

The Crisis and the General Election

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NEVER has a Government met with such an accumulation of disasters as the Tory Government in the recent period. Its demoralisation grows with each successive disaster. It reels around adopting some expedient or brazen stunt, in order to create the impression that it is really trying to do something constructive.

Its economic policy is in ruins. It has repeatedly adopted measures which have only served to worsen the situation. In the spring of 1961, when many observers were predicting the fall of demand, particularly in the private sector of the economy, the Government was painting the picture of a new wave of excess demand, overloading the economy and leading to a new and tremendous burst of inflation. Hence the ruthless application of the dear money policy, the wages pause and the extra taxes on consumers. In the subsequent months when the full effects of this were being reflected in a slackening of activity everywhere, the Government was still stressing the danger of the overloading of the economy, as a result of the alleged excess purchasing power in the hands of the people. In his 1962 Budget Mr. Selwyn Lloyd was still uttering dire warnings to this effect. Purchasing power in the hands of the people was growing and still represented the main danger, he insisted. If the condition of the economy did actually deteriorate the Government might do something, but it was not necessary meantime. His successor Mr. Maudling continued to bewail the danger of excess purchasing power. When he was forced finally to adopt a policy of stimulation, he applied it in a hesitant, uncertain fashion, which robbed it of any effect which it might have had. Post war credits releases were stepped up, the purchase tax on cars was reduced, increased investment allowances were granted, and at last a general cut in purchase tax made, but the economy continues to toboggan steadily downward.

At the beginning of 1962 the Government announced a five years "defence perspective". In a little more than six months the Skybolt project was abandoned and the Government was left without effective means of delivering its so-called

nuclear deterrent by the mid-60's. It is now going over to the Polaris missile, fired from submarines, in 1970, without any real idea of its cost.

Its foreign policy has received devastating blows. The United States embarked on its Cuban adventure, which might have resulted in thermo-nuclear war, without any real consultation with Britain and the rest of its allies. The Government had to follow meekly without having any voice whatever in the formulation of policy. The U.S. is steadily pushing Britain out of its traditional "spheres of influence" like the Yemen, or Katanga. The great over-boosted "cure-all"—the Common Market—is running into one snag after another, and it is clear that little or no concessions are going to be made to Britain. Yet so much propaganda has been done in business circles, about the Market as a "cure-all" that an immense crisis of confidence is raging, as entry is delayed.

Ever since the end of the war British policy has been directed to rebuilding London as the main financial centre in the world. Monetary measures have been repeatedly operated in order to strengthen the pound and advance nearer to this objective. Yet it is clear that Britain's "allies" are increasingly opposed to this project, and that the existence of London as a major financial centre and of the sterling area is being challenged. The United States seems to envisage the creation of two major financial centres in the world—the U.S.A. and the Common Market. The heavy economic sacrifices endured by the British people, to keep the pound sterling as one of the world's major currencies are likely to prove to have been in vain.

Yet at the very moment when the Government is reeling under a succession of reverses, the official Opposition is pulling its punches and is helping to prolong Macmillan's disastrous rule over the British people.

With this political crisis firmly in mind, let us look first at the international economic situation, then at some major aspects of the British economic situation and then at the political and economic tasks we must undertake, in order to develop the movement, bring down the Govern-

ment and defeat the Tories in the next general election.

Perhaps the major feature of the international situation is the growing gap between the highly developed capitalist world and the primary producing countries which are exploited by it. This is one of the powerful economic factors at the base of the colonial liberation movement.

The International Scene

Average price of primary commodities fell by 11 per cent from 1957 to the second quarter of 1962, while the price of the exports of manufactured goods bought by these countries rose steadily. All the varied forms of "aid" bestowed on these countries, with or without strings, do not compensate the primary producers for this deterioration in their terms of trade. This is a persisting form of colonialism that grows steadily, even after those countries have won political independence.

The next important trait of the international political situation is the deepening of the contradiction between the growing productive capacity, and the limited consuming power of society that is now manifest in all capitalist countries. In the United States, manufacturing output which rose steadily throughout 1961, reaching a high point in mid-1962 was still only 87 per cent of capacity and unemployment was above five per cent of the labour force. The Common Market Commission reports a "great amount of slack" in the capital goods sectors due "to more sluggish demand against the background of steadily rising capacity."

As a consequence of this there is a marked increase in international competition leading to a cut in profit margins in important sections of capitalist industry. In Britain, for example, in manufacturing industry, profits as a percentage of net assets fell from 20.4 per cent in 1961 to 18.4 per cent in 1962. In chemicals they fell from 22.6 per cent to 18.9 per cent, in steel from 19.6 per cent to 14.8 per cent, and in motors and vehicles from 25.9 per cent to 18.9 per cent. Even in industries where the mass of profits is still growing, the compression of profit margins is evident. It is possible to exaggerate this (one must remember that overall, in manufacturing industry in Britain, there has been a slight increase in dividends) but the tendency is there and it has been inhibiting investment in some capitalist countries.

A feature of this fiercer competition is of course the desire of all capitalist states to obtain a more favourable balance of payments—something that is impossible in all capitalist states simultaneously.

Obviously the attempt of all to sell more than they buy can only result in narrowing the world market, and in creating still greater pressure on the ex-colonial countries and on wages and salaries and working class conditions generally.

It is clear that once major capitalist currencies became convertible, once international currency speculation became once more respectable, it became difficult for particular capitalist countries to engage in an expansionary budgetary or monetary policy, if their competitors were not also doing so. In fact the expansion (with its accompanying inflation) which took place in the major capitalist countries in the 1950's was based on the fact that the United States could afford to run a substantial deficit on its balance of payments and as a consequence lose gold to other countries. There is a point beyond which even the richest capitalist country cannot allow this to develop, and the United States is today fighting as desperately as anyone, to have a favourable balance and avoid losing gold.

Pressure on Wages

In these circumstances there is one policy that is virtually universal throughout the capitalist world, state promoted downward pressure on wages in the alleged interests of competitive efficiency. In Britain the Government is seeking to develop one of the tightest systems of wage regulation obtaining anywhere in the capitalist world. This is not a passing phase of capitalist policy due to the fact of recession. State regulation of wage increases is a permanent feature of state monopoly capitalism.

Another feature of the present situation is the coming together of medium sized capitalist states in forms of political and economic integration. Economically the object is to form a large internal market, affording protection and the maximum possibilities of expansion to industries located within the market and providing a protected jumping off ground into outside markets. This is the economic basis of the Common Market and similar ventures are discussed in other parts of the capitalist world. One feature of this form of integration must be noticed. It must be larger than a national market but there must be limits to the number of countries that are included otherwise the advantages of a tight monopolistic market could be lost. This is a fact that the British devotees of the Market have tended to ignore.

Hopes of U.S.A.

With recession and stagnation spreading, the hopes of the capitalist world are fixed on the

possibility of the U.S. Government giving the economy a shot in the arm, the beneficial results of which would be felt throughout all the capitalist economies. The U.S. policy, dominant in 1961-62, of allowing the economy to expand, with no other stimulus than the traditional arms programme, broke down in the New York stock market collapse of 1962.

It began to be realised that, despite all talk about an "era of full employment", a quite dangerous recession could take place in the capitalist world. Such a recession did not materialise in 1962, but unless the U.S. Government does something special it could very well occur in 1963.

So we had at the meeting of the Organisation for Economic Co-operation and Development held in Paris in November, the continental European countries rejecting an internal expansionary policy as far as their own economies were concerned, but arguing nevertheless that a spot of expansion and inflation will do the United States no harm, and might do the world capitalist economy a lot of good. The U.S. administration seems agreed that such a policy is necessary but the questions arise, (1) will it be effective in view of the large amount of excess capacity in U.S. industry and, (2) if it has even slightly adverse effects on the U.S. balance of payments, will the speculators begin to launch an attack on the dollar?

Britain Today

In 1962 Britain had probably the worst year of any major capitalist country. The increase in exports was tiny and fell far short of expectations. Production which was believed to be expanding slowly but steadily, was revealed to have fallen quite sharply, unemployment increased in months when it usually fell, and the delusive escape route of the Common Market remained firmly closed. Of all the major capitalist countries the United Kingdom had the poorest increase in its gross domestic product (1 per cent); the poorest increase in exports (3 per cent); the smallest increase in private consumption (1.2 per cent); the smallest increase in public consumption which includes the social services (.5 per cent), and a reduction in fixed capital formation. The willingness of businessmen to expand, is one of the factors maintaining employment in capitalist society, and Britain's position is grim. In volume and in terms of 1958 prices, capitalist expenditure in manufacturing industry was 18 per cent lower in the third quarter than a year previously.

Yet despite this hideous failure, all the old millstones which have hung around the neck of the British capitalist economy for years are be-

coming heavier. Total military expenditure (much of it dissipated in weapon failures) has grown sharply as have overseas military expenditure; the dear money policies aimed at protecting the City as a financial centre, have only recently been removed. So when all suggestions—good, bad and indifferent—for stimulating the British capitalist economy have been examined, the inescapable fact remains, that unless these long standing sources of weakness are removed, the chances of even short-term palliatives working successfully are pretty remote.

Make the Government Resign

The wage situation deserves mention. From January 1961 to October 1962 weekly wage rates rose by 7.6 points while the index of retail prices (even before the recent increases due to the cold are taken into account) rose by 6.9 per cent. So over the 22 months wages were practically stagnant. True, in 1962 there was a slight improvement over 1961, but microscopical. We have read how greater numbers of workers have had a wage increase in 1962 than in the previous year. But what does it reveal? The wage index in 1962 up by 4.4 per cent, retail prices up by 3.5 per cent.

If we take earnings—inflated by overtime and speed-up, which are usually regarded as proving the point of increasing working class affluence—they have gone up by 8.5 points in the 22 months from January 1961 to October 1962, but the cost of living has gone up by 6.9 points—an increase in real terms of 2.3 per cent in the period. So one can say whether we take increases in real wage-rates or real earnings the result in the last two years has been the worst for over a decade—since the Rearmament inflation of 1951.

It is in these circumstances that we are seeking, not only to carry out an unprecedentedly powerful campaign on our own behalf, but to rouse the entire movement to struggle to force the resignation of the Government and an early General Election, resulting in the shattering defeat of the Tories.

We hope to see this issue raised in every union branch, in all trades councils and labour parties, in every union conference, in all the struggles and campaigns around jobs. If Britain is to emerge from its worst post-war crisis, the defeat of this Government must be hastened.

End Nuclear Strategy

In this campaign the following major points need stressing. The people must end the whole monstrous inflated delusion that Britain can be defended by nuclear strategy and that it can play

a major role in a nuclear arms race, growing more expensive. This was a stupid unconvincing position when nuclear weapons were atom bombs and planes. A modest supply could be bought, even if their use was to provoke retaliation and the nuclear annihilation of Britain. It becomes a totally lunatic position when nuclear weapons are hydrogen bombs, delivered by ever more intricate rockets.

It is probably true that the U.S. would like to deprive Britain of nuclear weapons altogether and at once. It would be silly, in resenting this, to hang on to weapons whose cost will only make Britain's crisis insoluble.

Nor should resentment at U.S. tactics justify support for any half-way Labour Party position—namely a European deterrent under NATO control, for all this conception means is that the most powerful nuclear weapons are directly under U.S. control and the less powerful under NATO control—which means in the last analysis, under American control also. Next to America, because of the strategical set-up this would give West German militarism increased *de facto* control of nuclear weapons.

The real alternative is for Britain completely to abandon nuclear strategy and the cold war which it expresses, and to take a lead in promoting a test ban, and an advance to comprehensive disarmament, starting with missiles and missile bases. We have to seize every opportunity to help the peace movement to advance such propositions among the mass of the people.

Alternative to Market

We must revive in a many-sided way the campaign against the Common Market, for here there is a danger of our being caught asleep at our posts.

Just as an attempt is being made to develop feeling against the Americans who want to stop Britain having nuclear weapons, feeling is being developed against the French who want to keep Britain out of the Common Market, so that people begin to say we ought to go in at any price.

This is basically the position of Harold Macmillan. The world is being dominated by great powers like the U.S.A. and the Soviet Union. China will soon, he declares, be a great industrial power. The conclusion he draws is not that Britain should cut out exploitation, parasitism and waste, bring its major industries under national ownership and develop its resources to the utmost by planning. His solution is simply that Britain should merge with other European states in the Common Market, should accept

majority decisions as to foreign policy, defence, taxation, social services etc., and that Common Market legislation on a whole variety of questions should be applied, without the British Parliament being consulted. In other words Britain should not seek to reconstruct its economy and advance on the basis of freedom but should merge with the Common Market and have its policy very largely determined by its partners in that organisation. It follows from this, that no matter how contemptible the concessions offered in the negotiations, the Prime Minister and the Government will endeavour to force Britain into the Market at any price. The Labour Party is facilitating this by refusing to conduct an active campaign, and by awaiting the outcome of negotiations.

In this situation it is absolutely necessary to revive the campaign against the Market, above all exposing how it undermines British independence, denying the right of the British Government to conduct an independent foreign policy, to attempt to control the economy, to arrange taxation and social services independent of its "partners".

The economic alternative to this policy is for Britain to refuse to be shut up in a World European box, to declare its willingness to trade with all countries, to make special arrangements for trade with the Socialist world, with the countries of the British Commonwealth, and with the underdeveloped world generally. This policy of rejecting nuclear strategy, promoting disarmament, and keeping free of the shackles of the Common Market, does not mean for Britain a diminished role in the world. On the contrary, they mean ending the terrifying drain on British resources and creating conditions for expansion and prosperity.

"New Capitalism"

Perhaps the major lesson of the domestic situation is the collapse in practice of all the innumerable theories of the "new capitalism". It had become a dogma that a Socialist transformation of society, or any advance in that direction is now totally unnecessary; that as far as unemployment, the great plague of capitalist society in past years, was concerned the Governments had new techniques which would enable it to be eliminated, if it should appear. From this it was deduced that there is nothing that Socialism could do for the workers that could not equally be done under capitalism, provided sufficient popular pressure was maintained on the Government.

More than six months have passed since the

Government began to apply measures to stimulate the economy, and yet the level of activity declines and unemployment grows. It is one thing for firms to respond to Government stimulants, when they feel that they need masses of new equipment anyhow and might as well take advantage of Government policy and get it cheap anyhow. It is quite another position when firms, over a number of years, have installed masses of new equipment, which owing to past Government policy, and the recession in the capitalist world, they are not in a position fully to utilise. So long as there is overcapacity particularly in recently constructed plants, firms are chary of launching out in further expansion.

So the idea of the Government regulating the monopoly capitalist economy from outside, at one moment seeking to induce industry to expand, at another to apply the brakes, so that development takes place with a minimum of sharp ups and downs, has proved difficult to apply in practice. The great capitalist firms are only too willing to co-operate with the Government when they can clearly see the possibilities of extra profits for themselves. Now, not seeing such a prospect, they are dragging their feet and, as far as private enterprise is concerned, it is already clear that there will be less development in the first half of 1963, than in the similar period last year. On the other hand the Government is hoping to enlarge capital expenditure in the nationalised industries which are under its direct control. So the idea that ownership and operational control of industries are irrelevant, and that the Government can always force them to do what it wants them to do, whether they are privately owned or otherwise, has been completely exposed.

Therefore at the very forefront of our struggle there must be increased exposure of the great monopolies, and the fight to bring in to national ownership the industries they control. This means a drive for the nationalisation of steel, chemicals, the engineering industry (with emphasis on motors, aircraft, electronics), shipbuilding and shipping, building and building materials. To the extent that the State has a grip of these industries and is under the continuous pressure of the Labour movement, it can plan for development and the proper location of industry.

We need an economic policy for the existing nationalised industries, above all a policy for the integration of the transport industry. We believe that important concessions can be won in this respect. The policy of closing down lines which do not "pay", threatens to undermine the economic existence of quite important areas. We must do all in our power to keep the campaign

against closures at a high level, preparing to bring new forces into the struggle when the full plans of Dr. Beeching are disclosed in April. Already Macmillan is beginning to hedge on this question. In his Birmingham speech on January 9, he hinted that it might be necessary to keep some railway lines open on the basis of a subsidy and that the Government might be content with reducing rather than eliminating the deficit. The fundamental fight for the integration of all forms of transport has still to be waged. A national energy policy must also be forced on the Government and coal promoted as the essential fuel which can be successfully produced inside Britain itself.

Fight for Jobs

Next in importance comes the fight for jobs which may be a good deal more difficult than many people yet realise. One factor in all this is the widespread existence of excess capacity in industry, so that it is difficult to induce most employers to undertake new construction. A still more important factor is the fact that, if they went all out, most industries could produce more than they are doing at the moment, without employing extra labour. In reply to a questionnaire about industrial prospects, initiated by the *Economic Review*, only the motor and the chemical industries displayed confidence that there would be increased demand for their products. The motor manufacturers estimated that their output would increase by 15 per cent, but that employment would only increase by one per cent. The chemical industry believed that it would increase its output with fewer workers in employment. For the other industries no improvement is in sight. So, even if the economic situation of most industries improved in the sense that there was an increased demand for their products, it does not follow that they would employ more labour.

The fight against dismissals from the factories, for the retention of workers in employment until alternative work can be found, the sharing of work in an emergency, is one of the most effective forms of struggle, for it implies that the fight for jobs starts while the workers are still in the factories. This struggle, while sustaining some reverses has on the whole met with considerable success, and has succeeded in preserving workshop organisation which would otherwise have been undermined by the tame acceptance of dismissal. The workshop struggle requires to be combined with mass demonstrations for jobs on a local, regional and national basis.

It is essential to place in the very forefront the

demand for the direction of firms or sections of firms, to areas where the percentage of unemployment is high. The uncontrolled development of capitalism is creating new depressed areas in various parts of the country and must be stopped.

The Government must be forced to take special measures to help industries which have been disorganised by the abrupt changes in its arms policy—especially in aircraft and shipbuilding.

Alongside this it is essential to campaign for a marked increase in unemployment benefit immediately. While all social insurance benefits must be raised, the increase in unemployment benefit is an immediate necessity and should not be delayed until there is a radically reorganised system of social insurance.

The Wages Struggle

A necessary feature of the struggle for jobs is the increase in working class purchasing power, to be secured by all round increases in wages and salaries. The Government is seeking to confine wage and salary increases to around 2½ or 3 per cent. It is seeking to influence Boards in the Nationalised industries, arbitration bodies, in pursuance of this policy. It expects the National Incomes Commission rigorously to operate this line.

The unions must defeat the efforts of the Right Wing leadership to secure a *de facto* acceptance of wage restriction and must be prepared effectively to challenge it in struggle.

It is essential in this connection to persuade the unions, manual and non-manual alike, to boycott the National Incomes Commission, and defeat the efforts of the government to make this commission an acceptable and authoritative body.

End Housing Tragedy

It is essential to mobilise the British people to end the tragic housing situation. Tory housing policy has led to a sharp reduction in houses built by local authorities for renting from 143,300 per annum in 1958 to 116,100 in 1961, while houses built for sale increased from 130,000 to 180,000 per annum in the same period. This scale of house-building, with its excessive concentration on houses for sale has reduced the slum clearance programme of the Government to a pitiful farce. There are 3,000,000 houses in the United Kingdom which are classified as slums and they are being cleared at the rate of 60,000 per year. It will therefore be 50 years before the existing slums will be cleared and masses of existing houses will, in this period, have deteriorated into slums. The Communist Party demand for 400,000 new houses per year (and a

reduction of the number of houses for sale now being built) is the only one which can begin to make a dent in this immense problem. This involves subsidies, lower interest rates and public ownership of all land for building.

Education

The recent exposure (by the National Union of Teachers) of the slum conditions in many primary schools, illustrates the immense educational backwardness of British education despite some recent advances. It is essential to increase the school-leaving age to 16 and to reduce the number of children per class to 30. It is estimated that this alone will require 70,000 extra teachers and a vast extension of school building and university development. In the number of students in universities, Britain is second from the bottom amongst capitalist countries forming part of the Organisation for Economic Co-operation and Development. To compare only capitalist West European countries, Belgium has 7.3 per cent of the age group 20-24 at universities, France 6.9, West Germany 3.5 and Britain 2.8 per cent. Belgium is third on the O.E.C.D. list, coming after U.S. and Canada, France is fifth, West Germany fifteenth and Britain eighteenth. This is a national disgrace.

Fringe Benefits and Social Insurance

It is essential to begin a powerful struggle, politically and industrially on a factory, industrial or national level for improved fringe benefits which should include Three Weeks Annual Holiday with Pay (with Christmas, Easter and August Bank Holiday extra); Full wages when sick; A factory medical service; Industrial pensions; Adequate industrial training and re-training. Most non-manual workers in industry are already getting fringe benefits which are denied to manual workers. This situation must be ended.

The whole scale of social insurance benefits, pensions, sickness benefits etc. must be raised to £4 per week per person, plus children's allowances.

The General Election

The aim of the General Election campaign should be to stir up the British people to demand the resignation of the Government and an immediate General Election.

This demand should be raised in every wage movement, in all struggles for jobs, in every trade union branch, trades council, local Labour Party and at every union conference. We need a tremendous campaign to shake the Government to its foundations. Those who are relying on the automatic swing against the Government to

secure its defeat at a General Election are in fact relying on a hunch which has in the past often been found to be wrong. Only an *active* campaign on the basis of a positive policy can further undermine the Government and ensure its defeat in the election.

A tremendous effort to rouse and inspire the whole movement could result from the Communist Party's General Election campaign, not only in the constituencies which are contesting but throughout the country. Special efforts must be made, however, in the constituencies in order to secure the return of Communist candidates. The

time to make those special efforts is *now*. It is not the campaign during the General Election which is decisive, so much as the campaign from now to the General Election, the campaign designed to secure the resignation of the Government. The extent to which the entire movement can be roused, depends primarily on a great increase in the activity of the Communist Party, accompanied by intensified recruitment in every part of the country, but in particular in the constituencies. This will ensure that no amount of trickery will enable the Government to escape retribution at the hands of the British people.

Belgium in the Common Market

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THE Common Market has now begun the sixth year of its existence; the Treaty of Rome became operative on January 1st, 1958, and the European Coal and Steel Community (E.C.S.C.) will soon celebrate its tenth anniversary. Thus European integration has been a reality long enough for us clearly to judge the effects which it has had on the life of the countries of the Community, and especially on the life of Belgium.

The lessons which can be drawn from this experience are interesting for those countries which are debating entry into the Common Market. Of course the consequences of their entry into the European Community would not necessarily be identical in all details. In certain fields they might be less serious, whilst in others still more grave.

There is a French saying that "comparisons are misleading" and there is no doubt that the concrete effects of the Common Market will differ to an extent according to the specific characteristics of each country. We should not lose sight of this aspect of the problem, for the economic structure of Belgium, a very industrialised country, though it has many analogies with that of Britain, has also definite differences in a series of fields. This is the case, for instance, in the question of coal; for not only are the Belgian coalfields less rich but they are under the exploitation of private firms. Similarly, the general direction of foreign

trade is very different; the problem of "imperial preference" has never been posed for Belgium, and its exports to the Congo have never represented more than 5 per cent of its total exports, even in the colonial epoch.

However, whilst we must take account of differences, Belgium's experience permits us to clarify some important aspects of the Common Market.

A Legend that must be Destroyed

The supporters of European integration often use an argument which might seem decisive; they say that, since the creation of the Common Market, industrial production has increased much faster in the six countries of the European Community than in the seven of the Free Trade Association and, they add, that it is the same with trade; for total exports, and still more for trade between the members of the group, progress has been definitely more rapid with the "six" than with the "seven".

This is true. But the case of Belgium shows that these differences in rate of growth must not be attributed solely or even principally to the creation of the Common Market. Whilst industrial production increased an average of 30 per cent within the European Economic Community between 1957 and 1961, i.e. about twice as fast as in the Free Trade Zone, the progress registered in Belgium was much slower; there,