## MALCOLM X

### On Afro-American History

On the occasion of Negro History Week in the United States, the International Socialist Review devotes a special issue to the hitherto unpublished speech by Malcolm X on Afro-American history.

The speech has been transcribed from a tape recording made on January 24th, 1965 at the Audubon Ballroom in New York just a few weeks before his assassination.

The Malcolm X speech is published with an introduction by George Britman, editor of the book Malcolm X Speaks and author of the new work The Last Year of Malcolm X: The Evolution of a Revolutionary.

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