E. Aarons,
Economics For
Workers

Registered at the G.P.O., Sydney, for transmission through the post as a book.

Set up and printed by Newsletter Printery, 21 Ross Street, Forest Lodge.

INTRODUCTION

Today a new economic crisis is developing throughout the non-socialist world, including Australia. Unemployment is growing, hardships press upon the people from every side, and the threat of a terrible new war still hangs over our heads.

In striking contrast are the total absence of unemployment, the rapid and continued increase in living standards, and the peaceful aspirations of the socialist countries. The wonderful prospects for the people from the Soviet Union's new 7-year plan, and the breath-taking advances in China are common knowledge.

Why the crisis under capitalism? Why the progress under socialism? What must we do to solve our problems? These are questions on everybody's lips.

The employers, of course, have their own policies. After the war they told us that greater production was the answer to all the people's problems. Production has certainly increased, but there are more problems than ever!

Now they tell us that harder work, giving up the 40-hour week, attracting foreign capital and so on are the cures for our economic ills.

These assertions are just as false as the previous ones, and like them are aimed to try to solve the crisis at the expense of the working people.

Workers therefore need a correct explanation of these questions, and a fighting policy of their own, in their own interests.

The Communist Party has such an explanation and fighting programme, based on the social science developed by Marx and Lenin.

The economic side is the foundation of this science, and the aim of this booklet is to provide an introduction to the study of Marxist economics. It is hoped that readers will want to study the subject further, and for this purpose a list of books is suggested at the end.

Where figures are used, every effort has been made to give the latest available and to check their accuracy (round figures are sometimes used for convenience). However, it should be remembered that we are almost entirely dependent on official and company sources, which, to say the least, are seldom compiled to reveal the essential truth of what we want to know.

Footnotes have been used in a number of places to further explain points not considered essential to the text, and these should be ignored if found distracting.

Before the booklet went to the printers it was circulated fairly widely for comment. Scores of corrections, alterations and additions were suggested, most of which have been adopted, and I would like to express my deep appreciation to all who showed such an interest in the work.

Naturally, any shortcomings still remaining are my own responsibility entirely, and further suggestions and criticisms from readers will be welcome.

Eric Aarons,

October, 1958.

CHAPTER 1

HOW PROFIT IS MADE

The typical picture in the Australian economy today is the big factory, mine, store or bank worth millions or tens of millions of pounds. Every year the owners of each of these concerns make millions in profits.

For example, General Motors-Holden with nearly £60,000,000 of capital employed, disclosed a net profit of £11,700,000 in 1958.

The Colonial Sugar Refining Company with capital and reserves amounting to £34,500,000 disclosed a net profit of £2,335,000.

The Broken Hill Proprietary Company group with assets totalling £156,000,000 disclosed a net profit of £9,300,000.[1]

Where does all this profit and wealth come from?

Instead of looking at each firm separately we will take figures compiled by the Commonwealth Statistician for all manufacture.

In 1956, 1,060,000 workers in Australian factories were paid £850,000,000 in wages. Their work added £1,500,000,000 in value to the raw materials, fuel etc. used. The employers therefore made £650,000,000 profit (for further comment on these figures, see Chapter 5).

These are the facts of profit making, but how and why are the factory owners able to get such huge sums?

LABOUR PRODUCES WEALTH

Utilising natural resources (land, minerals, forests, oceans etc.) men work to produce the things they need to live.

Food, clothing, houses, coal, oil, automobiles, machines etc. cannot be produced without work, and anyone who does not work therefore lives off the labour of others.

In the olden days people used to produce their own food, gather their own fuel, and even make their own cloth, boots and other needs.

Today it is different. The farmers produce the food for everybody, workers in the boot trade make the boots for every-

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1. The capitalists, especially the monopolists, use involved methods to hide their true profits. The financial editor of the Sydney Morning Herald (22/8/1958) estimated, on the basis of the £11.5 million provision for taxation, that the "true" net profit of the B.H.P. group for 1958 was £19 million instead of the £9.3 million disclosed, or more than twice as much!

body, the coal miners dig the coal society needs and so on.

We have a *division of labour* with a relatively few workers specialising in the production of each article, and this is more efficient.

But obviously this division of labour means that the various types of goods must be distributed to each person by some means or other so that each will have the variety needed for life.

Under communism the production and distribution of goods is planned by the public authority according to the needs of the people.

But under capitalism, where private ownership of the means of production prevails, there can be no such public authority for this purpose. Production is unplanned and the distribution of goods is achieved through the process of buying and selling by private individuals.

Such goods, produced to be exchanged through sale, are called *commodities.*

Exchange of commodities is clearly a necessity, but how much of one commodity will be exchanged for another? What will be the "exchange value" of a commodity?

For example, a tailor sells a pair of trousers for £5. With that £5 he buys a pair of shoes. A pair of trousers has been exchanged for a pair of shoes — the two are *equivalent,* they have the same value.

But why are they equal in value?

Because they require equal amounts of work to produce. The same number of hours of labour, though of different kinds, are spent in their production.

After all, labour involving different kinds of skill (carpenter, tailor, bootmaker, engineer etc.) is all necessary to society; labour spent in one way is just as necessary as labour spent in another way.

And would a tailor give away a pair of trousers that took two days' work to make, for a pair of shoelaces that took only ten minutes? Of course not. If he did he would very quickly go barefoot, while the bootmaker would get richer and richer at his expense.

LABOUR THEORY OF VALUE

This is the *labour theory of value.* That is, that *the value of any commodity is determined by the number of hours of labour spent in its production.*

Naturally this does not mean that a tailor could claim twice

as much for trousers he took four days instead of the normal two to make, just because he went slow or was only beginning to learn the trade.

It is the social average, or *socially necessary* labour time that determines the value.

Similarly, allowances have to be made for skill. A skilled engineer might in one hour produce as much value as a labourer does in one and a half hours.

If the labour theory of value is true, then workers in one industry should produce approximately the same amount of value per head as workers in another industry.

This is in fact the case, as the following figures from the Government's Secondary Industries Bulletin 1955-56 show.

For statistical purposes, industry is divided into 16 sections. In 1956 there were 22,000 workers in the brick, pottery and glass section. Their labour in the year created new value of £32,000,000, or an average of £1450 each.

There were 432,000 workers in the metal, machines and vehicles section. They created new value of £595,000,000, or £1380 each.

Similarly each textile worker produced new value of £1190, and each timber worker £1370, while the average for all 16 industries was £1415.

The small deviations from the average in the value produced per worker in the different industries proves the theory in practice.[1]

The source of profit now becomes clearer. Take the average —

A year's labour creates value of	£1415
The wages paid for the year are only	805
Profit made out of each worker	£610

Or, out of 52 weeks, the worker works over 22 weeks for nothing.

Or, out of each 8 hour day the worker works $3\frac{1}{2}$ hours without any return.

1. Only the chemical (£2640 per worker) and power (£3250) industries differ from the average by any large amount. The main reason for this is the much greater than average amount of plant etc. tended by each worker in these industries. (For full explanation of this see Capital, Vol. 3, part 2).

This extra value for which the worker gets no return and which the employer takes is called surplus value, and is the source of all profit, interest and rent. (See also Chapter 5).

CAPITALISTS AND WORKERS

If anyone asks: "Why does the worker do it? Why does he let the boss get away with this robbery?", the simple answer is: "Because he has no alternative under capitalism."

Without machines, buildings, raw materials, land etc., none of the necessities of life can be produced. The capitalists own all these, and the workers must therefore work for them.

The capitalists did not get them by their own labour, but out of profits, that is, out of the unpaid labour of the workers. For example, the original capital put into G.M.H. was less than £2,000,000, while now they have £60,000,000. The extra £58,000,000 came out of the surplus value created by the workers, and even the original £2,000,000 came in like fashion out of the exploitation of the American workers!

Even if we suppose someone started a business with £100,000 accumulated by his own labour, or won in a lottery, if he draws £10,000 a year he will consume all of what is legitimately his in 10 years. However, under the capitalist system he can draw £100,000 over 10 years, yet still have his original amount intact! This is because possession of capital enables him to appropriate surplus value from the unpaid labour of the workers.

It may be asked where the whole process started. The original accumulation of capital ("primitive accumulation") was accomplished mainly by confiscation of the property of the peasants, piracy, plunder of foreign countries etc. (See Marx's Capital, Vol. 1, part 8).

These facts expose as false the ideas so often expressed by the employers who say "there will always have to be capital."

True enough, there will always have to be machines, factories and so on. But these only become *capital* — that is, an accumulation of wealth that can be used to extract surplus value from the unpaid labour of the workers — *when they are owned by private individuals.*

The machines are necessary to society, but the capitalists today are certainly not, as the workers in the socialist countries have proved by doing without them and getting on much the better for it!

Capital is not a *thing*, it is not the machines and factories themselves. It is a *social relation* between a small class (capitalists) owning the means of production and a large class (workers) deprived of them and forced on that account to submit to exploitation.

The worker, by being forced to submit to this exploitation, is consequently forced to increase the power of capital which stands opposed to him.

The capitalists own the means of production, while the workers possess nothing but their capacity to work, or *labour power* as it is called.

The worker must sell his labour power to the boss or starve to death. It is an unequal "bargain" brought about because the capitalists own all the means of production, and no amount of talk about "equality", "freedom" or "democracy" alters this basic fact.

Labour *power* is different from actual *labour,* as we can see by taking the case of an unemployed worker. Labour power is his capacity to work, which he still has. But he cannot exercise this labour power, that is, he cannot labour, without the machines, materials etc. — which are all owned by the capitalists.

The worker sells his *labour power* or capacity to work, and receives in return just enough in food, clothing and shelter to keep that labour power in running order and bring up a new toiler for the capitalists to replace him when he dies or retires to scrape along on the old age pension.

After the worker has hired himself out, the labour he then performs belongs to the capitalist and it creates a value far greater than he receives for his labour power, as we see from the figures on page 13. The difference is the *surplus value* which represents the amount by which the worker is exploited. This relation between workers and capitalists is also called 'the wages system'.

Socialism makes the means of production public instead of private property and thus brings exploitation of man by man to an end.

Socialism does not turn personal possessions such as house, furniture etc. into public property. On the contrary, by eliminating capitalist exploitation, it makes it possible for the mass of the people to really enjoy for the first time the good things they produce.

MONEY

The subject of money is surrounded by an atmosphere of mystery and awe. In this section we aim to dispel the mystery by revealing the essence of money. Later (Chapter 5) we will deal with some of the actual operations of the monetary system.

The reason for the mystery is that in capitalist society people are divided by the private ownership of the means of production and consequently do not have direct control over their relations with one another.

For example the relations between the tailor and the bootmaker mentioned earlier are not direct, but are only established in the process of exchanging their products on the market, in buying and selling — that is per medium of money.

Their lives appear to be dominated by money, for unless they can exchange their goods for money they will be ruined.

And in a society where production is decided by private owners, nobody can know whether too many or too few shoes, trousers etc. have been produced until they try to sell them on the market. Many producers have had the experience of taking their goods to market, being unable to sell them, and being ruined on that account.

Money came into existence thousands of years ago arising out of the growth of exchange.

As the division af labor extended, each person had to make more and more exchanges, and there developed the need for a special commodity, a "universal equivalent" in which the value of all others could immediately be measured, and which would be universally accepted throughout society.

In history, in different countries, the universal equivalent has been shells, cattle, spades and other things (even rum at one time in Australia). Finally, however, gold has become money and is recognised as such in every country in the world. Its physical properties — purity, durability, divisibility etc., and its high value make it particularly suited for the purpose.

But such a medium, in order to measure value, must originally have a value of its own. It too is a product of human labour, and gold taking 2 days' labour to produce will exchange for some other commodity produced in the same time.

Thus money is a special commodity set aside spontaneously in the course of the development of exchange to *measure the values* of all other commodities. We do not say a pair of trousers costs 2 days' labour, we say it costs a certain sum of money.

The tailor sells the trousers for money, then buys the shoes. The bootmaker in turn uses this money to exchange for the particular goods he needs — money thus acts also as the *medium of exchange* or *means of circulation.*

The two main functions of money are that it is a *measure of value* and a *means of circulation* of commodities.

VALUE AND PRICE
ANARCHY OF PRODUCTION

The value of a pair of shoes is, say, 16 hours' labour. This value expressed in money (£5 — an amount of gold also requiring 16 hours to produce) is called its price.

But everyone knows that the price of shoes may vary up or down even from day to day. Does this mean that the number of hours of labour required to produce the pair of shoes (or the equivalent in gold) has necessarily changed overnight?

No indeed. Prices vary up and down according to the relation of supply and demand, consequently prices deviate from values.

Value is not necessarily equal to price at any given time. It is the point around which price rises or falls, the average.

Since there is no plan, how does it come about that 20,000 workers make bricks, pottery and glass while 400,000 make metals and machines? Why isn't it the other way round with 400,000 making bricks, and only 20,000 making machines?

If so, there would be an acute shortage of machines and an enormous surplus of bricks. The price of machines would rise very high, that of bricks would fall very low. Labour and means of production would be taken out of bricks and put into machines, where profits would be very high, until the balance needed by society was restored.

By deviation of prices from values, some sort of balance is achieved, but only through ups and downs. Because capitalism is without plan, shortages and surpluses succeed each other, bringing great disruption and hardship in their train, as we have seen in the ups and downs since the war. For example, ten years ago there were not enough ships, refrigerators, coal etc. Today there are more than can be sold.

Socialism eliminates this wasteful and disruptive *anarchy of production.* With private ownership gone, planning becomes possible. Production is planned to meet the immediate and future interests of the people, and prices are stabilised.

REVIEW QUESTIONS

1. Why does one commodity have a value greater than another?
2. How does the factory owner make his profit?
3. Why must the worker submit to exploitation under capitalism?
4. What are the two main functions of money?
5. What is the main cause of fluctuations in price?

CHAPTER 2

WAGES AND PROFITS

GROWTH OF PROFIT

The employer is always trying to make more profit, to screw more unpaid labour out of the workers.

One way is to impose a direct wage cut, and the boss does this whenever he gets the chance.

Besides this there are other ways of increasing profits. Take a working day of 8 hours, four of which represent surplus value.[1]

— 8 hours —

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |

— 4 hours' — wages | — 4 hours' — surplus value

If the working day is increased to nine hours, the surplus value then rises from 4 to 5, or by 25 per cent.

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |

— 4 hours' — wages | — 5 hours' — surplus value

No wonder the capitalists gnash their teeth over the 40 hour week and lodge claims with the Arbitration Court for a return to the 44 hour week!

Overtime is a way of lengthening the working day. Some workers think that because they are paid time and a half or double time the boss makes little or no profit. But the employer does not have to extend his plant or pay extra insurance, holiday

1. We have taken wages all along as being time wages — that is, so much per hour. There are also piece wages — that is, so much is paid for each article produced, as in the clothing trade. Piecework is based on time work however, being worked out from the number of articles produced in the day. A quota or time is set, usually based on the fastest workers. One advantage in piece-work for the boss is that less supervision is needed. Workers are led to believe that the faster they work the higher their wages will be, but usually this lasts only for a time, the piece-work rates or times being then revised to the disadvantage of the workers Bonus and incentive systems have the same purpose and effect.

pay, sick pay etc. as he would have to with extra workers, and there are other factors such as a quicker turnover which make it worthwhile to the employers to pay penalty rates. On the other hand workers are usually forced to work overtime to make ends meet, and if overtime is worked systematically the worker is likely to suffer excessive "wear and tear" of his labour power, cutting years off his working life.

The bosses also whittle away smokos and other conditions, and especially try to *speed-up* the workers.

Speed-up means, in effect, that 9 hours' work or more is done in an 8 hour day. The worker has to spend more muscular and nervous energy in the day than he did before, usually with no increase in pay.

Attempts at speed-up are very prevalent today, taking many forms.

In G.M.H. in 1956, 15,000 workers produced 84,000 cars or 5.6 cars each. In 1957 17,000 workers produced 106,000 cars, or 6.2 cars each. Most of this increase was caused by speeding up the assembly line and putting the cars closer together.

On the waterfront 10 to 12 men now handle slings of 8 bales of wool compared with 14 handling the same slings before.

In every industry there is a big campaign by employers to speed up the workers. This is extremely profitable for the boss, who does not even have to expend capital on new machines. But it is extremely exhausting and nerve-racking for the worker, often reducing his working life so that he becomes "too old at 40".

The intensification of labour (speed-up) undermines the workers' health and is a major factor in the enormous number of industrial accidents. A conservative estimate of Australia's industrial accident toll was 400 killed and 3,500 maimed annually, the Minister for Labour (Mr. Holt) said in Canberra on August 20th, 1958. In addition there were 350,000 compensatable injuries a year with a day or more off work.

MECHANISATION AND AUTOMATION

It is obvious that in the above methods profits are increased by directly worsening the conditions of the worker.

But there is a method by which the boss can increase surplus value, yet leave the worker in employment no better or worse off than before!

Suppose that new machinery, new methods of production are introduced, and the worker can now, with the same expenditure of effort, produce in 3 hours as many articles as he could

before in 4. If he gets back as wages the value he produces in 3 hours his standard of living remains the same. *But the boss is better off by 25 per cent!* Surplus value has increased from 4 to 5, and the worker's position relative to him has declined.

1	2	3	4	5	6	7	8
— 3 hours — wages			— 5 hours' — surplus value				

So a rise in the productivity of labour, as such an increase in output is called, *results in greater profit for the capitalists.*

Taking factory production in Australia in 1949 as 100, it was 174 in 1958, while the proportional increase in factory workers employed in the same period was from 100 to 125.

Thus each worker in 1958 produced just on 40 per cent more goods than he had 9 years before.[1]

In the coal industry in 1952 20,000 miners produced 50,000 tons of coal a day, or 2.5 tons per man. In 1957, 16,000 miners produced 72,000 tons a day, or 4.5 tons per man.

At the port of Mackay in Queensland 16 or 17 workers now handle over 300,000 tons of bulk-loaded sugar which it took 300 wharfies to handle in bags before mechanisation.

In the last 6 or 7 years use of pre-cut timber and power saws on the job has cut construction time and consequently labour costs of a timber framed cottage by one-third.

Coal burning ships require below deck crews of 12. In the last 5 years 30 of the remaining coal burners on the Australian coast have been converted to oil and the crews reduced to 7 — a reduction of 150 men. New oil burners require only 4 or 5 men below deck.

A similar change is taking place in the railways with the introduction of diesel locomotives.

In offices and banks electronic brains will mean that one clerk will do as much work as was previously done by 10.

1. There are no reliable figures published of the increase in productivity of labour and the above calculations are not exact. However, most estimates put the increase at about 3 per cent a year over the period and the increase in recent years is probably greater. Another method is to take value of production per worker and adjust it according to changes in the "C" Series Index. Using this method the productivity increase in manufacture was 27 per cent in the 8 years 1948-56.

In every industry the productivity of labour has risen and continues to rise.

But many workers are being thrown out of work as a result, and few of the extra goods produced have found their way into the workers' homes.

Most of them have gone to swell the profits of the monopolies. Company profits rose from £214 million in 1949 to £571 million in 1958.

Menzies said in 1950: "If you are a worker . . . remember that the only way we can all have plenty is for all to produce more. Each must ask himself or herself 'Can I produce more?' " (Daily Mirror, 3/10/50).

This is still the cry. What should our attitude be?

Under this system, because the aim of higher productivity is higher profit for the capitalist and not the benefit of the people, the introduction of new techniques is a contradictory process.

On one side it represents technical progress, which we all want to see. But on the other side it increases the exploitation of the workers, is usually associated with speed up, and gives rise to unemployment because fewer workers are needed to turn out more goods.

The capitalists have complete control over industry and bitterly resist any demand by the workers to be consulted and have their interests protected when new machines and processes are introduced.

They care nothing for the sufferings inflicted on the workers. Senator Spooner of the Menzies Government, when tackled about mass dismissals in the coal industry, earned well deserved hatred for his statement that there was "no crisis in the industry because it did record business last year". (Sydney Morning Herald, 25/1/58).

Therefore the workers should not be misled into thinking that their salvation lies in increased productivity under capitalism, or that they should co-operate with the employers and help them to introduce new methods.

They should rather concentrate their efforts on fighting the capitalists for increased wages and the 35 hour week to combat unemployment, on saving industries from destruction, and so on.

Above all, the workers should turn to socialism as the only real solution, for under socialism there is no problem of men being thrown out of work by machines. The benefits of increased

production go to the people instead of the capitalists. Productivity of labour increased by 44 per cent in the Soviet Union between 1950 anl 1955. There was no unemployment and real wages rose by 39 per cent. Progress is similar every 5 years, so at compound interest as it is, workers in socialist countries can count on doubling their living standards about every ten years!

ECONOMIC STRUGGLE AND THE ARBITRATION COURT

Such capitalist exploitation is the hard school in which the workers get their first lessons in the class struggle.

A continual struggle is waged between employers and workers over wages, hours, conditions, safety, victimisation and other economic issues.

In Australia there are the arbitration courts and wages boards whose purpose is proclaimed to be to "regulate" the struggle between workers and capitalists.

They are supposed to be impartial bodies, independent of both workers and employers, which will hear the issues and dispense justice.

The reality is that the judges accept and believe in the profit system; they are high-paid arms of this system and cannot therefore be "impartial" towards it.

Judge Foster has described arbitration court judges as dictators of industrial law: "They are not your representatives; they are beyond your control; they are appointed for life . . ." (Melbourne Herald, 13/10/1947).

Mr. Justice Spicer, Chairman of the Commonwealth Industrial Court, was formerly Attorney-General in the Menzies Government and introduced into Parliament the legislation inflicting penal powers on the unions, which he now administers!

Mr. Piper was one day Chief Judge of the Arbitration Court and next day a director of B.H.P.!

The courts reduce wages in order to keep up profits when they are falling as in the depression in 1931 when, on the application of Railway Commissioners and private employers, the court ordered an immediate cut of 10 per cent in the basic wage.

The courts strive to keep wages down when profits are rising, reluctantly giving way only in the face of the determination of the workers to struggle. For them it is never the "right time" to award wage increases.

Penalties imposed on employers by the courts are light an[illegible] infrequent, whereas many unions have been fined large su[illegible] and been subjected to gaolings and threats of gaolings fo[illegible] failure to obey court orders prohibiting strikes, stop-wo[illegible] meetings etc. Under the penal powers of the present Arbitratio[illegible] Act the right to strike, vital to the defence of the worke[illegible] interests, has been virtually taken away.

The workers cannot rely on the courts, but only on their own strength and organisation to win their demands. Consequently the trade unions should be strengthened by all means [illegible] defended against the attacks of the capitalists, their [illegible] and other organs of State

THE BASIC WAGE

The nature of the court is particularly clearly revealed in its deliberations on the basic wage.

Nearly all wages in Australia are made up of "Basic Wage plus margin for skill" (e.g. a tradesman's assistant's wage in Sydney is £14/11/0 — £13/8/0 basic wage plus £1/3/0 margin; a fitter's wage is £17/3/0 — £13/8/0 basic wage plus £3/15/0 margin — August, 1958).

(There are Federal and State basic wages, the Federal basic wage also varies in the different States, and the wage will probably have changed by the time this booklet is published. The figures are quoted only to illustrate the principles, and workers should keep up to date on their own awards).

Since the basic wage is a part of practically all wages, it is of vital concern to all workers.

The basic wage was introduced in 1907. A tariff law had been passed giving protection to certain local industries provided the wages paid to workers in that industry were "fair and reasonable".

Mr. Justice Higgins conducted an inquiry into what a "fair and reasonable" wage was. He investigated how much the workers actually spent, and found that out of their £1/16/0 a week they spent £1/12/5 on food and rent, leaving 3/7 for light, fuel, clothes, furniture, fares etc.

It is clear that the learned Judge did not investigate what a proper living wage *should* be. What he did was to take the *existing* standard and increase it a bit in some cases.1

1. Neither in 1907 or the more than 50 years since has the court investigated what an adequate living wage should be. (To next page.)

[illegible] said: "If A lets B have the use of his horses on the terms [illegible] he gives them fair and reasonable treatment, I have no [illegible] that it is B's duty to give them proper food and rest as [illegible] need, and as wages are the means of obtaining commodities, [illegible] the State in stipulating fair and reasonable remuneration [illegible] the employee means that the wages shall be sufficient to [illegible] these things and clothing and a condition of frugal [illegible] comfort estimated by current standards."

[illegible] this proves to the hilt the Marxist contention that wages are [illegible] the *value of labour power* — that is, the sum of [illegible] required to buy the articles of food, clothing, shelter etc. needed to just keep the worker going at the prevailing standard.

The value the worker receives for his labour power in the form of wages under capitalism and the value his labour creates are two entirely different amounts. As the productivity of labour rises, the worker may get now 1/2, then 1/3, then 1/4, etc. of what he produces, the rest going to the capitalists as profit.

This does not mean that we should regard wages as fixed and unalterable. Gains can be made through struggle, and new socially demanded standards established.

The demand of the trade union movement today is for an immediate increase in the basic wage to what it would have been if wage adjustments had continued, the restoration of quarterly adjustments, and for a basic wage adequate to keep a family at the desired standard in present day conditions — surely modest demands in a rich country like Australia.

But the capitalists own all the means of production and the worker has to sell his labour power to them or starve to death. It is an *unequal* relation in which the capitalist has the whip

The only such investigation was made in 1920 by the Piddington Commission, appointed by Labour renegade W. M. Hughes to sidetrack the discontent of the workers after the first world war. This Commission found that the wages being paid at the time were only 60 per cent of a living wage, but the Court refused to act on the Commission's findings.

Once, the court used to make a pretence of investigating the needs of the workers. However more recently, unable to refute the justice of the unions' claims based on needs, they now claim to fix wages "in accordance with the capacity of industry to pay." In plain language this means "to fix as low a wage as the workers can be coaxed or forced to accept, so as to increase profits to the maximum."

hand while the worker is often placed at a still greater disadvantage owing to the presence of an army of unemployed.

Judge Higgins' comparison of workers with horses exposes also the deception of "respect for the individual" which is claimed to prevail under capitalism. In fact, the capitalist regards the worker as material for exploitation, and nothing more. When he is not producing profits the worker can starve for all he cares.

WOMEN'S BASIC WAGE

The women's basic wage federally is fixed at present at 75 per cent of the men's basic wage.

Lower wages for women mean cheap labour and consequently higher profits for the employers. One-third of Australia's work force is comprised of women, and on the basis of 75 per cent of men's rates this represents a saving of nearly 10 per cent in the wages bill of the employing class.

Women workers are thus not only exploited as all workers are under capitalism. There is an additional exploitation on top of that because they are women.

The capitalists seek to maintain this inferior status of women in order to have a pool of cheap labour power, and that is why they fight tooth and nail against equal pay.

The employers try to frighten women workers by claiming that if equal pay is introduced women will lose their jobs. But the fact is that women's labour is just as necessary in industry as that of men. One-third of the labour force could not possibly be sacked just because equal pay was introduced, and any shortage of jobs is due to the causes analysed in the next chapter, not the rate of wages paid to women.

A pool of low paid workers of any kind is a threat to the wage standards of all, and equal pay is thus of concern to male workers just as much as women. It is the demand of the whole trade union movement.

MARGINS

In addition to the basic wage, workers receive a *margin* according to the degree of skill required for the job (responsibility, heat or cold, danger etc. may also be taken into account, but skill is the main element).

As we saw in Chapter 1, one hour of a tradesman's labour creates more value than does that of a labourer. It takes a

long period of training to acquire the necessary skill, and young workers will naturally not undertake this training unless they receive some return for it.

Being a set sum, as the basic wage has increased due to inflation the tradesman's margin has declined relatively.

In 1947 the basic wage was £5/7/0 and the margin of a fitter was £2/12/0 or 49 per cent. Today the basic wage is £13/8/0 and the fitter's margin is £3/15/0 or only 28 per cent.

The A.C.T.U. has advanced a correct policy to restore the value of the margins to the 1947 level, and campaigns are being developed in each industry to win these demands.

WAGES AND PRICES
WAGE ADJUSTMENTS

Since 1907 the basic wage has risen from £2/2/0 to £13/8/0. Most of this represents no gain to the workers, but only a fall in the value of money. Prices of necessities rose and the basic wage had to be increased to keep pace with them.

The money wage has risen by over 500 per cent since 1907. This is called the *nominal* wage.

The *real* wage is the amount of commodities that can be bought with the nominal wage, and real wages have increased by less than 50 per cent in 50 years, even according to official statistics which are weighted against the workers as shown below, and not allowing for taxes and other deductions from wages.

An estimate by a capitalist economist (Financial Review, 12/6/58) was that the average standard of living rose by only 15 per cent over the last 20 years. And as we know the crisis is rapidly wiping this small increase out and will reduce standards still further if the employers have their way.

The change in the purchasing power of money is measured by means of the "C" series index. This is compiled by taking sample items in four groups — food, clothing, rent and "miscellaneous", and comparing their prices periodically. A base year is taken and given an "index" number (usually 1000) and the price changes established from the 'samples' indicated by a corresponding change in the index number.

Taking the average for 1923-1927 as the base year, the "C" series index numbers were:

1914	687
1919	1,022
1923-1927	1,000
1929	1,033
1939	920
1949	1,415
1953	2,302
June 1958	2,620

In principle this is quite a scientific way of measuring price changes. However, in practice, as so often happens under capitalism, the "C" series index is weighted against the workers.

For example, during and after the war prices of items such as tea, potatoes, onions, butter, bread etc. which were "sample" items used in compiling the index were kept down by price fixing or subsidies, while other items which the workers consumed but which were not in the index were allowed to soar. The index thus showed a smaller rise in the cost of living than had actually occurred.

Today, the most glaring example is rents. The "C" series index takes its rent "samples" only from certain houses subject to rent control (in most States). Thus, according to the index, rents have risen by an average of only about 50 per cent since pre-war, whereas everyone knows they have risen, in the great majority of cases, by an average of 300 to 400 per cent. The Institute of Public Affairs estimated in 1958 that rent or home purchase payments took 30 per cent of the average wage!

Nor does the "C" series index reveal the effect of overcrowded classrooms or other such factors in depressing living standards.

Nevertheless, despite these weaknesses, automatic wage adjustments according to the rise in the "C" series index were some protection to the workers in face of rapidly rising prices.

That is why, on the application of the Metal Trades and other employers and with the approval of the Menzies Government, the Federal court suspended the automatic quarterly wage adjustments in 1953. Most States followed suit.

The capitalists said that they were doing this for the workers' benefit. It would mean stable prices, they said, because the cause of price increases was wage increases. If wages didn't rise, prices wouldn't rise either.

This false propaganda was soon exposed by the facts.

In Victoria, for example, the Bolte Liberal Government abolished price fixing in 1955, while wages were pegged. The cost

of living measured by the "C"series index rose by 19/- in 11 months; the employers being thereby presented with more than £9,000,000 extra profit.

The Australian Council of Trade Unions estimated in 1958 that each worker on Federal awards had lost £108 since the abolition of quarterly adjustments in September, 1953. The employers were therefore made a present of more than £70,000,000 by this act alone!

The capitalists say that prices are determined by wages, but as we saw on page 14 the value the worker produces and what he gets in wages are two entirely different things.

The fact is that the workers are forced to struggle to increase their wages in order to even keep up with the rise in prices which is caused mainly by war spending, currency inflation and monopoly profiteering (see Chapters 4 and 5).

When prices fall (because of over-production usually and *not* because wages have fallen) we can be sure that the capitalists will immediately use the arbitration courts to slash wages as they did in the last depression. Already (1958) the squatters have applied for a 20 per cent cut in the wages of Queensland pastoral workers following the fall in wool prices.

The false theory that price levels are determined by wage levels can seriously hamper the workers' struggles to maintain or improve their standard of life. If workers did not oppose wage pegging in time of boom, or wage slashing in time of slump, they would soon be reduced to the level of paupers.

When workers say that it is difficult to wring permanent wage gains out of the capitalists they are only proving what we have already said about the unequal relations between capitalists and workers, and *not* the truth of the false theory about prices being determined by wages.

Far from dampening the struggle for wage increases, a realisation of this unequal, exploiting relation should increase determination to win wage increases, enforce price control as far as possible — and above all to end the system which makes such continual struggle necessary.

As Karl Marx said in *Wages, Price and Profit*:

"These few hints will suffice to show that the very development of modern industry must progressively turn the scale in favour of the capitalist against the working man, and that consequently the general tendency of capitalistic production is not to raise, but to sink the average standard of wages, or to push the value of labour power more or less to its minimum limit. Such being the tendency of things in this system, is this saying that the working class ought to renounce their resistance against the encroachments of capital, and abandon their attempts at making the best of the occasional chances for their temporary improvement? If they did, they would be degraded to one level mass of broken wretches past salvation. I think I have shown that their struggles for the standard of wages are incidents inseparable from the whole wages system, that in 99 cases out of 100 their efforts at raising wages are only efforts at maintaining the given value of labour power and that the necessity of debating their price with the capitalist is inherent to their condition of having to sell themselves as commodities. By cowardly giving way in their everyday conflict with capital, they would certainly disqualify themselves for the initiating of any larger movement.

". . . They ought to understand that, with all the miseries it imposes upon them, the present system simultaneously engenders the *material conditions* and the *social forms* necessary for an economic reconstruction of society. Instead of the *conservative* motto: *A fair day's wages for a fair day's work!* they ought to inscribe on their banner the *revolutionary* watchword: *Abolition of the wages system!*

REVIEW QUESTIONS

1. What means do the capitalists use to increase their exploitation of the workers?
2. What should our attitude be to mechanisation and automation?
3. Are the Arbitration Courts impartial in the struggle between capital and labour?
4. What are the wage and hours demands of the trade union movement? How are they being fought for in your industry?
5. Why is it insufficient to fight the capitalist class only over wages and conditions?

CHAPTER 3
DEPRESSIONS

Private ownership of the means of production and relentless exploitation of the workers go hand in hand as we have seen. The standard of living of the workers is kept as low as possible in order to swell the profits of the capitalists.

This in itself would be enough to condemn the capitalist system forever, but in addition capitalist ownership leads to economic crises or depressions such as we see developing throughout the capitalist world today, where there are great armies of unemployed who cannot even get the "normal" wages which are just sufficient to keep body and soul together.

As we have seen, the aim of capitalist production is private profit, the greed for which knows no bounds, the dog-eat-dog nature of the system also driving each capitalist along this road for fear he will be swallowed by his rivals.

To increase his profits the capitalist must expand production to the utmost and reduce his wages bill to the lowest possible level. Each capitalist being concerned with himself and his own profit, production is expanded blindly and without plan.

The working people are the great majority of the population and this means that the expansion of production must sooner or later come into conflict with the low purchasing power of the mass of consumers.

To give a simplified illustration of this process, let us represent the new value produced each year by the figure 100, of which the workers get 50 as wages, and the capitalists get the other 50 in profit, interest and rent.

Now a few thousand or tens of thousands of capitalists cannot possibly absorb in their personal consumption as much as millions of workers, no matter how lavish the luxury in which they live, how much champagne they drink, how many gold-plated Cadillacs they have or how much is wasted in services of all kinds etc.

Let us suppose they do their best, however, and consume in these ways 35 of their 50 units. There are still 15 left over which the workers do not have the money to buy, and which the capitalists cannot possibly consume.

There are thus piles of goods in the factories, warehouses and shops which cannot be sold.

Factories close down, workers are sacked. There is a depression, or *crisis of over-production.*

When we speak of a crisis of *over-production* we do not mean that more has been produced than the whole of society could possibly consume. The workers could easily consume the surplus, and a lot more besides, before all their needs were satisfied.

But, because of capitalist property relations, *the workers do not have the money to buy back all they have produced,* and this is the immediate cause of the crisis of over-production.

It is sometimes asked: "Why not call it a crisis of under-consumption?" This would overlook the fact that while there has always been underconsumption by the mass of the people, at no time under slavery or feudalism was there anything like the economic crises of capitalism. People starved because they were savagely exploited, or because of natural calamities, or war — but never because they had produced too much!

BOOM-BUST CYCLE

However, the above account does not reveal the whole picture. From what has been said it would seem that there would be over-production *all the time,* whereas everybody knows that there are periods of boom as well as of crisis.

The first world crisis of capitalism occurred in 1825, to be followed by others in 1836, 1847, 1857, 1873, 1890, 1900, 1907, 1920, 1929 and 1937. Post-war there was a limited crisis in America in 1946 and in Australia in 1952, while now a crisis is sweeping through the whole capitalist world.

There have been crises of varying intensity and duration roughly every ten years on the average, while in between there have been "booms", also varying in intensity and duration.

What is the cause of the boom-bust-boom-bust cycle, which brings in its train such suffering to the people?[1]

1. The boom-bust cycle of capitalism also provides one of the main economic sources for ups and downs in politics generally and in the labour movement. Depressions intensify class contradictions, while boom periods blur them, giving rise to the growth of reformist illusions and such phenomena as the revisionism of recent times (see, for example, Lenin's articles "Marxism and Revisionism" and "Differences in the European Labour Movement," both contained in the book **Marx-Engels-Marxism**).

Needless to say, to recognise the existence of these ups and downs in politics does not mean to passively accept them.

Suppose there is a pent-up demand for goods as there was after the war.

The more the capitalists can sell the more profit they make, so they are eager to meet this demand. They replace old machinery, expand their factories or build new ones with the extra profit they have after providing for their own luxury living — to continue our illustration the 15 units mentioned earlier.

Steel, building materials, raw materials, fuel etc. are therefore all in great demand. In turn, labour is in demand and the fact that the workers have jobs and therefore wages to spend further swells the demand for all sorts of articles of consumption, which again boosts the drive to re-equip existing factories and build new ones.

There is a sort of chain reaction which, as it develops, becomes the mad rush of "boom".

New factories, coal mines, ships etc. take some years to complete, consequently the boom may last quite a long time.[1]

However, the boom is preparing the way for the crisis. The new factories finally come into operation and throw huge quantities of goods upon the market.

Moreover, these factories are usually equipped with new technique. The productivity of labour is higher and the workers consequently receive in wages a smaller proportion of what they produce (see Chapter 2).

The social organisation of labour in modern mass production enterprises and the application of the discoveries of modern science can tremendously expand the productive forces. But

1. Each crisis and each boom differs from the others and must be studied concretely and in detail.

The post-war boom in Australia was one of the longest and strongest on record. There was a pent-up demand for goods both for replacement of run-down plant and consumption; the promotion of the cold war and the armaments race provided a further powerful temporary stimulus; foreign competition in the Australian and nearby markets was temporarily weakened; the needs of international competition and the high profits brought large British and American investments; the high prices for wool, wheat, metals etc. provided large amounts of capital seeking profitable investments; the large influx of migrants greatly expanded the home market; the rapid development of hire purchase kept the boom going for a time, though tying up the workers' future purchasing power. Thus there was an exceptionally powerful combination of local and international factors prompting the boom.

eventually this great expansion of the productive forces comes hard up against the barrier of the restricted consuming power of the mass of the people. *This is the basic contradiction of the capitalist system.*

In the words of Marx: "The last cause of all real crises always remains the poverty and restricted consumption of the masses, as compared to the tendency of capitalist production to develop the productive forces in such a way that only the absolute power of consumption of the entire society would be their limit" (*Capital, Volume* 3, *p.* 568).

Unsold goods pile up in the shops, factories work at less than capacity, the demand for raw materials, fuel, machines, building materials and so on slumps. Workers are sacked and therefore have no wages to spend, the demand for consumption goods falls further — and so we have again a chain reaction, this time downwards, and a depression is upon us. Not until the pent-up over-production is gradually dispersed can a new cycle begin.

Goods are gradually sold, milk is poured down the drain, fruit is dumped in the sea, wheat and coffee are burned, machines and ships rust away — all while people are starved, ill-clad, ill-housed. Force is used when the people rebel against these crimes and demand food for their children or resist eviction.

The capitalists also may look to war as a "way out" of the crisis. It does not matter to them how the surplus is got rid of — dumped in the sea or blown sky-high. Small consolation it is to the workers to be told by the spokesmen for the capitalists: "We can save you from the hell of unemployment and starvation by burning you to a cinder in a thermo-nuclear war!"

All these barbarities reveal starkly the true nature of the capitalist system. They are inflicted upon the people as a direct consequence of the rule of capital. They are inevitable as long as private profit through exploitation of the workers remains the aim of production, and are clear evidence that capitalism cannot function in the interests of the people, and should therefore give place to a new and higher form of society.

A few figures will illustrate the effects of the economic crisis. The economic crisis which broke out in 1929 caused production in Australia to drop catastrophically until 1932, as the following table shows:

	1929	1932
Pig iron (tons)	461,000	190,000
Black coal (tons)	13,500,000	8,400,000
(1927—pre-depression peak)		
Bricks (thousands)	757,288	83,224
Timber (thousand super feet)	516,388	236,707
Blankets (thousands)	1,072	783
Refined sugar (tons)	322,000	298,000
Beer (thousand gallons)	73,723	49,846

It took a total of five years (till 1934) for pig iron production to regain the 1929 level, 12 years for coal (1927 level), 10 years for bricks, 6 years for timber, 4 years for blankets, 4 years for sugar and 8 years for beer.

It took eight years, till 1937, for the national income to reach the 1929 figure. (The national income was £799 million in 1929, it fell to £539 million in 1932, and rose to £786 million only in 1937).

At the census of June 1933 there were 405,000 men and 76,000 women unemployed, or 23 per cent of the wage and salary earners. In N.S.W. in 1932 33 per cent of trade unionists were unemployed and in South Australia 34 per cent. And none of these figures include the young men and women of working age who had never had a job!

There was thus a tremendous waste not only of material, but especially of human resources. The land still held its riches, the factories and mines still stood, the workers' hands had not lost their skill. But hungry, ill-clad, ill-housed, in enforced soul-destroying idleness, they had to endure untold suffering because of the capitalist system of production for private profit.

Today the capitalist world is in the grip of a new developing crisis.

In America, steel production has dropped to 50 per cent of capacity, while there are (June, 1958) 5½ million unemployed and 3½ million part time workers.

In Canada there were 590,000 (March, 1958), in Italy 2,000,000 and in England 495,000 (April, 1958).

In Australia (August, 1958) 66,000 were registered as unemployed while the trade unions estimated the true figure as nearer 100,000.

Bankruptcies in 1957-58 were the highest since the 1932 depression peak. Farm incomes in 1958 dropped by £180,000,000, or by one-third compared with the previous year.

The prices of all agrarian products, including wool, have fallen steeply as have prices of metals such as lead and zinc and continue to fall despite temporary recoveries.

Commencements of new buildings, especially factories, show a decline, as does the demand for capital equipment. Stocks of unsold consumer goods are piling up everywhere.

These are unmistakeable indications that the crisis has already commenced in Australia.

CAPITALIST THEORIES OF CRISIS

Capitalist economists and politicians claim that such crises are not inevitable and can be prevented even though private ownership of the means of production is preserved.

The theories of Lord Keynes, a life-long enemy of socialism, are the prevalent ones today. These theories hold that if the capitalists remain "confident" in the future prospects they will continue to invest money in new industries and there will be no slump.

But if goods cannot be sold already, what is the point in increasing production by new investments in additional factories. which can only add to the surplus already existing and depress prices and profits still further?

"Feeling confident" to a capitalist means that he must be "confident" of his future profits, must be able to see the "silver lining" — not of the cloud, but of his pocket!

And how can he possibly be "confident" in his future profits when his goods are piled up unsold, as they must be when the mass of consumers, the workers, cannot buy them?

Besides this futile preaching of "confidence", the Keynes theory proposes manipulation of interest rates and credit to induce the capitalists to invest more. This can obviously do nothing to overcome the basic cause of crises already mentioned (see Chapter 5 for more details).

Another of the "new techniques" for preventing crises is that the Government should "take up the slack" by increasing expenditure on public works etc. when private employment lags and unemployment grows. However, the time when crisis conditions are developing is precisely the time when Government revenue is falling. Total Federal tax revenue is estimated to be £14.4 million less in 1958-59 than in the previous year, and the actual decline may be considerably greater.

In practice too, as crisis develops, the capitalists ditch their theories about greater government expenditure on works, and demand rather taxation concessions and other handouts for themselves. Any extra Government spending therefore involves increased taxation of the workers, which reduces their falling purchasing power still further.

There are limits to the raising of money by Government loans, for that only adds to the national debt and the interest burden which must be paid to the bondholders each year. (The national debt was £3,992,000,000 at June 30, 1957, or £414 for each man, woman and child, and the annual interest bill was £130,000,-000).

Similar considerations apply to war expenditure. Although it may intensify the boom for a while, it cannot permanently stave off depression. For war expenditure is a great drain on the economy, and is paid for mainly by taxes on the working people which reduce their purchasing power.

The Menzies Government has spent £1,570,000,000 in the eight years since 1950 on arms (with very little to show for it), but this has not prevented unemployment from developing.

Even more striking, the American Government has spent the colossal sum of 330,000,000,000 dollars[1] on military expenditure at home and abroad in ten years, from 1948, which amounts to just on 60 per cent of total budget expenditure, but production has outstripped the purchasing power of the people and depression has developed.

Clearly, depressions are inevitable as long as the capitalist system lasts.

WHO IS TO BEAR THE BURDEN?

It is no academic debate as to whether capitalism causes economic crisis or not, for the crisis is already upon us. The questions now become: "Who is to bear the burden of the crisis?", and: "How is the crisis to be resolved?"

The employers and their political representatives want to foist all the burdens upon the backs of the workers as they did in the depression of the '30s. They demand wage cuts, longer

1. An approximate idea of the enormous size of this sum can be obtained from the fact that it could provide a £3000 home for 50,000,000 families — more than the total number of families in Australia and America combined!

hours and harder work, making use of the army of unemployed and the penal powers of arbitration to bludgeon the workers.

Urgent improvements in education and health facilities and much needed increases in pensions and other social services are refused on the grounds that "the economy" cannot stand it.

Roads, railways and other vital national development projects are hamstrung because there is "no money".

Evictions from houses, repossession of furniture and other things being bought on hire-purchase are the order of the day — profit is sacred; the capitalist must have his pound of flesh.

And all the time there are millions upon millions for war, raw materials and finished goods are piled up everywhere and factories are idle, while the army of unemployed demands work.

The workers must oppose the capitalist policy and fight for a solution to the crisis in their own interests — for a working-class solution to the crisis.

Credits at low interest rates for small producers and for housing, extension of public works such as improved health and educational facilities financed by cuts in war spending, sharp reduction in migration, trade with the crisis-free market provided by the socialist countries, increased wages and the 35 hour week, doubling of present unemployment benefit, and suspension of home purchase payments, rent, and hire purchase commitments for the unemployed, are some of the measures which can mitigate the effects of the crisis on the working people.

In fighting for these essential and just demands, the people will develop the consciousness and forge the unity to consign to oblivion forever the capitalist system which has caused such a crazy and barbaric state of affairs as a depression.

REVIEW QUESTIONS

1. What is the basic cause of depression?
2. What is the reason for the boom-bust style of capitalism?
3. What are the capitalist theories about preventing crises and why are they wrong?
4. What are the two opposing class policies for combating and ending the crisis?

CHAPTER 4

MONOPOLY

Apologists for the system claim that as capitalism develops the evils described previously tend to disappear.

They say that the capitalists are more and more "whittled away", and the workers more and more "built up", so that we all tend to meet in the middle as "little capitalists", with classes disappearing (this is sometimes referred to as "People's Capitalism").

In fact, however, the opposite is true. *The processes described in the previous chapters lead directly to the development of monopoly, to the concentration of more and more wealth in fewer and fewer hands.*

How does this take place?

Under favourable circumstances the capitalist reinvests part of the surplus value extracted from the workers to expand production and so make more profit, as we saw in the previous chapter.

This is called *concentration* of capital—the enterprises become bigger and bigger.

Further, in the course of competition between capitalists, especially during economic crises, the smaller and weaker enterprises are gobbled up by the bigger and stronger. This is called *centralisation* of capital.

In the last few years this has reached great proportions, with big firms swallowing large numbers of small and not so small competitors. Just to give one example, David Jones since 1953 have taken over Charles Birks & Co. Ltd., Adelaide; Bon Marche Ltd., Perth; Finney Isles & Co. Ltd., Brisbane; David Copland & Co. Pty. Ltd., Wagga, and Scotts Pty. Ltd., Newcastle.

Others go broke hastening the centralisation process. In 1957 bankruptcies rose 40 per cent to 1,200, the highest figure since 1931 when there were 1846.

Many small sums of money are also centralised by insurance companies and in employee pension funds (£22,000,000 in 1956), thus becoming capital available for the big companies. Unit trusts which pool the savings of small investors had holdings estimated at £35,000,000 in 1958, and the banks are entering this field one after another to gain control of the disposal of this capital.

Concentration and centralisation of capital lead directly to monopoly, to the elimination or subordination of the smaller capitalists. Whole branches of industry become dominated by a few, or in some cases a single giant monopoly.

Concentration and centralisation applies to the banks as well as to industrial, commercial and farming enterprises. Bank capital grows, and is increasingly invested in various branches of industry, either directly in shareholdings to the bank or in the form of overdrafts and loans.

In turn, capitalists in these other fields invest some of their money in the banks, which are very profitable businesses. So we get a merger of financial, industrial, commercial and landed interests with banks as their centre.

A few of these groups of "finance capitalists", as we call them, each controlling vast interests, together dominate the whole economic life of the country.

MONOPOLY IN AUSTRALIA

Let us illustrate the growth of monopoly in Australia with a few figures.

1. *Class composition (in % of occupied persons)*

Census of	Employers	Self-employed	Wage & salary earners [1]
1921	6.5	16.0	77.5
1947	7.1	12.3	80.6
1954	6.8	11.2	82.0

It is clear that far from the number of small capitalists (self-employed) increasing as capitalism develops, they are progressively ruined and forced to become appendages of the monopolies or wage workers, while the number of employers remained practically stationary.

2. *Concentration of ownership and control*

(a) E. L. Wheelwright, D.F.C., M.A., Senior Lecturer in Economics at the University of Sydney, examined 102 of the largest companies registered in Australia in 1953 (*Ownership and Control of Australian companies*).

1. This 80 per cent of the population classed as wage and salary earners are not all working class. They include high paid executives in private and Government employment, scientists, teachers and others. The working class is approximately 58 per cent, while the lower middle class is approximately 30 per cent of the population (see Communist Review, December 1957 and January 1958 for further analysis.)

He found that there were 437 million shares held in 490,000 holdings. Of these only 2000 were large holdings of £10,000 or more nominal value, but these accounted for 37 per cent of the voting shares.

Thus 0.5 per cent of shareholders have 37 per cent of the shares.

On the basis of his analysis Wheelwright claims that much less than the usually accepted 40 per cent of shares is enough to give control, and puts the figure as low as 10-15 per cent.

(b) There has been no analysis in Australia of the number of people holding shares (the number of *shareholdings* quoted from Wheelwright's book does not eliminate duplication). But the Brookings Institute found that only 1 *in* 16 of the adult population in the U.S.A. owned any shares at all. And only 8 per cent of these (or 0.5 per cent of the adult population) owned more than 10 shares! (*The World the Dollar Built*, by Gunther Stein, p. 41.)

It is the few big multi-millionaire shareholders who are dominant, waxing fat on the labour of hundreds of thousands of workers.

These shrinking violets like to hide their operations from the light of day, but some idea of the wealth of a few of Australia's biggest exploiters can be gained by examining their total shareholdings (face value only, and not market value is given, and disguised holdings and other assets are not known).

Beaurepaire (Olympic Tyres), £2,600,000; Grimwade (Australian Consolidated Industries and others), £2,250,000; Myer (Myers, Coles, B.H.P. and others), £8,000,000; Fairfax (Colonial Sugar, Sydney Morning Herald and other newspapers), £2,000,000; Coles (Coles Stores), £1,250,000; Resch (breweries), £1,800,000; Dixson (Australian Paper Mills), £1,400,000; Baillieu (Broken Hill Mining) and Darling (B.H.P.) are two other extremely wealthy families.

So much for the myth of "people's capitalism"!

3. *Size of enterprises* (1955-56 *Secondary Industries Bulletin*)

(a) Number of persons employed.

Factories employing 4 persons or under comprised 46.2 per cent of the total number of factories, but employed only 5.3 per cent of the total number of workers.

Factories employing over 500 persons numbered only 235, or 0.4 per cent of the total, but employed 260,457 persons, or 24.4 per cent of the total.

These figures prove that tens of thousands of small enterprises are nothing, while a few hundred big ones are everything.

In fact the concentration is much higher even than these figures show. Each separate "establishment" is counted, but many of them are actually owned by the same company (G.M.H., B.H.P., etc., each own a large number of factories).

(b) Profits.

In the same book quoted earlier, Wheelwright shows from the Taxation Commissioner's report (for 1953-54) that 130 companies out of a total of 25,508 had a taxable income of £178 million out of a total of £527 million, *or* 0.5 *per cent of the companies get* 34 *per cent of the profits.*

4. *Number of Banks.*

Fifty-eight different private banks have existed at one time or another in Australia's history. In 1916 there were 23 banks. Today there are only 7 large private banks,[1] all of the others having disappeared through amalgamations or failures.

5. *Finance-capitalist groupings.*

(A group of research workers is preparing separate material on this, but already well-known interlocking interests are shown here).

B.H.P. group includes B.H.P. and its subsidiaries such as Australian Iron and Steel and its coal mines; National Bank of Australasia and A.N.Z. Bank; Goldsborough Mort and Elder Smith (wool); A.M.P. and National Mutual (insurance); Murdoch press; Howard Smith and Huddart Parker (shipping); G. J. Coles (Coles stores); I.C.I.A.N.Z. (chemicals) and many others.

Collins House Group is based on the non-ferrous mining industry, and includes Zinc Corporation and other Broken Hill mines; Electrolytic Zinc; Western Mining Corporation (gold, W.A.); the E.S. & A. Bank; Metal Manufactures and Austral Bronze; New Zealand Loan and Mercantile (wool); Atlas Assurance and London and Lancashire Insurance; Australian Knitting Mills; Myer Emporium; Carlton and United Breweries; Commonwealth Aluminium Corporation (Cape York bauxite), and many others.

1. Bank of Adelaide, Australia and New Zealand Bank, Commercial Bank of Australia, Commercial Banking Company of Sydney, English Scottish and Australian Bank, National Bank of Australasia and Bank of New South Wales.

The Sydney Group is based on the Bank of New South Wales, the Colonial Sugar Refining Company and the Commercial Banking Company of Sydney. It also includes Perpetual Trustee Co., United Insurance Co., Tooths and Tooheys breweries, Burns Philp (shipping), Bond's Industries, John McGrath industries (engineering) and many others.

There is also a South Australian group.

No doubt further study will reveal additional groups and sub-groups, but the facts quoted above prove conclusively that a few giant monopolies or finance-capitalist groupings dominate the whole of Australia's economic life.

MONOPOLY PRICE AND MONOPOLY PROFIT

In an earlier period of capitalism, before concentration and centralisation of capital had proceeded very far, there were large numbers of small enterprises of more or less equal strength.

It was so difficult as to be practically impossible for the hundreds or thousands of small capitalists to get together to "corner the market" or to come to an agreement on raising prices.

But this is relatively simple for a few giants. Monopoly prices are fixed and the public are fleeced, as the following typical examples show.[1]

Prices are not only raised, but are kept up artificially. For example, in America in 1958, although it was a buyers' market, prices were artificially kept up and even rose considerably.

Another consequence of monopoly is that when more profits can be made by simply fixing prices instead of the expensive method of installing new plant, there is inevitably a tendency to stagnation and decay in the development and application of new technique. This tendency may dominate at certain periods while in other conditions there may be quite rapid technical progress, such as has taken place in the post-war boom. Now the opposite tendency seems to be exerting itself.

1. There are of course limits to this. Prices cannot be increased indefinitely or people will be forced to discontinue buying even vital needs, substitute products will be found and the high monopoly profits will attract overseas rivals. The monopolies also fear arousing the anger of the people if they profiteer too blatantly.

Here are a few facts on monopoly price fixing—

- The eight oil companies have established the "Oil Industry Prices Committee" which fixes the price of oil and petrol in Australia.
- The B.H.P. has a complete monopoly of Australian steel production and raises its prices to as much as the traffic will stand. For example, in May, 1956, the B.H.P. "announced" an 8 per cent increase in steel prices, making a 13 per cent increase in 8 months. Even the financial editor of the Sydney Morning Herald was moved to complain, stating that "in the 8 months there had been no pronounced rise in steelmaking costs" (S.M.H., 3/5/56).
- An inquiry into a monopoly ring in timber supplies was conducted by Judge Richards from 1953 to 1955. Six timber companies were found to have combined to avoid competition among themselves, to fix prices, and to organise discrimination against companies outside the ring. "Quotas" (shares in the spoils) were fixed for each of the participants. The ring controlled over 80 per cent of the timber imported into N.S.W. and increased their profit margin from 8/6 per 100 super feet for merchantable oregon before Government price control ended, to 33/10 per 100 super feet. The cost of cottages consequently skyrocketed.
- There are international monopolies fixing prices for metals and various other commodities. The "International Tin Council" in 1958 fixed production quotas in different countries and limited exports to 60 per cent of the level of the year ended September, 1957 in order to keep up prices. A minimum price of £730 sterling a ton was fixed. (Not all such international price agreements are purely monopoly arrangements, but most of them are).
- The "Conference" international shipping cartel of 22 British and foreign lines headed by the P. & O. — Orient combine have a complete monopoly of Australia's overseas trade.

  Freights are fixed by the "Australian Overseas Transport Association" which is supposed to represent shipowners, shippers, exporters and importers, but on which the shipowners have a majority of votes! Consequently freights are fixed as high as the traffic will bear, often pricing Australian goods out of overseas markets and being a heavy drain on the balance of payments (see Chapter 5).

At a time when freights internationally have dropped steeply due to the developing world crisis (coal freights from the U.S. to Rotterdam dropped from 108/- a ton in early 1957 to 27/- in June, 1958), Australian freights have not dropped one penny. In June, 1958, the "Conference" even demanded a 30 per cent increase in freights on meat exports.

The Menzies Government has all along connived with the shipping monopoly and has refused to take the only step that could free Australia from this monopoly grip — the re-establishment of an Australian overseas shipping fleet (Australia and New Zealand are the only big trading nations in the world without such a fleet).

These few examples show how monopolies, often with the direct assistance of governments, fix prices far above values, fleecing the public and making enormous profits for themselves.

MONOPOLY AND THE SMALL PRODUCER

The monopolists ruthlessly swallow up, subordinate or squeeze out the small enterprises. In Brisbane in 1952 52 stores (3 per cent) accounted for 47 per cent of all sales. The chain stores have extended very rapidly since then, (examples of takeovers were given earlier).

The small farmer is similarly dominated by monopoly. While the price for farm produce is falling sharply, the farmer is compelled to pay high monopoly prices for his fertiliser, machinery, fencing wire etc. Rings of agents extract big commissions and manipulate the market.

Many small dairy, fruit and vegetable farmers are now dependent on such big companies as Nestles and Edgells for the sale of their products, becoming little more than poorly paid employees.

In all these ways the monopolies grab a part of the value created by the labour of the small producer, and even a part of the profit of the small and middle-sized capitalists.

Monopoly is the enemy of the small producer and businessman as well as of the wage worker, and an alliance is therefore dictated to fight their common enemy.

POLITICAL CONSEQUENCES

Domination by monopoly in the economic field has its effect politically. Economic domination by a few monopolies makes their political domination *possible*. Their greed for the maxi-

[illegible]
producers, and people as a whole makes such political domination *necessary* in order to preserve their rules.

In the words of Lenin: "Imperialism is the epoch of finance capital and of monopolies, which introduce everywhere the striving for domination, not for freedom. The result is reaction all along the line, whatever the political system, and an extreme intensification of existing antagonisms in this domain also." (Lenin, *Imperialism, the Highest Stage of Capitalism,* Chapter 9).

Monopoly domination and the trend towards reaction are clearly in evidence in Australia today. Menzies has repeatedly boasted of his connections and friendship with controllers of the B.H.P. and other companies, and was left an annuity of £1000 a year by Sir William Angliss, the meat king, of Vesteys.

Federal and State Governments give large-scale financial aid to the monopolies (for example a grant of £30,000,000 for a new railway for Mount Isa is mooted, and £5,000,000 is being spent on the first stage of an inner harbour at B.H.P.'s Port Kembla steelworks).

Enterprises wholly or partly owned by the Government, such as the Government shipping line, Commonwealth Oil Refineries. Amalgamated Wireless and many others have been sold out to monopoly.

Taxation, and economic policy generally, are subordinated to their interests.

The cases of Spicer and Piper of the arbitration court, and the anti-working class, pro-employer nature of that court have already been mentioned.

The civil service, army and police are in the hands of men remote from the people, steeped in anti-working class views and the preservation of the status quo, and paid salaries which put them economically in the ruling class.

As the Sydney Morning Herald said on April 8th, 1958, in a feature article entitled "Parliament eclipsed by the Boys in the Back Room":

> "The real Government of the country, and the real power decisions, are controlled by a process of mutual negotiations between industry and office managers."

Bribery, handouts, plums of office and perks of all kinds are used. Blacklists are compiled and circulated among big employers.[1]

Controlling press, radio, television and films, and using distortion and suppression, they strive to create a public opinion subservient to them.

In all these ways the monopolists control the Governments and apparatus of State, and get reactionary policies carried out in their own selfish interests.

When these means prove no longer adequate to keep the masses in subjection they resort to open rule by violence — fascism — as in Germany, Spain, Italy and Japan before the war, and as they are attempting in France today.

In the international arena, monopoly gives rise to threat of war, and unless curbed, to actual war.

The home market, with the restricted incomes of the workers, is usually inadequate to absorb the output of great modern enterprises, so foreign markets must be found.

Huge quantities of raw materials (oil, rubber, metals, uranium etc.) are required and when monopolised are the source of tremendous profits.

Investments in foreign countries rich in raw materials and where there is a plentiful supply of cheap labour are even more profitable than at home.

Strategic positions are needed to safeguard and extend conquests.

All this gives rise to the striving to annex other countries, to make colonies of them.

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1. The Sydney Morning Herald on July 11th, 1958, reported that a company calling itself the "American Security Council" had a list of over a million names to which 20,000 were added each month. The names were of possible industrial "troublemakers", those with Communist sympathies, people who had signed petitions against H-bomb tests against the execution of the Rosenbergs, anyone mentioned favourably in Communist literature or unfavourably before an "anti-subversive" committee etc. They would sell the lists to any interested employers. There are many similar examples in Australia of lists of names being circulated by employers to victimise unionists and prevent workers from factories where strikes have occurred getting employment elsewhere.

The different imperialist powers struggle with each other over these issues, reach temporary agreements, and then the struggle breaks out anew as the strength of the parties changes. The uneven development of capitalism gives rise to imperialist wars to divide and redivide the world.[1]

In addition, war contracts are especially profitable, and each new war brings, as well as the maimed and dead, a new crop of millionaires.

And last but not least, the hatred of the monopolists for socialism and their desire to crush it urges them on to make war on the socialist countries.

The danger of war is undoubtedly very acute because of these reasons, but today the forces opposed to war, if sufficiently united, are strong enough to prevent it breaking out, as demonstrated by the ending of the wars in Korea, Vietnam and in Egypt, over Suez, and the forcing of the imperialists' retreat from Lebanon and Jordan.

AUSTRALIAN IMPERIALISM

Australia is a small imperialist power. Monopolies completely dominate our economy and also look to New Guinea, Fiji, New Zealand, Malaya and other countries for markets and profitable opportunities for investment of capital, often using low-paid native labour.

For example, wages paid to New Guinea workers are appallingly low, ranging from 25/- a month to £13 a month for a ship's master. They are subject to taxes which make them go to work for these miserable wages in order to get money to pay the taxes. Two villagers were shot dead in 1958 in the village of Navuneram during a struggle against the taxes.

1. The first world war 1914-1918 was the result of Germany's challenge to the domination of Great Britain and France who had developed earlier than Germany and grabbed most of the colonies.

In 1931 Japan seized Manchuria and in 1935 Italy seized Abyssinia.

In the second world war, 1939-1945, Germany, Italy and Japan were trying to conquer the world and oust their rivals — Britain, France and the United States. However the opposition of the peoples to fascism and the participation of the Soviet Union overrode these imperialist features and made the second world war a just war of liberation.

In the post-war period there have been the war instigated by the U.S in Korea, the war waged by the French against the Vietnamese people (which the U.S. used to oust French influence and establish its own), the attack on Egypt by Britain, France and Israel over control of the Suez Canal and Middle East oil, the war of the French against Algeria, and others.

Similar treatment is meted out to the Australian aborigines.

More than 70 companies, including Australian Consolidated Industries, Nicholas (Aspro), Felt & Textiles, Concrete Industries, Davis Gelatine and others are involved in these overseas investments.

Estimates made before the war in the pamphlet *Monopoly* were that £30,000,000 of Australian capital was invested overseas.

The Sydney Morning Herald (30/6/1958) stated that £40 million had been invested in the previous 10 years, and that a further £10 million a year was now being added. The total figure must therefore be approaching £100,000,000.

In addition to the general subservience of the Menzies Government to America, these overseas investments also lead to a reactionary foreign policy seen in the despatch of troops to Malaya and the alliance with the rump of Dutch imperialism in New Guinea against Indonesia. Such policies are wrong, and create enmity towards Australia whose security depends above all on the friendship of the peoples of Asia.

At the same time, as a small, young country, Australia has been exploited by British capital, and now, increasingly, by United States capital.

Our industries were kept backward until the first and then the second world war, when the needs of war and the preoccupation of overseas interests removed the barriers.

Overseas capital also dictated the "Premiers' Plan" during the depression of the 30's, when wages and social services were drastically cut in order to keep up overseas interest payments.

Today Australian capital is by far predominant, but British and American capital is still considerable and growing, and much surplus value is taken out of the country in the form of profits and dividends.

Investments in Government loans are £3,300 million of Australian capital, £350 million British, and £70 million American (1958).

'Overseas Trading', the official journal of the Department of Trade estimated U.S. investments in private industry in Australia up to November 1958 at $601,000,000 or £268,000,000.

Estimates based on the pre-war figures for British capital given in the pamphlet *Monopoly*, and the annual post-war investments contained in Government statistical bulletins place the British figure at about £500-£600 million.

As against this, Australian capital invested in private industry must be several thousand million. No figure is available, but a very rough idea can be obtained by taking company profits (£571 million last year) as representing 10 per cent on capital. If that is so, total company capital would be nearly £6000 million, of which about £5000 million would be Australian.

EVE OF THE SOCIALIST REVOLUTION

Social progress is impossible while such great economic and political power remains in the hands of a few multi-millionaire monopolists, giving rise moreover to the threat of fascism and war.

Monopoly domination intensifies all the economic and political contradictions of capitalism and places the issue squarely before the people—either suffer depression, mass unemployment, loss of freedom and the constant danger of destruction in nuclear warfare, or change the system.

Monopoly has also centralised the means of production formerly scattered among a host of small producers into great enterprises with a high degree of organisation of social labour, thus preparing the material basis for socialism. All that remains to be done is to end the private nature of the ownership of these giant concerns which stand increasingly in contradiction to the social nature of production.

By its exploitation of the whole population, including industrial and white-collar workers, scientists, small producers and others, monopoly generates the great alliance of social forces which, under the leadership of the working class, will end its rule forever.

These were the reasons why Lenin called imperialism "the eve of the socialist revolution."[1]

Already, socialism has torn one-third of the world from the grip of capitalism, and the process will continue. The tide of struggle is rising in the capitalist countries. The colonial system of imperialism has disintegrated to such an extent that 1200 million of the 1500 million comprising it, pre-war, have

1 This period may also be referred to as the general crisis of capitalism (as distinct from the cyclical crisis dealt with in Chapter 3).

broken away, and in the remaining colonies the struggle continues to develop, as in the Middle East, Africa and South America.

SOCIALIST NATIONALISATION

Socialist nationalisation of the monopolies, with no compensation to the rich shareholders, is the decisive economic measure of the socialist revolution.

As the Programme of the Communist Party of Australia states:

"Socialist nationalisation is the foundation of the policy of a People's Government. Socialist nationalisation abolishes private ownership of industry and substitutes public, socialist ownership. Instead of production for profit there is production for the benefit of the people." (Australia's Path to Socialism, p. 21).

CAPITALIST NATIONALISATION

Some people confuse this basic socialist measure which requires the winning of political power by an alliance of all anti-monopoly forces headed by the working class (that is, requires a revolution) with nationalisation of separate industries by the capitalist State, with compensation.

This is usually undertaken only when there is insufficient profit to be made or where private capital cannot cope with the great expenditure (for example the Australian railways because of great distances and sparseness of population, the Snowy Mountains scheme etc.), or where an industry necessary to the capitalist class as a whole is run down and the owners will not undertake the expenditure to modernise it (British coal industry).

Loans are raised, or bonds are issued, and profits are thus guaranteed to private investors where otherwise there would be little or none — with the people bearing the burden of interest payments.

Nevertheless, such capitalist nationalisation (or state monopoly capitalism, as it is called) carries the concentration of production a step further than private monopoly, centralising all the enterprises in an industry under a single control, and can, under certain conditions, serve to reduce somewhat the exploitation of the people.

The fact that industry is run without the capitalists performing any function whatsoever — except clipping coupons —

also exposes completely that the capitalists are nothing but parasites upon society.

The political activity and organisation needed to achieve even the measure of curbing monopoly power involved in such nationalisation can serve like every other struggle around immediate demands, to develop class consciousness in preparation for the struggle for socialism.

REVIEW QUESTIONS

1. Does the development of capitalism lead to a spreading or concentration of ownership and control of the means of production?
2. What is monopoly price and monopoly profit?
3. How does monopoly exploit the small farmer? What conclusions should we draw from this?
4. What is the connection between monopoly and fascism and war?
5. Why is imperialism "the eve of the socialist revolution"?

CHAPTER 5

SOME ASPECTS OF THE NATIONAL ECONOMY

PROFIT, INTEREST AND RENT

At the beginning of the book figures were quoted for the new value created by the labour of the workers in manufacturing industry. New value is also created by the labour of the workers in mining, freight transport, building and agriculture.

From our study so far we have seen that the source of profit in all these spheres of production is the appropriation by the capitalists of a large part of this new value created by the workers.

Banking, however, obviously produces no new wealth, yet bankers get interest which gives profits as high as capitalists get in industry where new values *are* produced.

Mere land ownership also obviously produces no wealth, yet the landlords are able to get quite tidy incomes in the form of rent.

Trade—the circulation of already existing values—likewise produces no new wealth,[1] but the big stores make sizeable profits too.

This comes about by a *division among the capitalists* of the total surplus value into *profit, interest* and *rent.*

Just as his ownership of the factory enables the factory owner to appropriate surplus value from the labour of the workers, ownership of land enables the landlord to appropriate part of the surplus value produced by the workers in agriculture, or in the case of a small farmer who works for himself, a part of his product. Landowners also exact this tribute—called *rent*—from occupiers of factories, shops and houses.

The commercial capitalist saves the industrial capitalist the time and expense of buying and selling, and the centralisation of such activity, where one merchant caters for many factories, economises these expenditures. The industrial capitalist therefore surrenders a part of the surplus value created by the workers to the merchant, by selling to him *below* full value—at wholesale or factory prices.

1. Actually, in commerce there is some new value added in packaging and a certain amount of transport etc. continues the process of production within the sphere of circulation.

Banks (and insurance companies, finance companies, etc.), lend money for establishing or extending enterprises in which workers produce surplus value. For providing this capital, the financiers of course demand some return—a *part* of the new surplus value produced, which they take in the form of *interest.*

This is how and why the division of the total surplus value produced by the workers in production into profit, interest and rent takes place.

The workers in banking, most of commerce, etc., do not directly produce value or surplus value but their labour is just as necessary for the financiers and merchants to get their "share" of the total surplus value as the labour of the factory workers, miners, seamen, builders, etc., is for the industrial capitalists to get theirs.

All wage workers are therefore equally exploited though the method of exploitation is "direct" in one case and "indirect" in another. Their struggle against exploitation by the capitalist is essentially the same. The conditions under which the industrial workers work, however, generally give them that greater discipline, solidarity and class consciousness which puts them in the leadership of the struggle.

FURTHER EXPLOITATION OF WORKERS

Landlords and finance sharks also batten on the workers. A part of the wages received has to be paid over in the shape of rent and hire purchase interest, which constitute a "supplementary" form of extraction of surplus value from the worker.

The Institute of Public Affairs conducted a survey in 1958 which showed that 30 per cent of the average wage went in rent or home purchase payments, and another 6 per cent on hire purchase commitments.

Apart from the high cost of land, interest is the main factor in the prohibitive cost of homes. A family which borrows £3,100 at 5½ per cent over 30 years to build a home has to pay back £6,398. Weekly payments are £4/2/0, of which 42/3 is interest; and only 39/9 payment for labour, material and builders' profit! (Figures from the pamphlet *Our Housing Needs* issued by the N.S.W. Labour Council.)

Workers are also forced to submit to the extortionate interest rates charged by hire purchase companies (which are today dominated by the banks) in order to buy furniture, refrigerators and other essentials.

Hire purchase interest is charged on a "flat-rate" basis. That is, you pay the interest on the total sum all the time, even though you are reducing it each month by your payments. For example, £100 at 12 per cent flat-rate over two years means total interest paid is £24. If the 12 per cent is paid only on the debt remaining after each monthly payment, you would pay interest of only £11/13/11. And if bank rate of interest (6 per cent) were charged on this basis the total interest paid would be only £5/9/0.

These facts confirm to the hilt this statement of Marx and Engels:

"No sooner is the exploitation of the labourer by the manufacturer so far at an end that he receives his wages in cash, than he is set upon by the other portions of the bourgeoisie, the landlord, the shopkeeper, the pawnbroker, etc." (*Manifesto of the Communist Party,* Chapter I).

THE NATIONAL INCOME

In order to get the full picture of the exploitation of the workers by industrialists, bankers and landlords, it is necessary to study the *national income,* which is *the sum of new values created each year.*

The Government paper sets out the national income as follows:

National Income 1957-58

	£ million
1. Wages and salaries	2,899
2. Company income (excluding banks)	571
3. Professions, and businesses other than companies	544
4. Farm income	359
5. Rent and interest	281
6. Government businesses surplus	56
	4,710

These figures conceal the degree of exploitation rather than revealing it, as we shall see, and also exaggerate the *size* of the national income. Capitalist economists take the national income to be *the sum of incomes*—including those of police, army, judiciary, government administrative staff, etc. According to this a nation would be the richer the more policemen and soldiers it had, rather than the poorer! Actually, their maintenance comes out of the taxes on the people, and is therefore counted twice.

Item 1, "Wages and salaries", is set at £2899 million, or just over 60 per cent of the national income. But besides the double counting just mentioned, this figure also includes directors' fees and other amounts drawn by owners, salaries of managers and high executives, etc., and therefore contains a lot of surplus value. It is impossible to get an exact figure for this, but calculations based on payroll tax returns show that it is somewhere near one-seventh. So over £400,000,000 would have to be deducted from "wages" and added to profit!

Beside this, very large sums are set down as "expenses" by the capitalists for cars, "business dinners", travel, etc., which probably total nearly as much, and do not appear in the national income figures at all.

"Stocks" are a hidden source of profits. Suppose the capitalist starts off the year with £1,000,000 worth of stocks. If prices rise 10 per cent, they are worth £1,100,000 at the end of the year. He has made a gain of £100,000 which is called a "capital gain" and is tax free.

This has concealed many hundreds of millions of profits in the post-war period. In the ten years 1948-1958, total value of stocks (which are usually under-estimated) increased by £1200 million. Part of this is due to an increase in the amount of goods in stock, but much of it is tax-free "capital gains".

In 1957, for example, Bond's Industries made a gift to shareholders of £250,000, ¼ of the existing capital, out of "tax-free profits *arising from revaluation of assets.*"

In 1958 J. & A. Brown and Abermain Seaham Collieries Ltd. made a bonus issue of 475,002 £1 shares to shareholders out of an "assets revaluation reserve."

B.H.P. and other big monopolies have also made bonus issues totalling many millions from similar forms of hidden profit.

£903 million is the total of items 3 and 4 of the national income. Taxation returns, which minimise the incomes of the rich, show that about half this sum goes to the big men who get it by exploiting hired labour and not through their own efforts.

When all these factors are allowed for, including the double counting in wages and salaries paid out of taxation, it is clear that the 50-50 division into wages and surplus value made earlier is not far from the mark.

A few tens of thousands of very rich capitalists get as much, without working, as millions of workers get in the sweat of their brow. Much of this great wealth the capitalists squander in luxury living, another part being used in times of boom to expand their "empires", thus increasing their domination over the workers.

When the means of production are made public property these tremendous sums now taken by the capitalists will thus be available to immediately raise living standards and also to expand the productive forces several times faster than capitalism ever dreamed of, thus ensuring that living standards can be continuously raised. In the Soviet Union and other socialist countries about 75 per cent of the national income goes for personal consumption, education, health, etc., and about 25 per cent for expansion of production.

THE BUDGET

The budget is a record of the Government's income and expenditure.

In capitalist countries practically all the Government revenue comes from direct and indirect taxation.

Thus the Federal budget revenue for 1958-59 was estimated at £1302 million, of which £1143 million or 88 per cent is to come from taxaton.

Income tax is the main direct tax, and this amounted to £435 million on persons and £215 million on companies in 1957-58.

Indirect taxes (customs, excise, sales tax, etc.), levied by the Commonwealth Government alone totalled £504 million—almost exactly £52 per head of the population, or £4 *a week* for a family of four.

Indirect taxes are hidden, and fall mainly on the workers. No distinction is made between the millionaire company director and the worker who buys himself a packet of cigarettes, or his child an ice cream. And because the workers are the great majority, most of the indirect tax is drawn out of their income.

By means of the budget therefore, a considerable part of the national income is taken by the Government and redistributed or spent as it thinks fit.

Who it takes the money from and what it spends it on, reveals the class nature of the government—whether it is a workers' or a capitalists' government.

Thus while the Menzies Government's budget for 1958-59 planned to get 88 per cent of its revenue from taxation, the major part of which would be paid by the workers, it planned to spend only 21 per cent of the total on social services, despite the desperate conditions of pensioners, the needs of the sick, and for assistance to families through increased child endowment.

Other urgent social needs, such as housing, education, roads etc., are crying out for funds, but find little response in the budgets of capitalist governments, while hundreds of millons are spent in preparations for wars and payment of interest on past ones.

In contrast, in the Soviet Union in 1958 only 8 per cent of the budget came from taxes on the population, over 90 per cent coming from the surpluses of the Government-owned enterprises.

Education accounted for over 12 per cent of all government expenditure in the Soviet Union as against less than 6 per cent in Australia (i.e., all State, Federal and local government expenditure).

Particularly as crisis develops, by means of the budget and other measures, capitalist governments try to place the burden on the workers, while making all sorts of handouts to the rich.

We should demand the abolition of income tax on all incomes up to the basic wage and increased taxation on big companies and large personal incomes, abolition of indirect taxation on articles of mass consumption, drastic cuts in war expenditure, and increased expenditure on social services, housing hospitals and schools.

FOREIGN TRADE AND BALANCE OF PAYMENTS

Foreign trade is the exchange of commodities between different countries. Development of international trade is in general progressive, representing the growth of an international division of labour and laying an economic basis for closer unity between nations.

However, like everything else under capitalism, foreign trade is often used for the exploitation of the weak by the strong, and to carry out imperialist policies. There is a tendency for the gap between prices received for raw materials sold by undeveloped countries and the prices they pay for manufactured goods to widen. There is also the policy of dumping surpluses of but-

ter, etc., by the United States which undermines markets for Australian produce, and the maintenance of trade embargoes on the socialist countries in pursuit of imperialist policies.

As well as exchange of commodities (exports and imports) there are other payments in and out, and all these are summed up in the *balance of payments.*

Summary of Balance of Payments 1957-58
(£ millions)

In		Out	
Net receipts from sale of exports	814	Imports	791
Loans and undistributed profits of overseas companies	54	Freight and insurance on imports	139
Other capital inflow	82	Dividends, interest, etc.	62
	950		
Deficit	42		
	992		992

The £42 million deficit in balance of payments had to be met from international reserves (i.e., gold stocks, and foreign currency balances accumulated in years when exports exceeded imports). Australia's international reserves therefore fell from £567 million in 1957 to £525 million in 1958.

The severe drain on our balance of payments imposed by the shipping monopoly has been mentioned in Chapter 3.

Prices of our main exports—wool, wheat, meat, dairy products and metals have been falling heavily because of the development of the economic crisis throughout the capitalist world.

This causes the running down of international reserves with consequent tightening of import restrictions, loss of employment, endeavours to cut wages in order to be able to undersell rivals in the shrinking markets, etc.

While these external forces reinforce crisis conditions internally, they do not cause them. The causes are *internal*—the production of more goods than the workers have the money to buy, as discussed in Chapter 3. Similar conditions in other capitalist countries naturally aggravate the position, particularly for countries like Australia which export a large proportion of total production.

A favoured "cure" of the capitalists for balance of payment problems, to develop the country and avoid depression, is attraction of overseas capital (especially American).

Why American capital would help Australia to avoid depression, but cannot help America, or Canada which has more American capital invested than any other foreign country is not explained.

And far from helping the balance of payments it is worsening it, for interest and dividends have to be paid.

In 1956, £13,300,000 new dollar capital came in, and £11,300,000 interest and dividends went out. *In* 1957, £7,000,000 *came in and* £12,900,000 *went out.*

On an investment of £1¾ million General Motors-Holdens has sent £20 million to America in the last 5 years.

It has even been necessary to float loans to get the dollars to pay dividends on G.M.H. and other American capital, which means more interest, more loans and if the process is allowed to continue we will be well and truly in pawn.

Besides this, American and other overseas capitalists are demanding the right at any time to take out the original investment *as well as* the dividends.

Overseas and local capitalists also advocate lower wages, lengthening of hours, and other cuts in conditions to make investments more attractive by raising the rate of profit which was already 48.4 per cent for American capital in 1956-57.

Capitalists invest, whether at home or abroad, only in order to take out more than they put in. Foreign investors also use their economic power to wield political influence to prevent local industries developing and to enforce the adoption of policies in their interests. In the long run, therefore, foreign capital investments act as a retarding force instead of developing the country.

Under socialism it is entirely different because there is no class in society looking to enrich itself by exploitation of workers anywhere. The Soviet Union, for example, gives aid to other countries out of a genuine desire to help those countries develop strong economies. Interest is 2½ per cent or less, there are no political strings attached, and the countries' products are taken in exchange.

THE MONETARY SYSTEM

In Chapter I we saw that money was a special commodity whose main features consisted in being a *measure of value* and a *means of circulation* of commodities.

In addition it is a *means of accumulation* (it can be used to store up value), *a means of payment* (of bills and loans when they fall due) and can function in exchange between different countries as *world money*.

When money functions as the means of circulation (or exchange) of commodities, it also circulates itself, passing from one person to another.

In our earlier example, the tailor sold the trousers for £5. With that £5 he bought a pair of shoes. Then the shoemaker may have bought a sheep from a farmer. Goods have changed hands, and so has the money (the tailor had it, then the shoemaker, and now the farmer).

£15 worth of goods have changed hands (shoes, trousers, a sheep, each worth £5), with a single £5 in money, and so it could go on.

If there were two pairs of shoes, two pairs of trousers and two sheep, £10 in money would have been necessary (an example of this is the temporary increase in the amount of money in circulation each Christmas, when more purchases than usual are being made).

So the amount of money needed for circulation will be the total prices of the goods to be exchanged, divided by the number of moves made by each piece of money.[1] It will be much smaller than the total value of goods exchanged.

If more money is in circulation than is actually needed (say prices have fallen or circulation has speeded up) it will automatically be withdrawn at various points to be saved up. (This will be so when the money is gold, and also up to a point when it is stable paper currency. At times of inflation and instability, however, everyone tries to get rid of the depreciating paper money as quickly as possible, making the inflation harder than ever to stop).

1. The number of moves made by each piece of money increases as the communication and banking systems develop, thus reducing the amount of money needed in circulation. The actual amount is found out only in experience. From the amount of money needed as mentioned in the text, we would also need to **subtract** the dealings done on credit which mutually cancel each other, and add the sum of payments falling due.

PAPER MONEY

It will be seen that money usually passes from hand to hand very quickly. It plays, in the sphere of circulation, only a passing rôle — to circulate commodities. *In the sphere of circulation, therefore, gold can be replaced by paper or other tokens,* provided they are acceptable within the nation — a condition that is realised through the backing of the Government. The tokens are made *legal tender,* which everyone is obliged to accept in payment for goods or settlement of debts.

Naturally this does not apply when considering world money. Gold is the only universally accepted money. Paper currency — even "hard" currencies such as the dollar, backed by the great industrial potential of the United States — are not universally accepted; pounds sterling are restricted in their acceptability internationally, while some even more unstable currencies are quite difficult to exchange at all.

In the earlier period of paper money, if anyone wanted, not tokens, but the real thing — gold — they could convert their paper notes into gold coin of equivalent value. This was when we were "on the gold standard". Today the paper notes are inconvertible. We have gone off the gold standard, mainly because of the instability and insecurity of the capitalist system reflected in the depression of the '30s, the second world war, and the inflation that followed from it.

In normal times the paper money is accepted as a matter of course, but when production is badly dislocated for any reason, or when the Government cannot pay its bills or wages and starts printing more paper money for the purpose, the monetary system may break down partially or even completely.

This was seen in Germany after the first world war, and in China under the rule of Chiang Kai-shek. Goods were very scarce, the Government was bankrupt, currency was counted in billions and dropped in value every day. People reverted to barter, hoarded goods, and got rid of money as quickly as possible before it lost value again. The hardships of the people were tremendous.[1]

1. The Chinese People's Government, when it came to power in 1949, made restoration of stability of the currency one of its first tasks. By 1950 the currency had been stabilised based on a unit of 10,000 yuan. In 1955 a currency reform was carried out, the old units of 10,000 being replaced by the present 1 yuan or dollar notes. Currency reforms by a socialist government are carried out in a democratic way — that is, to hit speculators and benefit the workers.

Australia has experienced two main waves of currency inflation (though neither of them were anywhere near as bad as those just mentioned). These were in the first world war and during and after the second world war, due in the first place to diversion of resources of labour and materials to armaments. These goods quickly disappeared from the scene by being "blown up" etc., but the paper money used to pay for them remained.

The *mechanism* by which the Government put more paper money into circulation was as follows.

In October 1914 the Commonwealth Government withdrew sovereigns from circulation. It gave the private banks £3 in notes for every sovereign surrendered to the Treasury. Ten million sovereigns were handed in for £30,000,000 in notes. This was repeated later on, together with other measures having the same effect.

The result of there being more paper money in circulation than the value of the goods to be exchanged required, was that prices rose by about two-thirds between 1913 and 1920.

It was the working people who paid, of course, for wages remained almost stationary. The general strike of 1917, and the wave of strikes in 1919 were mainly caused by this decline in living standards.

In the second world war the mechanism differed, but the result was the same.

The Government deposited Treasury bills (Government I.O.U.'s) with the Commonwealth Bank, which issued money to the Government in exchange (getting new notes printed where necessary). The Government put this into circulation by using it to pay suppliers of arms, members of the forces etc. There are also other methods by which the Government can force more notes into circulation.

Once it gets under way, inflation tends to snowball. More money is in circulation compared with the volume of goods. Prices rise, and next time the Government has to pay more, requiring more Treasury bills etc.

Thus the Australian note issue rose from £49 million in 1938 to £198 million in 1947.

The "C" series index rose from 920 in 1939 to 1126 in 1949, or by 22 per cent. A fairly extensive system of controls of prices, rationing, subsidies, direction of production, and control over some of the funds of the private banks (to be dealt with later) limited the degree of immediate inflation.

However controls were removed especially after Menzies won the 1949 elections (on the promise to "put value back in the £"!) and prices rose rapidly.

The post-war boom gathered pace (see Chapter 3), with demand for capital goods to re-equip factories and build new ones growing more rapidly than the supply.[1]

Despite the shortage of goods the Government spent huge sums on arms, especially after Menzies returned from the United States in 1951 with his "prepare for war within three years" programme, thus giving a decisive boost to inflation.

The monopolies, seeking maximum profits, raised their prices to whatever the traffic would bear (see examples in Chapter 4).

So the inflationary spiral developed. In the 6 years 1949 to 1955, the "C" series index rose by 66 per cent (from 1669 to 2774).

Profits rose to record levels while wages lagged behind, especially after the freezing of wages in 1953 as an "anti-inflation" measure.

Total revealed company profits rose from £378 million in 1953 to £580 million in 1957, or by 53 per cent, while wages and salaries rose only from £2,080 million to £2,800 million, or by 35 per cent (National Income figures), despite an increase of 12 per cent in the number of people employed. Pensioners and others on small fixed incomes suffered even more from the inflation.[2]

THE BANKS

The banks collect idle funds and savings on which they pay a small interest (in some cases nothing), and lend these and their own capital out at a higher interest, making their profit from the difference.

1. The term "inflation" is used both to describe a general rise in prices caused by demand outstripping supply, and currency inflation caused by devaluing money in the ways described. However as will be seen these two things go together in practice and are very difficult to separate.

2. The employers sometimes say that inflation hits them just as much as it does anybody else, but this is not true, as the following simple example shows. Suppose a car costs £750 in wages, materials etc. to make and sells at £1000. Profit is £250 or 33 1/3 per cent. If it takes 3 months to complete and prices rise 5 per cent in that period, the car manufacturer makes it with materials and labour bought at the old price, but sells now at £1050. Profit is £300 or 40 per cent!

Suppose a bank has a capital of £10 million and gets deposits of £290 million. Total funds available are £300 million. How much will it lend? Obviously it cannot lend the whole £300 million, for depositors are always calling on some of their deposits for their own use.

Actually the amount kept back is discovered by experience, being also influenced by the nature of their particular dealings, the general business outlook etc.

The bankers have to weigh up how much they will lend (the more they lend the more profit they make) and how much they will keep (the more they keep the more "solid" they are — the more ready to meet depositors' demands for their cash).

Banks in Australia keep 1/7 to 1/4 of the total deposits plus bank capital in reserve, the average being about 1/5.

This is called the *cash reserve ratio* or *degree of liquidity* (the larger the amount kept back, the more "liquid" they are — i.e., the more ready to meet any demands or snap up any profitable loans etc.).

Suppose, now, that through high overseas prices for wool etc. or other factors associated with brisk business, Government issue of treasury bills or buying of bonds, or any other reason, the bank gets an extra £20 million deposited with it.

If its cash reserve ratio is 1/5, it must put aside £4 million of the £20 million to keep its ratio up to this figure, but has £16 million extra to lend, which it will do if business is profitable and credit in demand.

Money that is lent out usually comes back to the bank (or some other bank) eventually as a new depositor's account, or as an increase in an old customer's deposit. Four-fifths of this can then be lent out again and so on. There is a general expansion of credit.

The process also works the other way round. When there is a drop in deposits, say through failing business, the total fall will tend to be multiplied. There is a general contraction of credit

In these ways the activity of the banks, fluctuations in credit, and currency movements reflect the ups and downs of the capitalist economy, especially the boom-bust cycle.

Similarly with fluctuations in interest rates. While many factors influence this, the basic one is the rate of profit. In a boom, when profits are high interest rates rise. In a slump, when profits are low, they fall. And this is quite understandable for as we have seen interest is but a part of the total surplus value.

The preoccupation of the capitalist economists with problems of "inflation" and "deflation" demonstrate the anarchy and instability of capitalism.

The stability of the currency in socialist countries on the other hand provides a striking contrast, reflecting the rapid and continuous growth of production. For example, whereas in Australia prices rose from 100 in 1947 to 210 in 1955, in the Soviet Union in the same period they *dropped* from 100 to 43.

But the capitalist economists take the movements of money, credit etc. as being the causes of the fluctuations of production, which are really the effects of the private ownership of the means of production, as we saw in Chapter 3. They turn things upside down.

The ideas prevalent in leading circles of the Labour Party are also strongly influenced by these views, which divert attention from the central question of the socialist nationalisation of the monopolies to the important but secondary issues of banking, currency, and credit policy. Other false theories such as the "Douglas Credit" of the '30s may arise again as crisis develops.

COMMONWEALTH BANK

Although not to be regarded as a substitute for socialism, credit policy is an important issue of struggle between the people and the monopolists. The monopolists want to control credit in the interests of their own profit, and are therefore opposed to cheap credit for small producers, housing, and other needs of the people.

The Commonwealth Bank is one of the main instruments for controlling credit, having certain powers over interest rates, the policy followed by the private banks in making advances, and over a proportion of the increases in their deposits.[1]

1. This money is put into the "Special Accounts" of the Commonwealth Bank in order to limit the multiplied expansion of credit in time of boom mentioned earlier. These accounts were established to limit, along with other measures described, the degree of inflation during the war. Similarly, releases are made as slump develops. From January to July, 1958 these totalled £75 million. Needless to say this could not fundamentally reverse the downward trend of the economy, nor have similar measures in the United States, Canada and Britain.

The Commonwealth Bank is supposed to pursue, under Government supervision, "a monetary and banking policy directed to the greatest advantage of the people of Australia" (quotation from Commonwealth Bank Act).

But its governing board is composed exclusively of big businessmen (for example G. H. Grimwade, director of Drug Houses of Australia, Courtaulds and other companies) and capitalist economists! Will they direct things in the interests of the people, or in the interests of the capitalists?

Commonwealth Bank or Government directions to the private banks will also be frustrated when they conflict with their sectional interests and private profit.

For example in 1955 the banks were directed to freeze their advances (overdrafts) to the hire purchase companies. But they got around the direction by investing directly in hire purchase (to a total of £12 millions up to May 1958), the Bank of New South Wales revealing that: "A deciding factor was the relatively high return on investment in a finance company when bank earnings were being squeezed in many other directions by official policy" (Bank of N.S.W. Review, May 1958).

Major-General Eather, N.S.W. President of the Australian Primary Producers' Union, at the 1958 annual conference of the Union stated that the banks lent to the most profitable fields in preference to primary production, despite "directions" to the contrary.

Loans for housing and other urgent needs are severely restricted by the banks and other owners of capital because they are not profitable enough.

It is therefore nonsense to talk of the Commonwealth Bank or the Government directing the private banks and the economy "in the interests of the people" as long as private ownership and production for private profit instead of use by the people remain. Even despite the limitations of the Commonwealth Bank's control over them, the private banks want these controls still further loosened. That is why they got the Menzies Government to introduce amendments to the Banking Act. These bills were defeated in the Senate in 1958, but will be re-introduced in 1959.

Even many capitalist economists are also forced to recognise, in their more objective moments, that credit policy cannot work the magic they claim for it at other times. For example, two Australian University economists, Mills and Walker, in their book *Money* say:

"In general the lower the rate of interest, the more incentive there is for investment to increase, all other things being equal. But sometimes investment is much brisker with a high rate of interest than with a lower one. This is because the 'other things' are not equal . . . If sales have been falling, and markets are dull, the rate of interest may fall very low, and employers may still not think it worth while increasing their plant." (p. 85).

Such economists, however, steeped in capitalism, will not face up to the consequences which flow from this — namely, that capitalism itself must be abolished to prevent depressions.

REVIEW QUESTIONS

1. What is the national income, and how is it distributed under capitalism? What is the role of the budget in this respect?
2. What is the balance of payments and what influence does it have on the economy? Why cannot foreign capital investments ensure continued prosperity?
3. Why cannot control of credit interest rates and banking stabilise capitalism and make it function in the interests of the people?

CONCLUSIONS

Even this brief study of political economy shows that workers and capitalists comprise two classes with diametrically opposed economic and political interests.

It reveals that the causes of economic instability, unemployment, poverty and war lie in the capitalist system itself, in the property relations of that system — private ownership of the means of production.

It proves that far from diminishing as capitalism develops, these social calamities increase. Wealth accumulates ever more rapidly in fewer hands, so that today the whole country is virtually owned and controlled by a handful of monopolies.

In striking contrast socialism offers the people rapid and continuous increase in living standards and freedom from inflation, deflation, unemployment, instability and insecurity; socialism eliminates the causes of war and therefore removes the awful threat hanging over us; socialism will tackle the problems of developing our great land; socialism will secure the health and housing of the people, the education of our children, and the flowering of science and culture. With monopoly domination ended, freedom and democracy for the people will flourish.

Because of this, socialism will surely triumph. But not without struggle, for the monopolists will not give up their great wealth and power without a bitter fight.

The people — workers by hand and brain, small farmers and businessmen, with the industrial working class in the lead, therefore need to develop unity and co-operation in fighting for their common interests against their common enemy.

And in forging that unity and waging that struggle, they need above all the leadership of a political party armed with a scientific knowledge of society provided by a study of the laws of social development such as we have briefly studied in this booklet — that is, armed with the theory of Marxism-Leninism. A Party based on the working class, resolute, and firmly organised to lead the struggles of the people whatever the circumstances towards the attainment of the socialist goal, to a bright prosperous and peaceful future.

Such a Party is the Communist Party. The Communist Party dedicates itself to the service of the people, to the great goal of the elimination of the exploitation of man by man and the achievement of a classless society.

If these are your aims and you are not already a member, you too should join the Communist Party.

BOOKS FOR FURTHER STUDY

As stated in the foreword, this booklet is intended only as an *introduction* to the science of political economy.

In order to master the subject much further study is necessary, especially of the classics of Marx, Engels and Lenin.

The following books are suggested for future study, and in the order stated:

Australia's Path to Socialism (Programme of the Communist Party of Australia)	1/-
Wage Labour and Capital, Marx	9d.
Wages, Price and Profit (formerly Value, Price and Profit), Marx	9d.
Imperialism, the Highest Stage of Capitalism, Lenin	1/6
Manifesto of the Communist Party, Marx & Engels	1/-
Karl Marx, Lenin	6d.

After these, study the Soviet textbook on Political Economy (to be reprinted) and then tackle *Capital* systematically — the three volumes. This was Marx's major work, and is extraordinarily profound and rich in ideas.

Some other works bearing most closely on political economy are *The Poverty of Philosophy* (Marx), *Theories of Surplus Value* (Marx), *Socialism: Utopian and Scientific* (Engels) and *The Conditions of the Working Class in England* (Engels).

The study of political economy provides an indispensable foundation for the study of other subjects such as philosophy, the class struggle, the state etc., which it is hoped readers will also undertake.