# BULLETIN of the CONFERENCE of SOCIALIST ECONOMISTS

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# C O N T E N T S

## Printer's Foreword

This first issue of the Bulletin has been produced, at a time when the capitalist crisis is worsening. It represents an important step forward for the group as a whole, and is a crucial contribution to socialist theory itself. Hugo Radice takes this opportunity to survey the history of the Conference and points to the fruitful trends within the organisation.

In this issue, we include four papers for the forthcoming conference on the European Economic Community. Ron Bellamy gives a general overview of the prospects for the EEC and outlines his views on the course of action to be followed by the European Left; Andrew Glyn analyses the relationship between the crisis of British Capital and entry into the EEC. Against this crisis-ridden background, Hugo Radice and Sol Picciotto examine the changing structure of the capitalist mode of production in terms of the relationship between Capital and the State in the EEC; and Michael Barratt Brown analyses the implications of the EEC for the Third World.

Elsewhere Ed Sciberras critically reviews one document which outlines a possible strategy for Trade Unions in the EEC. David Yaffe and John Harrison examine two books which are bound to add to theoretical controversy and discussion amongst Marxist economists. We also publish two reports on the progress of groups of Marxist economists in Glasgow and Argentina, which serve to emphasise that the Bulletin serves to communicate and inform members about other's activities as well as publish papers.

The Sussex Group would like to thank all the contributors for their co-operation, many secretaries for their help, and the higher echelons of the CSE for their advice, during the production of the Bulletin. As with all such processes, there is a considerable amount of learning involved, and it is clear that in future, production will have to be reorganised and disciplined, and copy dates strictly adhered to. Ad hoc arrangements, and close timing have made production of this Bulletin considerably more strenuous than is really necessary. The Sussex Group would like to express its gratitude to Rick Brandon who undertook to supervise the bulk of production. For ourselves, we have learnt through practice the advantages of disciplined collective work, and have gained an understanding of the rhythm and monotony of that kind of work over which one usually has no control, and for which one is rarely thanked.

Sussex Group

# THE CONFERENCE OF SOCIALIST ECONOMISTS

Hugo Radice

Since this first issue of the CSE Bulletin is something of a landmark in the development of the organization, it seems a suitable place to go over that development and assess where we stand now, especially since, hopefully, a lot more people will now come into contact with us.

The idea of bringing socialist economists together began to be floated in the spring of 1969. No doubt it had been floated many times before, but for some reason it took root on this occasion. A circular had gone out to various people for a group to prepare material for the Convention of the Left, and possibilities were also discussed at the Sheffield conference of the Institute for Workers' Control. Somehow Sam Aaronovitch, Robin Murray, Bob Rowthorn and myself came together over the summer, drew up plans for a conference and sent them to everyone we could think of. We felt that there was a great need for a framework in which socialist economists could come together, exchange ideas and coordinate their work. The developing political situation seemed to raise many urgent problems of theory and analysis which we felt could not be adequately answered if we remained in isolation from each other. The organization or activity also had to be strictly independent of any particular political group if it was to add anything new, and if it was to be workable.

The response to that original circular was very encouraging, and in the event about 75 people from all over the country (and one from Holland) attended our first conference in London in January 1970. The conference was intended really as a means of bringing everyone together, but there were also papers and useful discussion on the capital theory debate, on development economics and on the international firm. Most important was the fact that everyone who attended the final session felt that there should be a permanent organization to continue the work, and appointed a committee to arrange a further conference, on the economic role of the state in modern capitalism, and to look into other activities.

The CSE committee met regularly through the year; occasional newsletters went out, and a large number of new contacts were made, especially in other countries, so that information on the second conference went out to about 150 people. It took place in Cambridge in October 1970, and attracted an attendance of 120, of whom 20 or so were from abroad; 18 papers, both general and on specific aspects of the topic, were prepared and circulated. Although the subject was clearly of great interest, it was also very broad, and the lack of an adequately organized framework for discussion meant that the debate tended to be rather vague. However, again a large number of socialist economists had come together, there had been a great deal of exchange of information and ideas, and again it was clear that the organization should continue and develop. When we discussed this at the final session, a strong case was put for encouraging collective work in local groups in order to provide a more permanent base for the CSE, and a special committee was set up to look into the feasibility of a journal or other publishing ventures.

At this point we began to run into the sort of organizational problems encountered by almost every group on the left at some time or other. I attempted to resign as secretary, but no replacement emerged; the postal strike delayed a newsletter for two months; the committee was not meeting regularly enough; local groups did not materialize. As a result, we decided to postpone the conference which we had been asked to organize on Britain and the E.E.C., and to hold instead a small working conference at which preliminary papers would be discussed and the organizational problems faced. This took place last May at Warwick University.

Fortunately, the problems were not only faced, but for the time being solved, largely due to the presence of a large and enthusiastic group from Sussex University, who not only had been doing collective work in an exemplary manner, but also were willing to shoulder the secretarial burden, including running a journal. A group was also working at Warwick, and we seemed to have enough people to make up a coordinating committee capable of organizing a conference.

Where do we stand now? For many of us, isolation in our working life, for example in faculties dominated by the most orthodox neo-classical and neo-Keynesian theory, is beginning to be overcome. More students are getting involved, an absolutely necessary step. Our experience suggests that it only needs two or three enthusiasts to establish a viable local group, and there is no end to the topics suitable for discussion at an annual conference, which can also serve as a meeting-place, or at smaller and more specialized meetings. What is more, perhaps because we have concentrated on a fairly specific area of study, we have so far avoided the sectarian political disputes that undermine many broad left organizations. For myself, I feel that the CSE has begun to fulfil its original aims; certainly, it has reached a point where we no longer have to question the feasibility of its continued existence. The real test lies in whether more local groups and activities develop in and around the CSE - and whether the Bulletin becomes a major focus for discussion and debate in political economy on the left.

## PROSPECTS FOR THE EUROPEAN ECONOMIC COMMUNITY.

I.

We meet to discuss the EEC at a time when the internal crisis through which it is going is patent to everyone. It is indeed ironic that the Government's White Paper of July 1971 should present the Community's principal economic merit as growth at the very moment when recession in Italy already exists, and in West Germany is developing, and should present its chief political function as a bastion against communism at a time when West Germany is making moves towards detente, and France falls not very far short of a new alliance with the USSR. It would even be funny, were it not so tragic in our country with a million unemployed, that at the very moment when Douglas Home was expelling the soviet trade delegation from London, its counterpart in Paris was expanding its staff to cope with the big orders for the industry of our NATO ally, France, which will flow from the new soviet lorry factory on the Kama River.

The EEC we meet to discuss is not only, perhaps not even mainly in the eyes of its founders, an economic phenomenon. Hence it is salutary at the outset to remind ourselves as economists that to think and talk in interdisciplinary terms has not yet become fashionable - if indeed respectable at all - in any sphere of economic discussion except Development. But in discussion of the EEC, what would require apology for the violation it did to reality, would be to take the economic aspects in isolation from their connections with the economic. Hence this paper is about political economy, and not just in the formal senee of that term. It might be worth while to remind ourselves at the outset just how much the EEC is a political phenomenon. In its interim report on the EEC, the <u>Midland Bank Review</u> for August 1970 wrote that

> "The underlying motives (of the Treaty of Rome) were political... the culmination of a bread-based approach to common European problems which had been developing since the war."

The present Government's White Paper takes a similar view: (para 9):

"The European Communities had their origin in the fundamental changes which have taken place in the position of the countries of Western Europe in a little more than a generation. In 1945 the main continental powers of Europe emerged with their economies strained and distorted to breaking point. It was not just that they were weakened by the war. They had lost, or were in the process of shedding, their imperial links, as former colonies loosened their ties with the mother countries and sought their independence. And they found the world dominated by super-powers outside the heartlands of Europe whose military and economic resources none of them could match."

Lest it be thought that this is the product of Heathian geopolitik, it should be noted that the Labour Government's application to join in 1967 made the point that:

"The government purpose derives above all from our conviction that Europe is now faced with the opportunity of a great move forward in political unity." (emphasis added RB).

Heath's White Paper shows perhaps a little more envy that

"...the European Communities are also well on the way to super-power status" (para 27) and wants to join them, since

"Britain's ultimate purpose must be a more balanced defence partnership with the United States. With the enlargment of the Community this would become more possible." (Heath's speech to the American Bar Association July 17th 1971, reported *Times* July 20th'71.)

II.

This section deals with the growth of contradictions within the EEC since its inception. "By 1969" says the Midland Bank Review, "members have virtually achieved their objective of a common market, with free internal movement of goods and a common external tariff." There has been a great growth in the concentration of production both in industry and agriculture, a centralisation of capital, and a consequent further sharp increase in the polarisation of society. Millions have been driven or enticed from petty bourgeois status on the land into that of wage earners in white and blue-collar jobs. But the growth in mergers has been not primarily through the merger of capitals from different European countries, but mergers of capital within single countries, very largely through the penetration of foreign capital. This is well brought out in the EEC Commission's own Report (*Times* April 12th 1970) as follows:

" Nearly three-quarters of all purchases of stockholdings in Common

Market companies during the period 1962-68 were made by firms outside the Six....The Commission is particularly worried at the large number of mergers with non-member countries - particularly those of the United States - compared with the very small number of mergers between firms in the European Community."

There are now growing tensions between the EEC members themselves and between the Community and the other main capitalist powers, as the trade and monetary measures designed to restore the US balance of payments begin to bite. This is in part the feed-back effect of the first substantial inroads into the US world hegemony established in the first post war years, as the law of uneven development of capitalism has been reflected in the more rapid growth of especially West Germany and Japan. The US is now on the process of retreat from positionsbased upon the overwhelming preponderance she enjoyed earlier. The 10% surcharge represents a substantial retreat from the whole GATT concept of trade liberalisation. Even more spectacular, the August 15th abandonment of the covertibility of the dollar represents a break-up of the Bretton Woods-IMF system, no doubt as a preface to its reinstatement on the basis of a changed internal balance of power. The new wave of instability in exchange parities reflects not only this but also the differences in the relative rates of growth of productivity and wage rates in different capitalist countries (W.Germany with a weak labour movement and high productivity having an easy advanatge until the second began to be overtaken by Japan, and the first began to change with increasing militancy among German workers - cf. the projected metal workers' strike in face of a winter recession). The shifts in exchange parities threaten to wreck whatever internal equilibrium of class forces it was hoped to establish through the Common Agricultural Policy.

These shifts in internal EEC, as in world capitalist equilibria, create a situation of great economic and political instability, as, on the one side all powers fear the effects of an uncontrolled scramble, but on the other side each power wishes to fish in the troubled waters for its own maximum advantage. This stage in the process demonstrates very well how the actual emerging relations, in political as well as economic spheres, are not the planned outcome corresponding with will and desire, but the unintended result of the interplay of self-interested and antagonistic forces.

The early apparent success of the EEC in establishing a customs union, in a world of expanding trade and output, led to illusions - and not only among its supporters - about the ease with which it could proceed towards the next stages of fuller economic community. The source quoted earlier puts it:

> "The dismantling of the barriers to trade has, however, proved easier than the evolution of common policies, on which progress has been uneven. Although a common agricultural policy has been agreed, and to a considerable extent implemented, it is accepted that changes of substance will be necessary; progress towards a common transport policy has been slow and halting; a common basis for a sales tax has been agreed though it has not yet been fully implemented nor common rates introduced; a degree of liberalisation of capital movements has been achieved, but the European capital market remains fragmented.
>
> The concept of a European-wide economic grouping, in which factors of production move to where they can best be employed irrespective of national frontiers, appears to be a long way from realisation. The free movement of labour has been achieved to a large extent, but some national barriers remain; the fiscal and legal problems associated with cross-frontier mergers have proved formidable, and, partly for these reasons, mergers have tended to be confined within national boundaries. Progress towards monetary union, too, has been slow, and despite hopes and intentions, <u>it may be doubted if it can proceed at a faster pace than economic or indeed political integration.</u> " (<u>Midland Bank Review</u> Aug.1970, emphasis added RB).

In the period since that estimate was made, the further growth of trade and monetary antagonisms confirm, I think, the more sceptical view which some of us took at the conference in Cambridge last year of the possibilities for creating a framework for the harmonious development of the all-European firm through new legal and fiscal arrangements. Essence has replaced appearance: harmony - if it ever existed - gives way to open discord. The accelerating tempo in recent months can be demonstrated by headlines from the <u>Times</u>:

<u>"A first stage that is no stage at all".</u>(February 2nd 1971 - a reference to the attempts at monetary harmony). The text reads:

> "Such an economic and monetary union requires, as a precondition, the effective merging of sovereignty. It has not proved possible to get unanimous commitment, even in principle, to such a development. Until it does prove possible, there will be no economic and monetary union."

<u>"The Six fail to agree on ways to reform farming."</u>(October 27th 1971).

> "Ministers of Agriculture of the EEC today failed to reach agreement on carrying out the first measures under the Mansholt plan for the structural reform of the Community's farming system.......it became clear that no compromise solution would be found under present conditions."

The seriousness of this can be realised if one reflects a) how many years it took to hammer out the existing CAP, and b) that the shift from stable exchange rate parities has wrecked the system of price relations and farm support upon which the delicate equilibrium of the existing arrangements depended. When one reflects further that the farm policy was intended to provide some protection to the most likely mass base for reaction in increasingly polarised societies, that it has, in fact, dispossessed the petty bourgeoisie on a massive scale, it is clear that the search for a new equilibrium between the member-states begins from a less favourable bridgehead than it did in 1958.

> "It would be dangerously premature to suggest that a new structure of fixed exchange rates could be established in the immediate future to bring about a solidly based equilibrium in international payments...To hope for a fixed pattern of exchange rates - in a world where the competitive power of national economies was constantly and unpredictably changing - was to cast a load on the domestic adjustment process which it cannot really carry". (U.N.Economic Commission for Europe, Trade Survey, quoted in Times November 1st '71).

Even on military questions, or perhaps one should say also on military questions, since this is hardly the area of greatest harmony, the earlier fissures in NATO which had been caused by French action, develop further; nor is harmony going to be easier to achieve in a context where the United States calls upon her NATO allies "to undertake a greater share of the defence burden of the free world". Commenting on the secret nuclear talks which the seven NATO countries had just completed, the Times reports M.Debré: "Those who thought in terms of a European Army or nuclear force should answer the following question: Do they really suppose that a man and a woman living on an island in the Mediterranean could be concerned with the defence of somebody near the North Pole ?" - on which the Paris Correspondent of the Times sourly comments that "so long as M.Debré remains Minister of Defence, there will be no nuclear cooperation between France and Britain - or between France and anyone else,". It is in this context that one must take note of another trend in French and, to a smaller extent, in West German policy. While one can speak of Willy Brandt's moves as towards detente with the East, M.Maurice Schuman, the French Foreign Minister "put progress towards unity of Western Europe, and, on the other side, entente and cooperation with Eastern Europe as the basic objectives of French foreign policy." (Times November 4th '71, emphasis added RB).

Summarising then, one notes growing antagonisms within the capitalist world, together with some substantial cracks in the capitalist unity against the socialist world.

III.

What, then, are the prospects for the EEC ? The problem of antagonism within unity is not a new one; indeed the whole of the inter-war years are most fruitfully examined in light of it (I have attempted a detailed analysis of that period in Marxism Today November 1971), and that examination carries some lessons for our present problem. Much discussion of it in left circles proceeds, though not necessarily consciously, within a framework of thought which Lenin expressed in his famous 1915 dictum that "under capitalism a United States of Europe is either impossible, or it is reactionary" (Lenin: The United States of Europe Slogan. Collected Works Vol.21 pp.339-344 passim).

Let us examine the first possibility, that it is impossible, i.e. that the EEC is destined to disintegrate, because it grew up primarily as a political/military anti-soviet alliance, on the basis of an expanding capitalist world market with Japan absent, and in anticipation of European-owned super-monopolies, and because now the dominant feature, under conditions of growing over-production, is the growing inter-imperialist antagonisms.

The weakness of this analysis is that it makes everything depend upon a single contradiction, that between monopoly-capitalists. That contradiction is beyond doubt a most important one and, at the time Lenin was writing, was certainly the central one, dominating events at least until 1917, when the class and national antagonisms which had been maturing inside Tsarist Russia took the leading role, at least in one large country, with the resulting emergence of a socialist social system alongside capitalism, and a quite new contradiction in the world, that between socialism and capitalism, which profoundly affected, and with increasing force, the whole complex of internal contradictions within capitalism. An crucial conclusion to be drawn from this new phenomenon is that the outcome of inter-capitalist, or indeed any other, contradictions within the capitalist world no longer proceeds entirely on the basis of capitalism's own internal laws of self-development.

Thus the weakness of the approach that the EEC will simply disintegrate can be tested by posing two questions: i) if the EEC breaks up, what form of inter-imperialist relations takes its place, and how is it determined what takes its place ? When a capitalist cartel breaks up, a period of sharper and more open conflict replaces the horse-trading that previously took place within it. Before 1917, and indeed until after WW II, when the struggle for redivision of the world among the imperialist powers became intense enough not to be any longer soluble by other means, it erupted into imperialist world war. There is therefore a second question. ii) If the EEC, after break-up and sharper struggle, is not reconstructed, is a world war ,or even a regional war, between the major capitalist powers a logical outcome ?

There are no absolute certainties in politics. But that outcome seems improbable, for the following reasons. First, the danger of escalation of such a war into nuclear war would be so great that the combination of peace forces, both from socialist state power, and from the peoples of the imperialist world, would make its outbreak impossible. These forces have,after all, been able to prevent the outbreak of war between two different social systems. Second, even from the imperialist point of view, the military and the political uncertaintare so great as to bring in doubt the survival of capitalism.

Hence there could be a break up of the EEC, a struggle for redivision of the world by all means short of world war. In the course of this, many kinds of new alignments could emerge, one of which might be a new EEC. But the struggle already developing while the EEC is still in existence must lead necessarily - indeed is leading already - to internal changes within it which are better discussed under the second head "Possible, but reactionary".

May I use Lenin's extraordinarily prescient remarks as the starting point for examining this second possibility. In the work quoted above he said:

> "Of course, temporary agreements are possible between capitalists and between states. In this sense a United States of Europe is possible as an agreement between the European capitalists.....but to what end ? Only for the purpose of jointly suppressing socialism in Europe, of jointly protecting colonial booty against Japan and America, who have been badly done out of their share by the present partition of colonies.....It is a reactionary slogan, one that signifies a temporary union of the Great powers of Europe with the aim of enhancing the oppression of colonies and of plundering the more rapidly developing countries - Japan and America."

Naturally, this cannot and must not be appli d to the present without taking full account of the changes that have taken place since 1915 - for example one should substitute 'dependent countries' for colonies, and reckon on the reversed position of the United States, and even of Japan, vis-a-vis Europe. But, mutatis mutandis, a careful consideration of this conception leads to the following conclusions. Unity between capitalists is easier, more stable, to the extent that profits can be increased by it for all the partners. The Brigands fall out the less, the bigger the loot to share. How then can profits be maintained ? i) by a war on, and a carve-up of, the socialist world. One can never rule this out, since it played a crucial part in the policy of the capitalist powers from 1917 up to, in principle, the present. But the gap between needs and possibilities of doing this are growing, and, as our evidence at the end of section II showed, the present is marked rather by capitalist powers trying to cover their rear in advance by detente, even entente, between East and West.

ii) by trade war etc. on the US and Japan, and upon smaller capitalist powers. This is a feasible course only if based upon iii) below.

iii) by attacks upon all internal and other (i.e. other than the US and Japan, which have already been covered in ii))external obstacles to monopoly profits. This policy involves necessarily the acceleration of the centralisation of capital by state-monoply means, the attack upon all non-monopolistic classes and strata (not excluding smaller monopolists), especially upon the working class, within Europe, the accelerated export of capital, and, with qualifications, resistance to the import of foreign capital, the organisation <u>within</u> the EEC of the weaker by the stronger (in particular a drive to establish German hegemony), and attacks upon the countries which provide materials, namely the Third World.

Finally, as a necessary condition for the success of these policies, a further turn towards political reaction. It follows, them, now as always, that the monopoly capitalists <u>can</u> resolve the antagonisms between them, and that temporarily, only at the expense of increased economic exactions from, and increased repression of, all sections of the people outside the handful of the most powerful monopolies. There is no crisis the capitalists cannot solve if the people allow them.

However, this is 1971, not 1915. There exist today in the countries of the EEC, and especially in France and Italy, social movements of great influence and experience, which were strong enough to defeat in France the moves towards Pouvoir personel which could have opened the road to fascism, and in 1964 in Italy defeated plans for a military coup. In West Germany too, this winter will see the largest industrial action since before Hitler, as 4½ million wage earners defend their living standards. Willy Brandt's moves towards detente with Eastern Europe are not entirely unconnected with changes in the balance of internal political forces. A recent Times leader expressed concern at the inability of the French government to maintain the demagogic national image, and the danger that the social forces behind left-Gaullisme will transfer their allegiance to a by no means improbable socialist-communist alliance. Even the Socialist International, not exactly noted in the past for its support of working class unity when one side of that unity was the communists, has recently been moved by grass roots pressure to take a more hopeful attitude. Therefore one must not confuse the need of monopoly for the destruction of democracy, with its ability to get it. Fascism is a possible outcome only if the popular anti-monopoly forces do not unite in time on a common anti-monopoly programme.

This brings us to the third possibility, the EEC transformed onto a basis of national-democratic planning and ownership at home, trade and technical co-operation in the international field, alongside a continuing political detente between East and West.

May I begin this final, and most controversial section, by attempting to develop, in what I hope is a creative way, the latent possibilities in Lenin's concept. It might seem at first sight that its content has already been fully exhausted in the two polar opposities we have considered: either the EEC is impossible, or it is possible, but reactionary.

Rather more reflection reveals how carefully and concretely Lenin posed the problem. He did not say simply: It is either impossible or reactionary. He qualified that conclusion by limited its sphere of relevance to "under capitalism". That makes a world of difference - and not the difference which will occur immediately to anyone accustomed to thinking in fixed and always mutually exclusive categories, namely that 'Of course that unity is possible, without being reactionary, under socialism'. On the contrary, the difference it makes is one that would occur to anyone who a) understands that between capitalism and socialism lies a process of transition, of borderline phenomena, -and b)(applying that understanding concretely, historically, to the present) examines whether the term 'under capitalism' (which was rightly applied by Lenin in 1915) fully exhausts contemporary reality. I suggest that it does not, and does not in two respects. First, the external economic and political environment of the EEC is quite different from any that existed in 1915. It is certainly not wholly, and probably not even decisively, under capitalism. It might seem too obvious to mention that this has crucial implications for the external relations of all - and especially European - capitalist powers, were it not that some discussions on the left procede in ignorance or wilful omission of it. Capitalist practice, on the other hand, shows that they are far from unaware of it. Leaving aside political and military relations which we have already touched on, it can be seen that E-W trade and technical cooperation, while still small in relation to the total trade of either side, are growing (Between 1960 and 1968 world trade as a whole grew by 87%, E-W trade by 121%. One indication of this is that over the same period the Moscow Narodny Bank's advances grew seven-fold v.Quarterly Review Autumn 1969. The UN Economic Survey for Europe 1968 pp.45-46 notes the growth in E-W technical cooperation. For countries moving into economic crisis, especially in chemicals, machinery, or steel, even marginal, if secure additions to markets are not unimportant in a beggar-my-neighbour world. It may be that the fashionable obsessions with aggregates and quantities often obscures the qualitative importance to this or that country of a particular type of external relation in which socialist countries specialise. cf. e.g. UN World Economic Survey 1963 Pt.I. Trade and Development Needs and Policies esp. pp.276-83.)

It would, therefore, be quite unrealistic, in discussing perspectives, to omit the question of actual and potential economic relations with a part of the world's economy which accounts for about 2/5 ths of world industrial production, which has more rapidly growing internal markets than capitalism, together with price and monetary stability. The law of the increasing internationalisation of economic life is one which arises not out of the conditions of capitalism or socialism alone, but out of the contemporary growth in the social character of production common to both systems. For 25 years there have been political, cold-war, obstacles to the growth of specialisation and cooperation based on E-W trade. But with growing political detente, one may expect trade connections also to grow. For the smaller and weaker countries the E-W connection is an increasingly attractive alternative or supplement increasing their freedom of manoeuvre at a times when the threat of monopolist domination from outside increases. In relation to the giants of the capitalist world some of the EEC members are quite small, and others, even France and Italy, are not yet, despite all Heath's hopes of a European super-power, capable of resisting unaided, on a capitalist basis, the external pressure and internal penetration practised by the United States.

The second difference between 1915 and 1971 is in the internal balance of forces within individual EEC countries. In respect of forms of property ownership they are, of course, capitalist countries - or, more precisely, they are countries where "state-monopoly capitalism" operates. This is an important distinction. I do not wish to repeat here the very detailed analysis of that stage of capitalist development which I put before our conference last year; but it is necessary to refer to two of its essential features: First, that state intervention in economic life had elevated what were formerly economic questions to the status of political questions; Second, that the anti-monopoly political forces are stronger than at any previous time in history, and if they use their united strength in the political field, maintaining and extending all possible democratic forms of control over the decisions of the state, then there does arise the possibility of new, transitional forms of production relations within the individual EEC countries, and new transitional forms between the separate EEC countries, and between them either individually or collectively with the outside world. It may be suggestive if I point to the possibilities of transitional forms which Lenin saw in a period of acute economic crisis in

September 1917. I say suggestive advisedly, because it is the principle in which I am concerned, and of course principles have to be applied creatively to new conditions. The EEC countries are not agrarian Russia, nor are they in the middle of a war, nor, again, have they just ceased to be open police states without traditions and institutions of legal democratic action, nor are they surrounded by a pure capitalist world. But if the immediate central problem for the peoples of the EEC is how to find democratic forms of production and exchange relations which will facilitate the internationalisation of economic life required by modern productive forces, as against the reactionary-bureaucratic state-monopoly forms of the "interpenetration of European capital" and the allied supra national forms of political domination of stronger over weaker capitalisms, then Lenin's contrast between the 'reactionary-bureaucratic' forms of state control and ownership (without which not even the monopolists can hope to prevent anarchy in modern production), resulting in oppression of the people, as against the 'revolutionary-democratic' forms of state control which could liberate them, is a very relevant one. (v. The Impending catastrophe and how to combat it. . Lenin: Collected Works Vol.24 esp.pp.356ff.) The word revolutionary has been so overworked of recent years, with some danger of discrediting it, and of frightening pople away from courses of action which fully correspond with their immediate interests and are, in that sense to them not revolutionary at all (The letter of opposition of four Cambridge Law Professors to the Compton report is in front of me as I write - an opposition which is required if consistent bourgeois democracy is to be maintained) that one wishes to use it with care. The implementation of policies of full employment, stable and planned foreign trade between countries on the basis of equality and mutual self-interest, national ownership of national resources for the nation's benefit, are not, on the face of it, revolutionary measures - in the sense that they command mass support, and, indeed, even the monopoly capitalists may pay lip-service to them. But presumably most of us are socialists because we believe that capitalism is incapable of their consistent implementation. Hence the struggle for their consistent application is the first and necessary stage in the creation and education of the mass forces which alone can carry through the transition to socialism.

The words 'mass' and 'transition' (seen as a process) are not, I know, popular concepts in some sections of left thought. As to transition, may I conclude my argument on this note of summary. As divisions in the EEC grow, their healing in the interests of monopoly capital requires a move towards reaction. That reaction will succeed in dividing popular forces unless some coherent, unifying alternative is offered. As we have shown, that alternative perspective must take account first, of the requirements of modern productive forces (since one is hardly going to win mass support on the basis of an autarchy of back-yard industries); second, it must take account of the actual stage of the internationalisation of economic life already reached in the EEC over the last 14 years, and its effects upon the productive structure and external relations of each country. It is no good to say "Well, if I were you, I wouldn't start from here". The progressive forces of Europe have no choice. Here and now is where they must start from. In the actual, already existing, external relations of the EEC countries we have pointed to growing points, which, if laid hold of and supported by the united strength of progressive forces, can become not merely the minor aspect of those relations, but the major and decisive aspect. This problem is posed historically in a context in which there is already supported by many European governments a European security conference which could consolidate and develop further the limited political detente already achieved. In a better political atmosphere the question of a wider EEC, to include socialist countries, is the logical extension of the existing expansion of trade and cooperation. In that context the present neutrals could also join. Opposition to such a perspective can come only from those who wish to keep the EEC as an instrument of cold-war. Finally, to the extent that external economic and political links can begin to be transformed, there emerges increased freedom of manoeuvre for the progressive forces to transform the internal production relations in an anti-monopoly direction. Concretely, the ability to nationalise monopolies on one's own soil, whether they be foreign- or domestically owned, without succumbing to the disruptive leverage that can be exerted by them through their linkages with mother or daughter companies abroad (to say nothing of their linkages with governments abroad) increases to the extent that those linkages are no longer indispensable.

So, in this way, the interaction of external and internal production and exchange relations provides a dynamic mechanism of transformation of both.

Unless I have misunderstood much influential socialist writing in France and Italy, the concepts of 'democratic avancée' and of 'structural change' were propounded there (at least initially) primarily in terms of changes in the <u>internal</u> production and class relat ons. But they can be extended, in the manner attempted here, also to external relations. External relations, which, under their state-monopoly-capitalist form of the export and import of monopoly capital are acting as a fetter upon internal progress, can be transformed into 'forms of development' which accelerate that progress.

One addendum. I have assumed throughout that we are concerned primarily with short-term perspectives and policies. The law of uneven economic and political development of capitalism continues to operate. One cannot rule out that the struggle for democratic transformation may take place in one or more countries so that a transition to socialism is effected there. If that happens clearly the possibilities for a further, even qualitative, change in the relations between members of the EEC increase markedly. But then the emergence of even a single socialist country in Western Europe would be an event of such profound implications not merely for Europe, but for the whole world development, as to be not properly within the scope of this paper.

November 1971. R.Bellamy.

PS.A note on 'masses'.(in a more light-heartedvvein).There is in physics a formula, I believe, in which Energy is related to Mass and Velocity by the function $E=MV^2$. I wonder if I might advance Bellamy's law of The effectiveness of social movements. Let E be effectiveness, M be Mass, i be an index of ideological clarity, and O be a factor of Organisation. Then $E=MO^i$ !.

# THE BRITISH CRISIS AND ENTRY INTO EEC

Andrew Glyn*

Any assessment of the effects of entry into the EEC on the present crisis in British capitalism must rest on an analysis of the nature of the crisis in Britain and on the situation in the EEC. This paper is confined to a brief discussion of the immediate reasons for the British crisis, of the current situation in the EEC and of the immediate effects of entry. No attempt is made to give a long-term perspective.

At the heart of the crisis is the disastrous decline in the profitability of British capitalism over the last six years. The share of profits in the net product of the corporate sector fell from 21.2% in 1964 to 12.1% in 1970.(1) Despite determined attempts to reverse this decline, including an unparalleled spate of redundancies and accelerating price increases, the share of profits did not recover at all in the first half of 1971. To this fall in profitability has been added stagnation of production deliberately engineered by the government as part of longer-term strategy to reverse the fall. Thus investment and the longer-term competitiveness of British capitalism have been hit between the last quarter of 1970 and the second quarter of 1971 when manufacturing investment in real terms fell by 10%.

Some people believe that the fall in profitability has resulted from firms being slow to wake up to the fact that their costs have been rising faster. The implication is that firms could have raised their prices sufficiently to restore their profit share and presumably will do so. This view, as well as being inherently implausible, is contradicted by the facts. For if it was correct, the profit share would fall when there was an acceleration of wage cost increases but would not fall further if wages went on rising at the new higher rate. The evidence for Britain is, however, that it is a high rate of money wage increase, and not just an acceleration, which causes a more rapid fall in profitability and this suggests that firms have been unable to push up prices sufficiently to offset cost increases.

The basic reason for the failure of British firms to put up prices has been that competition prevented them doing so, and this competition has come increasingly from overseas. In fact, falls in the British profit share have been greater when world export prices have grown slowly, relative to costs in the UK; that is, in those years when it was most difficult for British firms to push up their prices on exports and on import-competing home sales. Conversely, the profit share would have fallen faster in 1970, with the very high rate of growth of wage costs, had world export prices not risen steeply. As international competition increased during the fifties and sixties, with the fall in tariffs, so has the share of profits in Britain become more responsive to the rate at which wage costs at home rose, relative to world export prices, and this has caused the faster decline in profitability since 1964. Even the 1967 devaluation did not enable British firms to recoup much of their falling profit margins by pushing up sterling prices faster than costs. Foreign firms in some instances preferred to lower their dollar prices after the devaluation in order to prevent British firms gaining any competitive advantages, and this reduced possible increases in sterling prices. After a particularly rapid fall in the UK's share in its export markets between 1964 and 1968, devaluation stabilised the share in 1969, but in 1970 the fall resumed as wage costs grew faster in Britain than in most other major exporting countries. By 1970 the UK's share of world manufactured exports had fallen to 10½%; this was half the 1954 share and put the UK below Germany (20%), US (19%) and Japan (11½%) as an exporter.

The importance of international competition is obvious when the major bankruptcies (or near bankruptcies) are examined; Rolls Royce faced intense competition from Pratt and Witney; UCS from Japanese shipyards; Lines Bros. from US toy manufacturers and BSA from Japanese motor-bike makers. Again, although the fall in profitability affected firms in nearly all the major industries, it was those most exposed to international competition which did worst: by 1969 profits had more or less evaporated in metal manufacture, ships, planes and cars where competition was particularly intense and in which British firms were neither particularly strong (as was ICI in the chemical industry) or heavily protected (like sections of the textile industry). By 1971 the profit situation appeared to be deteriorating seriously even in the chemicals industry and this was also true of the paper industry which had been more or less unscathed up to 1969 but was by then under pressure from Scandinavian producers.

One factor not so far mentioned as a cause of the decline in the profit share in the UK is the stagnation of output. It is widely believed that, to quote the TUC:

> "a recovery of the economy from its present under-employed state would.....help both margins and total profits." (2)

It is true that profit margins would benefit from an expansion since fixed costs would be spread over more output and unit labour costs would be reduced as productivity rose. But one major source of rising productivity in previous expansions, namely the hoarding of labour by firms when demand was temporarily low, is likely to be very much smaller than previously as the severity of the profits squeeze and the prolonged recession has caused firms to pare down their labour forces to a minimum. Some rough estimates suggest that only about one sixth of the fall in the profit share between 1964 and 1970 should be attributed to the effect of the slow growth of output on fixed costs and productivity.* This implies that reflation would do relatively little in the way of painlessly restoring profit margins, by lowering costs.

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NOTES * Stagnation has of course reduced the rate of profit more than the share of profits by leading to excess capacity.

Nor is it likely that a faster growth of demand in the UK alone would make it easier for British firms to raise prices faster. Established firms in a market do not usually undercut each other when demand in that market falls off - such competition between oligopolists is self-defeating. Rather it is when the stagnation becomes world-wide that it tends to strengthen international competition and lead to lower profits. Firms with excess capacity are impelled toinvade new markets by cutting prices. The resulting falls in profitability makes the scramble for markets more desperate.* So while at the level of an individual country international competition is (together with successful demands for higher money wages) the cause of the profits squeeze, at the level of the capitalist system as a whole it is also an effect.

The position of the Common Market countries

An examination of developments in the EEC countries reveal the same tendencies as are apparent in Britain, though obviously their strength varies greatly from country to country. Looking at the period since 1950 the share of profits has fallen more in the UK than in any of the EEC countries, though a distinct downward trend is clear in the Netherlands, Belgium and Italy. In France and Germany no clear trend either way can be distinguished for the period as a whole. ** But for all these countries there is a marked tendency for the profit share to fall relative to trend when money wages in the country rise particularly rapidly relative to world export prices. The tendency for the UK profit share to be squeezed between money wage increases and international competition is a general phenomenon, and an increasingly important one.

The early sixties marked an important turning period in a number of continental countries. The most obvious case is Italy which in the 1950's had been caught in an exceptionally virtuous circle from a capitalist point of view - high unemployment kept wage increases down and allowed high profits and capital accumulation;

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NOTES: * Thus it is generally agreed that the fall in the volume and profitability of Japanese exports to the US resulting from the appreciation of the yen will greatly strengthen the Japanese sales effort in Europe.

** Assessing trends in profit shares is difficult in the European countries since (unlike the US and UK) no data is available for the corporate sector, and the distribution of the national income as a whole is confused by the large, but falling, size of the self-employed sector. The statements in the text are based on an analysis taking into account self-employment; some raw data is given in Table 1 attached but should be treated with caution.

rapid increases in productivity increased competitiveness and so kept up demand (through growth of exports) and profits. In 1962 and 1963, however, wage increases accelerated from about 7% p.a. to 19% p.a. and the wage ratio* in manufacturing rose from 58.5% in 1961 to 65% in 1963. OECD attributed this wage explosion to falling unemployment and what it delicately called a 'changing social and political climate'.(3) In any event the authorities responded by practically doubling unemployment and although a slowing down of wage increases allowed some restoration of profit margins industrial investment never regained its previous peak when output expanded again. The respite was short-lived in any event for the strikes of the 'hot autumn' of 1969 culminated in another wage explosion, similar in size to that of 1962/63, since when the profit share has fallen back again very substantially and industrial production has recently been dropping.

In Germany the achievement of near full employment in 1960 was greeted by a wage explosion in which money wages grew by 15% p.a.; initially the effect on profits was limited by very rapid productivity increases but in the next year productivity grew more slowly and a 5% revaluation of the D-Mark also reduced the extent to which German firms could offset these cost increases with higher prices. The wage ratio in manufacturing, having drifted down for several years, rose from 59% in 1960 to 63% in 1962. A quadrupling of unemployment by the end of 1967 succeeded in reducing wage increases to only 3% p.a. and by 1969 labour's share was little above its 1960 level while investment was well above its previous peak. After wildcat strikes at the end of 1969 there was another wage explosion (with increases of almost 17%). It combined with the D-Mark revaluation of 1969 to produce a profits squeeze 'of unprecedented severity' (4) which saw the wage ratio (for GDP) rising by 1½ points in 1970. The further appreciation of the D-Mark in 1971 resisted by German capital with a 'desperate and determined campaign'(5) has meant further profit falls in 1971 and current predictions are for a fall in both output and investment in 1972.

In Belgium, and more particularly the Netherlands, where the wage ratio in manufacturing rose from 51% in 1960 to 60% in 1966, the early sixties saw an intensification of the trend in the distribution of income towards labour. This followed substantial accelerations in wage increases in both countries; in the Netherlands after the government had withdrawn from very active interference with wage bargaining. The situation was more or less stabilised in both countries in the later

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NOTES:
* The wage ratio is the ratio of wages to output. It does not measure labour's share because of self-employment but changes in the wage ratio give a good idea of changes in labour's share in the short-run.

sixties but profits have again come under pressure in the last year or so though Belgium is the one country in the EEC (or indeed the capitalist world) where industrial production has recently been growing really rapidly.

In France the increased competitiveness from the devaluations of 1957 and 1958 secured an export-led boom and an increased profit share; a big expansion of investment followed. Wage pressure increased in the early sixties, but the authorities responded by a deflation which saw a trebling of unemployment between 1964 and 1968 and the preceding gains in labour's share were eroded.

The wage increases after the May events were substantial (around 10%), but not spectacular, and their effect on the profit share was neutralised by a policy of rapid expansion of output and productivity - labour's share rose only very slightly in 1968 and not at all in 1969. A 11% devaluation in August 1969 probably allowed profitability to be maintained in 1970 despite continued wage pressure but the policy of expansion was moderated. Recently the growth of production has slackened and unemployment has been rising. Presumably profits have been reduced a bit in 1971 as the slowdown in production became general in the capitalist countries. But it remains true that France has suffered less in the sixties than the other EEC countries from the general tendency for profits to be squeezed. Readiness to use devaluation as a weapon for attacking working class standards of living and increasing profitability undoubtedly helped. It is not surprising therefore that the French are stoutly resisting pressure to let the franc float upwards thereby securing a de facto devaluation and increased competitiveness vis a vis German Capital.

This very brief outline of trends in the EEC countries discloses a fairly clear pattern. Increasing wage pressure in the early sixties, coinciding with heighted competition as tariffs fell, administered a blow to profitability and accumulation. The capitalist response was deflation which to some extent masked the pressure, but it re-emerged again inthe late sixties and this time was generally less responsive to rising unemployment. An examiniation of trends in public expenditure and taxation shows that governments were also playing an increasingly important role in maintaining the expansion of demand in the sixties as compared with the fifties. This is a reflection of the blow to capital accumulation administered by the adverse profit trends (most obviously in the case of Italy). But the increased importance of public expenditure cannot resolve the contradictions between capital and labour in the struggle over the distribution of income, so Keynesian weapons are increasingly being used in reverse in order to create unemployment.

With profitability and accumulation threatened the prospect for maintaining the tremendous post-war expansion in the EEC are jeopardised. But this will not improve Britain's chances in the EEC for competition for markets will be the more ferocious and Britain, as the country where profitability has been most seriously hit, stands to suffer most.

The effects of entry

It is quite clear that entry into the EEC will reduce real living standards in Britain in the short run. Food will be more expensive, leaving less resources for other types of consumption, and financing the British contribution to the Community's budget will also reduce real income. Moreover a devaluation is likely to cope with the costs to the balance of payments of entry particularly if substantial progress towards full employment is achieved. Taking the total of these costs to be about £600m (a reasonable compromise between the estimates) (6) then private consumption as a whole would be reduced by 2%. But since the rise in food prices will hit the working class particularly, and since a successful devaluation will also redistribute income from labour to capital (which is more or less what restoring the UK's competitiveness means) the effect on real wages will be much greater than 2%.

Benefits for British industry, according to the 1971 White Paper (7) on proposed entry into the EEC will arise from:

> "opportunities opened up by the creation, at the end of the transitional period of a permanent, assured, and greatly enlarged market. Manufacturers will be operating in a 'domestic market' perhaps five times as large as at present, in which tariff barriers cannot be put up against them however well they do." (para 44)

> "...for advanced industrial countries the most favourable environment is one where markets are large and are free from barriers to trade.... Through increased competition they foster the more efficient use of resources over a wide area of industry and help to check the trend towards monopoly positions on the part of large scale organisations....." (para 46)

> "The abolition of tariffs and the consequent increase in intra-trade were accompanied by important changes in the performance of manufacturing industries in the Six countries. Those industries which competed with imports faced an intensification of competitive pressures as tariffs fell, obliging them to seek ways of raising efficiency and reducing costs." (para 50) (my emphasis).

The spokesmen of the British capitalist class seem to agree with this optimistic assessment, judging by their full page advertisements in <u>The Times</u>. But analysis in the Press suggests that many industries, such as domestic appliances, machine tools and newsprint will suffer. The Mechanical Engineering Confederation 'takes the line that while it agrees that Britain should enter the EEC it believes membership would be painful for some sectors. There is likely to be a polarisation between those companies which are in the first league (world class) for their speciality....which will benefit and the rest will suffer.' (8)

The readiness with which city figures put their signatures to pro-EEC advertisements supports the view that "whatever happens to the sterling exchange rate the City of London expects to gain from Common Market membership" (9) though there are worries that the creation of a monetary union in Europe might lead to tighter official control of British banks European business. What it is interesting is the recognition that the City's prosperity does not depend on sterling reserve role. One leading City merchant banker writes

> "It has not been the City that has cherished illusions - if there were illusions about sterling's reserve currency role, or indeed about the exchange rate;...The City's interest was, and still remains only in having the maximum freedom from controls and, if possible, a stable currency, and not in any particular exchange rate against other currencies or in any prestige which might be derived from sterling's use as an official reserve currency." (10)

Thus friction between industrial and banking capital over the exchange rate seems to be lessening, but British industrial capital will need to be able to stand up to stiffer competition if it is to survive entry into the Common Market. (and in the short-run at least this competition will only be made more intense by the fact that the EEC countries are displaying the same tendencies as Britain). The part played by foreign competition in precipitating the present crisis in Britain makes it astonishing that British capitalists should welcome yet more competition. In addition the initial adverse effects on real wages, involving a transfer to foreigners rather than to British capital, will make it all the more difficult for British capital to secure the transfer from wages to profits necessary to restore profitability. Only if increased competition within the EEC can successfully be used as an argument for accepting moderation in wage demands will entry into the EEC do anything to restore British capital's position.

# NOTES

(1) Problems of measurement etc. are discussed in A. Glyn and R. Sutcliffe New Left Review March/April, 1971.

(2) The Guardian, 7.7.71.

(3) OECD Survey of Italy, 1964

(4) OECD Economic Outlook, July 1971.

(5) The Times, May 1971.

(6) See M. Miller National Institute Economic Review, August 1971.

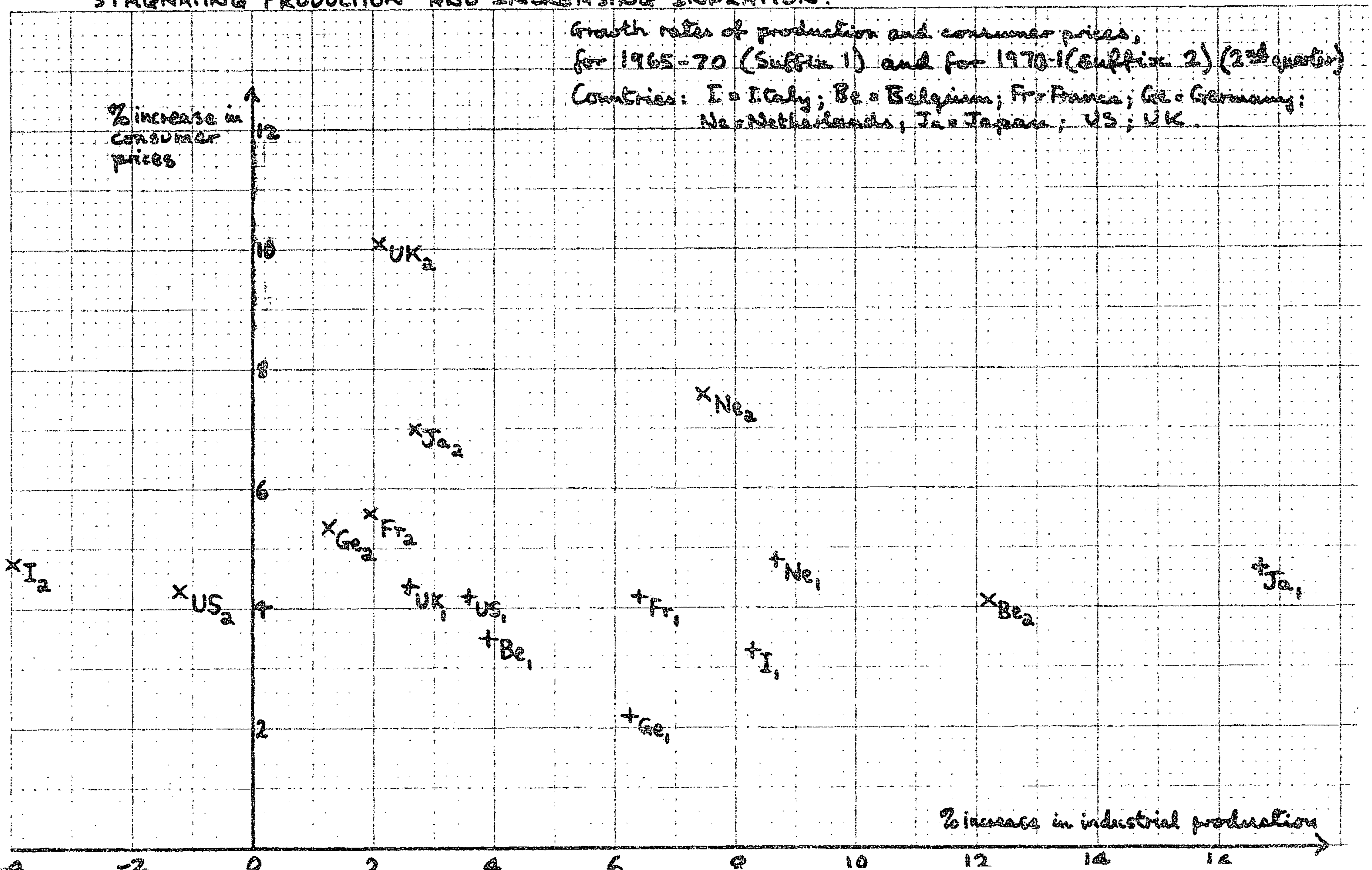
(7) The UK and the European Communities Cmnd 4715

(8) Analysis of the effects on individual industries will be found in The Guardian, 8.7.71, Financial Times 21.7.71 and Investors Chronicle, 21.5.71.

(9) P. Oppenheimer in The Pound into Europe, London 1971.

(10) Sir C. Kleinwort in The Pound into Europe, London 1971.

STAGNATING PRODUCTION AND INCREASING INFLATION.



Note — Output is gross of depreciation in every case, and it is domestic output, i.e. excluding income from abroad. In the case of U.K. and U.S. it is net of stock appreciation; for other countries there is no mention of stock appreciation and it is assumed that output is defined net of stock appreciation.
The wage ratio is wages and salaries and employers' contributions to social security as a proportion of output.
For U.S. and U.K. corporate sector excludes financial companies.

Sources — Series of shares in GDP are all from OECD National Accounts 1950-68 supplemented by OECD country surveys.
U.K.: National Income Blue Books (1970, Tables 13,17,64,65)
U.S.: Surveys of Current Business (Tables 1.12, 1.13 etc.)
Germany: Man-Statisches Jahrbuch, Table XXIII/4
Italy: Man-Annuario Statistico Italiano 1970, Table 396 and National Accounts 1951-68
Japan: Man: Analysis by Bank of Japan of 75% of large firms
Netherlands: Man-Statistical Yearbook Table
Sweden: Kindly supplied by OECD National Accounts Division

Interpretation — Except for U.K., U.S. and Japanese manufacturing, self-employment complicates comparisons over time since increasing importance of wage earners tends to push up the wage ratio regardless of changes in the relationship of wages to profits.

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## TABLE 1

### Wage Ratio in Capitalist Countries

| Country | Sector | 1950-54 | 1955-59 | 1960-64 | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| U.K. | Corporate | 68.5 | 70.2 | 71.7 | 71.4 | 72.0 | 74.7 | 73.8 | 74.8 | 76.9 | 78.4 |
| | Manufact. | 64.9 | 67.6 | 69.2 | 69.3 | 70.4 | 73.1 | 71.2 | 72.9 | 75.8 | |
| U.S. | Corporate | 69.0 | 71.7 | 71.4 | 70.2 | 69.1 | 69.4 | 70.4 | 70.5 | 71.7 | 73.3 |
| | Manufact. | 69.2 | 70.7 | 71.5 | 70.2 | 68.8 | 69.3 | 70.8 | 70.8 | 72.2 | |
| France | G.D.P. | 49.5 | 52.5 | 53.2 | 54.7 | 54.9 | 54.5 | 54.4 | 55.0 | 54.8 | |
| Germany | G.D.P. | 52.0 | 53.8 | 56.2 | 56.9 | 57.4 | 57.9 | 57.8 | 57.5 | 57.5 | 59.1 |
| | Manufact. | 60.5 | 60.3 | 61.5 | 62.1 | 62.1 | 63.7 | 63.6 | 60.5 | | |
| Italy | G.D.P.(1) | 43.5 | 45.4 | 49.5 | 52.8 | 52.0 | 51.3 | 51.6 | 51.9 | 51.8 | 53.7 |
| | Manufact.(1) | 53.6 | 57.8 | 62.2 | 65.3 | 62.8 | 60.9 | 63.4 | 62.5 | 63.7 | |
| Japan | G.D.P. | 43.7(2) | 45.9 | 45.6 | 46.0 | 48.4 | 48.2 | 47.2 | 46.4 | 46.7 | |
| | Manufact. (large companies) | | | | 39.6 | 41.8 | 41.0 | 40.3 | 41.3 | 40.9 | 41.3 |
| Netherlands | G.D.P. | 49.8 | 50.9 | 54.7 | 57.2 | 58.1 | 60.1 | 59.4 | 59.8 | 60.4 | |
| | Manufact. | 54.6 | 56.6 | 60.2 | 62.5 | 62.8 | 64.5 | 63.6 | 63.4 | 64.2 | |
| Sweden | Manufact. | 66.5(2) | 67.1 | 70.1 | 69.4 | 69.3 | 70.9 | 71.0 | 69.9 | 69.0 | |
| Canada | G.D.P. | 55.4 | 57.5 | 58.6 | 58.2 | 59.2 | 60.0 | 61.8 | 61.9 | 62.8 | 64.0 |
| Belgium | G.D.P. | 48.4(3) | 50.3 | 52.9 | 54.4 | 55.2 | 56.6 | 56.7 | 56.8 | 57.0 | |

(1) 1951-54
(2) 1952-54
(3) 1953-54

EUROPEAN INTEGRATION: CAPITAL AND THE STATE.

INTRODUCTION.

This paper arises from discussion in the Warwick CSE group. Hugo Radice was responsible for writing parts I, II and IV; Sol Picciotto for parts III and V. Paul Davies, Jim Kincaid and Alfred Sohn-Rethel took part in the discussions also. We feel conscious that it is really only in draft form, and requires a good deal more development, particularly in integrating the different aspects, and in bringing the analysis down to a more concrete level. We hope to produce some short pieces on specific aspects of European integration, which will be submitted for the next issue of the bulletin; and references in the text suggest sources for a great deal of empirical material which we did not think it worthwhile simply to reproduce here. Facts, if treated like statistics, can prove anything; their qualitative implications can only be drawn out within a theoretical framework, which is what we have tried to present.

Our problem is posed by Ernest Mandel as follows:

> "The growth of capital interpenetration inside the Common Market, the appearance of large amalgamated banking and industrial units which are not mainly the property of any national capitalist class, represent the material infrastructure for the emergence of supra-national state organs in the Common Market."
> (International Capital and "Supranationality"), Socialist Register 1967, p.31)

Part 1 sets out some relevant aspects of the changing structure of the capitalist mode of production in theoretical terms. In Part 2, Robin Murray's lead is followed in setting out in some detail Bukharin's approach to the problem; part 3 deals with the contradictions created in the role of the state by the internationalization of economic life; part 4 looks specifically at the situation in the EEC and Britain today; part 5 suggests some implications for the socialist movement.

## I. THE CHANGING STRUCTURE OF THE CAPITALIST MODE OF PRODUCTION.

> "This dual structure, firm and market, which develops on the basis of the relative autonomy of the different types of capital which constitute the mode of production, is nevertheless unstable, because it is endlessly called into question through the capital accumulation process, resulting in concentration and all its corollaries: falling rate of profit, growing realization problem given a market which can no longer carry out its function of regulating production.... a new organization of the mode of production becomes absolutely vital" (Christian Palloix).[1]

It may seem unnecessary, or even presumptuous, to set out the relevant aspects of the development of the capitalist mode of production, but in our experience it is necessary in order to clarify a number of points at issue in the current debates on the internationalization of the social economy.

> "Capitalist production is distinguished from the outset by two characteristic features. First. It produces its products as commodities..... labour appears in general as wage labour.... The characteristic (1) of the product as a commodity, and (2) of the commodity as a product of capital already implies.... a definite social process through which the products must pass and in which they assume definite social characteristics; it likewise implies definite relations of the production agents.... The _second_ distinctive feature of the capitalist mode of production is the production of surplus-value as the direct aim and determining motive of production. Capital produces essentially capital, and does so only to the extent that it produces surplus-value."[2]

Capitalism is thus _commodity_ production: products, and the labour that goes into their production, acquire social meaning by becoming commodities, by entering into an exchange process in which use-values are transformed into exchange-values and thereby become socially commensurable. In addition, the relationship wage-labour/capital, the fundamental social relationship of _capitalist_ commodity production, involves the subordination of the labour process, and the workers incorporated in it, to the hierarchical authority of capital, and the capitalist, whose logic and _raison d'etre_ is surplus-value as additional capital. Hence accumulation of capital is inherent in the mode of production; and since it can only be accomplished (surplus value can only be realized) through the anarchic exchange process - through the market operating as an "overwhelming natural law" on the capitalist -, then competition is its inevitable concomitant.

In distinguishing the production process as such, as the application of man to nature under the rule of capital, from the exchange process, as that which makes production as such social, we thereby distinguish production of commodities from their circulation under competitive capitalism; this leads to the distinction between industrial capital (production), commercial capital (circulation of commodities) and banking capital (circulation of capital): and "in the circulation of capital and of commodities taken together consists the circulation of money." 3 At the same time, it implies the structural distinction between firm and market. The three spheres of capital are relatively autonomous; what links them are the activities of firms in markets.

Although the market reflects the relations of production in acting as the social logic of the system, it also reflects the development of the material forces of production, in organizing the social division of labour between the production units. At the same time, the firm reflects the relations of production in its hierarchical organization, subordinating labour to capital, but also the forces of production in the division of labour within the production process. 4

Accumulation and competition (competitive accumulation) entail the concentration and centralization of capital. As regards concentration:

> "Two points characterize this kind of concentration, which grows directly out of, or rather is identical with, accumulation. First: the increasing concentration of the social means of production in the hands of individual capitalists is, other things remaining equal, limited by the degree of increase of social wealth. Second: the part of social capital domiciled in each particular sphere of production is divided among many capitalists who face one another as independent commodity producers competing with each other." 5

At the same time, concentration is

> "...the basis of an extended scale of production, of the methods for raising the productive power of labour that accompany it, and of accelerated production of surplus-value." 6

i.e., it is a self-generating process, involving continuous technical development (and an increasing division of labour in production). But there is also centralization, which is

> "concentration of capitals already formed... expropriation of capitalist by capitalist, transformation of many small into few large capitals.... This process differs from the former in this, that it only presupposes a change in the distribution of capital already to hand, and functioning .... Commensurately with the development of capitalist production and accumulation there develop the two most powerful levers of centralization - competition and credit." 7

In competition, larger capitals beat smaller on the basis of lower cost; and compete the capitals must, if they are to accumulate. Centralization, in its turn, accelerates concentration and accumulation by increasing the scale of production.

The process of accumulation, concentration, centralization is by no means smooth. In *abstraction*, one can conceive of a pattern under which the regulation of production by the law of value proceeds so smoothly and instantaneously, so that capital is simply transferred and transformed in the direction of higher profitability, that the rate of profit is equalized instantaneously, and that accumulation and concentration appear to be a function simply of the development of the material forces of production. But *capital* is a social relationship, not an abstract category, and the social relations surrounding capitalist production give rise to a quite different process, in which the operation of the law of value involves the restless, *competitive* search of capital for extra surplus-value, a competition which entails not a process of smooth and abstract mobility of capital but a drive for the *expropriation* of capitals by capitals, and the extended *expropriation* of labour-power. It is the combined attempts at expropriation, at accumulation by all capitals that leads to *crises* as a form of competition under capitalism, a form which accelerates, or lifts onto a higher plane, the very process causing crisis. Thus the process of accumulation entails a tendential fall in the rate of profit, overproduction of capital (underproduction of surplus-value relative to the existing capitals), and hence crises, in which capitals are destroyed and restructured, the labour force released and recaptured in a new labour process, and the basis for further accumulation laid down.

What does the concentration and centralization of capital imply for the relation between firm and market in organizing the social process of production? Quite simply, that the field of ever-more protracted competitive struggle, the market, is progressively eroded and incorporated by the firm. The motive force behind "vertical" combination and behind the progressive merging of industrial capital with commercial capital and banking capital, can be seen as a drive by the firm to overcome the competitive market, to try to ensure for *its own* capital the desired surplus-value by *internalizing* the realization of surplus-value, and by internally redirecting capital towards more profitable areas of activity: in short, to *replace* the market as the overall (macro) unit organizing the mode of production.[8] It has been argued [9] that this entails a decisive, qualitative shift in the laws of motion of the system: that the law of value, operating through the market exchange-process as regulator of the mode of production on behalf of private appropriation, is progressively superseded by a new economic law which is based on the economics of the labour process, and develops with the increasing socialization of the productive forces and their increasing integration into an autonomous social formation. Whether this is accepted or not, there is no doubt that, as capitalism has developed, the growing interdependence of production as such, its growing sensitivity to problems of realization, has brought about a growing *internalization of the exchange process*.

In this highly abstract outline, I have not yet mentioned the existence and role of the state, and therefore there has been no place for considering the international as distinct from the national economy. The nation state was the <u>creative</u> of capitalism from the beginning. It is customary to point to the highly interventionist role of the state in early capitalism, which then recedes in the heyday of "laisser-faire" capitalism, only to reappear in the declining phase of the mode of production, imperialist, monopoly capitalism (taking an acute form, some say, of State Monopoly Capitalism in the final sub-phase). The role of the state throughout is to act as conscious coordinator, over and above the apparently free market, and thereby to ensure the continued reproduction of the relations of production. The "high profile" of the state in the early period is due precisely to the struggle surrounding the establishment of the new class hegemony, which necessarily entails the capture and transformation of the state structure. Thereafter, as the seeds of the threat to that hegemony develop, as the socialization of production increasingly conflicts with capitalist private appropriation, state intervention increases and becomes more generalized: in mediating between ever more powerful capitals in the general capitalist class interest, and in coping with the development of an increasingly powerful and organized labour force, 'coordination' of the free market becomes increasingly 'control', both generally and in specific instances.

But on whose behalf? That of a particular group of capitals which for historical, cultural, geographical, economic reasons found a more stable basis for coalition in defense of common interests at <u>that</u> level than at any other. In a sense, any group of capitals can and does take on certain coordinating powers [10], but the nation state develops as the repository of the most, and the most necessary, of these. The fact that the state acts on behalf of a <u>group</u> of capitals implies that this group has certain common interests against other groups - in other words, that competition takes place across state boundaries. However, it also implies some qualitative distinction between the 'foreign' and 'domestic' horizons of capital. Given the existence of other state powers, the power of one's own state to ensure the general (or specific) conditions of survival and accumulation with regard to overseas supplies, sales, investments are clearly <u>relatively</u> limited. <u>Given the choice</u>, British capital prefers to stay in Britain; but increasingly, as capitalism develops, there is no choice. In order to examine the implications of the development of the <u>world economy</u>, the next section examines in detail Bukharin's thesis in "Imperialism and World Economy," which clearly sets out the issues involved.

First, however, to summarize: the historical development of the capitalist mode of production entails a transition from the competitive form to the monopoly form. In the former, production is regulated in the interests of private appropriation by the unconscious process of the market, as reflector of the law of value. In the latter, production is increasingly regulated by capitals themselves and by the state, in response to the growing contradictions of the competitive form as capitalism develops, and the market assumes the form of a general battleground between capitals - general in the sense that all manner of weapons are used, not simply that of price. This transition involves concentration and centralization of capital, the fusion of industrial, commercial and banking capital, and increasing state intervention; trends which are reflected structurally in the internalization of the exchange process, and the progressive replacement of the market by the firm as organizer of the process of social production.

## II. BUKHARIN: NATIONALIZATION VS. INTERNATIONALIZATION.

Bukharin begins by stating the need for a definition of the world economy, and supplies one:

> "a system of production relations and, correspondingly, of exchange relations on a world scale" (p.26)

The international division of labour is based first on natural differences and prerequisites, but also, and increasingly, on social differences, inherent in the uneven development of world productive forces. Thus the town/country division is reproduced on a world scale; and similarly, international exchange, like that within nations, is a social process governed by laws, reflected in world markets and world prices - including a world money market; furthermore the world market is anarchic. He conclude

> "By and large, the whole process of world economic life in modern times reduces itself to the production of surplus value and its distribution among the various groups and sub-groups of the bourgeoisie on the basis of an ever widening reproduction of the relations between two classes - the class of the world proletariat on the one hand and the world bourgeoisie on the other." (p.27).

He goes on to describe the growth and organization of the world economy, transposing the Marxian analysis of capitalist development onto a world scale. Thus the world economy grows both extensively - including more and more geographical and social areas - and intensively - involving a "thicker network" of international economic relations. Both are part of the development of the forces of production - in output, in transportation and industrial technology; they involve the internationalization of the division of labour and its integration through exchange. Thus,

> "there grows an extremely flexible economic structure of world capitalism, all parts of which are mutually interdependent. The slightest change in one part is immediately reflected in all." (p.36)

There is increasing exchange of commodities, labour and capital: a tendency to international equalization of prices, wages, and the rate of profit. The internationalization of capital is in part a process of international monopolization, of capital centralization on a world scale. The <u>anarchic</u> structure of the world economy becomes more and more highlighted, especially since at the national level capitalism is more and more organized. As a consequence, there is a huge growth in international cartels and trusts, often involving banking interests too. This, however, is only a tendency: many agreements are highly unstable, and

> "..the growth of international commodity exchange is by no means connected with the growth of 'solidarity' between the exchanging groups. On the contrary, it can be accompanied by the growth of the most desparate competition...the same is true of the export of capital." (p.61-2).

And although he notes:

> "there is only one case in which we can say with assurance that solidarity of interests is created. This is the case of growing 'participation' and financing, i.e., when, due to the common ownership of securities, the class of capitalists of various countries possess collective property in one and the same object. Here we have actually before us the formation of a golden international..." (p.62)

he goes on to say:

> "...there is actual unity here; but the course of economic development creates, parallel to this process, a reverse tendency towards the nationalization of capitalist interests" (ibid.)

Having described the internationalization of economic life, the growth of the world economy, he goes on in Part 2 to discuss this "reverse tendency". He begins by observing that connexions between economic units are much more numerous at the national level - a fact explained by the development of the modern nation state on specifically capitalist economic foundations. The structure of national capitalisms has profoundly changed with the appearance of monopolies and trusts - the concentration and centralization of capital in which the former forms the natural basis for the latter.[11]

<u>Vertical centralization</u>

> "..signifies on the one hand, a diminution of the social division of labour, since it combines in one enterprise the labour that was previously divided among several enterprises; on the other hand, it stimulates the division of labour inside of the new production unit." (p.70)

He concludes:

> "The entire process, taken on a social scale, tends to turn the entire 'national' economy into a single combined enterprise with an organic connection between all the branches of production." (ibid.)

At the same time, banking capital becomes more concentrated and fuses with industrial capital to form finance capital; and state and communal enterprises grow in importance (utilities, transport). All three tendencies together add up to a tendency towards the uniting of all capitals in a <u>single state capitalist trust</u>.

In this context, the *world* economy is viewed in terms of a few organized capitalist states and a periphery of more or less agrarian countries. Although the "organization" of capitalism tends to overstep national boundaries, it faces obstacles: competition is more easily overcome on a national scale; differences in economic structure and production costs make agreements disadvantageous for the more advanced groups; and the ties of unity with the state as a source of monopoly profits are inherently lacking. [12] Instead, the policy urged by national capital is one of *tariffs* and *annexation*. Tariffs are a source of monopoly profits, which permit 'dumping' overseas, leading to higher overall profits because the increased scale of production leads to lower production costs (the familiar orthodox 'discriminating monopoly' case). Naturally there is retaliation: hence the 'tariff mania' that starts in the 1870's, spreading even to England, the home of so-called free trade (imperial preference starts in 1898). The need to incorporate larger 'internal' markets, as source of extra monopoly profits on the basis of which dumping can be further extended, leads to annexation.

In fact, he continues, 'nationalization' and annexation are encouraged by changes in three spheres - world sales markets, world raw materials markets and capital export. (p.104). The first of these is outlined above. The second involves the failure of 'periphery' agriculture to supply the necessary volumes of raw materials, leading to a competitive struggle to secure sources (for the future as well as for immediate use) and expand production [13] The third is due to the relatively higher profit rate in the periphery compared to the centre, where entry to profitable monopoly sectors is blocked and profitability in competitive sectors is continually drained into the monopoly sectors, and due also to the growth of tariff barriers, which attract investment behind them to capture otherwise inaccessible markets. The desire to monopolize profitable investment outlets, and to 'protect' investments, obviously further sharpens the struggle between the centre powers and encourages competitive annexation.

Bukharin concludes this part of his argument by saying that the three roots of the imperialist policy of finance capital are all aspects of the same thing:

> "..the conflict between the growth of the productive forces on the one hand, and the 'national limits of the production organization on the other." (p.104)

Thus the relative underproduction of raw materials is a cause of the overproduction of industrial goods *relative* to the amount which can be *profitably* produced given the limits that exist at any time to the rate of exploitation: and over-production of capital is "nothing but another formulation for over-production of commodities" (p.105) [14] And whereas *social production* takes place on a *global* scale, private *appropriation* is by competing *national* groups of the world bourgeoisie, leading to annexations and war. The consolidation of the 'national trusts' also entails the development of the ideology of nationalism to bind the working classes to 'their' nations.

Having traced the two contradictory tendencies, of nationalisation and internationalization, Bukharin brings them together. Imperialism is one form of the competitive struggle that arises out of the anarchic character of the social economy under capitalism - but it is the form that is inextricably linked to the development of finance capital. Thus concentration has come to be by trusts of ever-larger size and scope, feeding and being fed by centralization, which involves huge battles between trusts, even between state capitalist trusts in the world market. Indeed,

> "Imperialist annexation is only a case of the general capitalist tendency towards centralization of capital, a case of its centralization on that maximum scale which corresponds to the competition of state capitalist trusts." (p.120)

At this level, horizontal centralization involves annexation of weaker advanced countries (e.g. Belgium by Germany); vertical, that of agrarian by industrial countries (colonialism). As the struggle develops:

> "..the competitive struggle between state capitalist trusts first expresses itself in a struggle for free lands...then it stages a redivision of colonies, and finally, when the struggle becomes more intense, even the territory of the home country is drawn into the process of redivision." (p.121)

We see that the means of competitive struggle has evolved too, from market prices, to all manner of monopolization tactics on a national level, to the increasing use of state power on the international level: tariffs, 'national' state procurement, commercial sanctions, war. Militarism becomes rampant - as the outcome of competition, not the wishes of armaments manufacturers. Further, the state apparatus

> "...not only embodies the interests of the ruling classes, but also their collectively expressed will... the government is de facto transformed into a committee elected by the representatives of entrepreneurs organizations" (p.128).

i.e., the state fuses with the ruling class.

What of the future of this system? At this point, Bukharin turns the logic of his analysis on Kautsky. From the Marxist view of imperialism as the policy of finance capital, as an inherent consequence of capitalist development, there are two possible deviations: the 'objectivist' one, which sees imperialism as 'necessary' and therefore does nothing about it - an absurd position, since this extreme heightening of capitalist contradictions makes crystal clear the necessity of a new social order, and demands action; and the 'subjectivist' one, that imperialism is simply one policy wilfully adopted by finance capital, which can be abandoned in favour of a 'peaceful' form of imperialism when the costs become too great. The latter position, that of Kautsky's 'ultra-imperialism, is in reality out of the question, Bukharin says. Why? Because

> "Comparative equality of positions in the world market is the first condition for the formation of a more or less stable compact. Where there is no such equality,

> the group occupying a more favourable position in the world market has no reason for joining such a compact" (p.136).

This involves not only "purely economic equality", i.e. of cost of production, which implies a relatively equal development of productive forces (labour values), at least in 'organized' industry; in addition, there must be "equality of economic policies", i.e. of state (including military) power. Further, these equalities must be expected to hold good in the future too. In other words, uneven development must disappear as a law. Although the internationalization of capitalist interests favours this, it is at yet counteracted itself by the tendency towards nationalization. What is more, the costs of the struggle, increasingly military expenditures, are being successfully pushed onto the working class and small capitalists, by raising the rate of exploitation and driving out weak competitors whose presence erodes profitability.[15] Even if fusions did take place, they would only lead to a yet more colossal struggle between the remaining super-powers. Thus peaceful rivalry is inconceivable between state capitalist trusts, and any agreement would inevitably be unstable due to uneven development. Of course the formation of a single world trust is abstractly possible:

> "In reality, however, the wars that will follow each other on an ever larger scale must inevitably result in a shifting of the social forces. The centralization process, looked at from the capitalist angle, will inevitably clash with a socio-political tendency that is antagonistic to the former. Therefore it can by no means reach its logical end; it suffers collapse and achieves completion only in a new, purified, non-capitalist form." (p.142)

The war is seen as accelerating all the 'nationalizing' trends, and cementing still further the state capitalist trusts. These must, he warns, be seen as "State Capitalism", not as "State Socialism", because of the continued (and interrelated) existence of antagonistic class relations and the anarchic world market. Continued uneven development is epitomized by the rise of the U.S.A. as a major power, in which trustification has gone to particularly great lengths. All the contradictions of the system, he concludes, will become more and more acute; the role of the state becomes apparent to all ("property relations... now appear in their pristine nakedness" - p.160). The highest form of temporary class solidarity, nationalism based on the exploitation of the periphery, breaks down under the pressure of the must acute imperial rivalries, allowing the idea of a "social revolution of the world proletariat" to surface in the consciousness of that proletariat.

Bukharin's argument can must briefly be summarized thus: the tendency towards nationalization dominates that towards inter-nationalization; the latter is <u>incorporated into</u> the former in the form of imperialist annexations; and that such annexations or fusions only reproduce the struggle between state capitalist trusts on a higher level, and cannot lead to a world trust <u>before</u> the system's contradictions explode it.

Such a view of the world economy of capitalism must have appeared utterly consistent with the situation of 1915. However, the relative importance of the two trends in any particular country or period is a matter for concrete investigation - thus compare Britain and Germany 1870-1914, or Japan after the Meiji restoration with Japan in the 1930's. If the analysis holds good still today, then we can say that devastation, reconstruction, technological revolution, etc., have simply delayed the developments predicted, and we are still in a world of rival state capitalist trusts. Yet it seems to me that the situation is not as simple, that the E.E.C., to come to our real concern, is not simply a partial fusion of a group of state capitalist trusts.

To begin with, there is one element in Bukharin's analysis which, it seems to me, is particularly weak; the idea of the state capitalist trust, the lengths to which he carries the 'nationalization' tendency. One could be forgiven for suggesting that the notion of a single state capitalist trust is almost as abstract as that of a world alliance of finance capital. The development of the structure of the mode of production is reduced in his analysis to a pattern in which the three elements - centralization, fusion of industrial and banking capital, and 'statification' - develop together in a continuous, unidirectional way. Yet surely it is precisely the contradiction raised for <u>private</u> appropriation by <u>social</u> state intervention - not least in the ideological sphere - that encourages the reconstitution of the accumulation process in times of crisis by raising the rate of exploitation <u>directly</u>, through attacking the working class, through 'rationalization' and technical advances, <u>rather than</u> through a further extension of state activities. If Bukharin overstated the degree of nationalization in 1915, I feel that history has not yet caught up with his overstatement, so to speak, because the tendency is far from continuous, and because despite the obviously massive increase in state activities of all kinds, the contradictions between capitals in the exchange process on the national level have not yet been organized out of existence.

What about the 'internationalization' tendency? How far has it advanced, and has this happened in such a way as to internationalize capitalist <u>interests</u>? Although Bukharin mentions 'joint ventures' as creating a solidarity of interests, these are (by the examples he gives, as well as the logic of his argument) with regard to investments in the periphery; and the point is not linked to his mention of market interpenetration by capital export to get behind tariff barriers, a point which he conspicuously fails to consolidate into his analysis, presumably because he sees it as relatively unimportant. But the crucial point is that the internalization, or "organization", of the international exchange process, as a direct response to the increasing contradictions involved in the free international market, is seen as being conducted through the mediation of the 'organizer's' state power - and this, given the lengths to which state power is seen as having developed, can only mean by imperialist annexation. Thus interpenetration of capitals to avoid tariff barriers, also a phenomenon of international "organization", is implicitly ruled out as a significant form because it implies a degree of cooperation between a capital and an 'alien' state, i.e. between two states. In fact, international organization by the firm rather than by the state is meaningless, because the firm is the state in the last analysis; the question of the international firm, cutting across state boundaries in such a way as to stretch beyond the direct and unique reach of its own state power, cannot be raised within Bukharin's analysis.[16]

Yet the socialization of economic life, and its "organization", breaks through the boundaries of the nation state, and does so increasingly. In so far as international exchange takes place at all between the imperial powers, it involves the abdication of absolute state power, in the sense that it is in the interests of the 'national capitals' to establish, if to a limited and unstable extent, an agreement of non-discrimination by the states against foreign capitals. Could not this internationalization become so necessary (economic autarchy so impossible) that such ground rules safeguarding international exchange become more and more permanent and vital for the survival of the system? Thus, international agreements which to some extent denationalize state power reflect the growing world nature of the capitalist mode of production, but they provide a minimal framework in which imperial rivalries continue to exist. Given Bukharin's correct emphasis on the impossibility of real equality, such agreements are inevitably the subject of continuous negotiation, but the more necessary they become, the loss will the negotiators risk their complete breakdown in outright commercial or military war. Such a pattern would clearly be reinforced by the temporary (necessarily so) hegemony of one power, or by external threats.

Within such a system, the internationalization of economic life can continue to be extended, if in a halting, crab-wise fashion; but so can the organization of that internationalization through the firm, able to rely sufficiently on more than one state power, rather than simply through imperialist annexation. In effect, the contradiction between nationalization and internationalization comes to be expressed within the state itself, as much as the state reflects not only the interests of its 'national' capital, but also the interests of the world capitalist class. [17]

This organization of internationalization takes a number of forms. In terms of Part I, the phrase implies the extension of the division of labour within the firm, replacing that division of labour integrated through the exchange process. The simplest form of internationalization of industrial capital would be the establishment of an entirely separate system of production, linked by financial and technological centralization. This escapes the uncertainties of the international exchange element involved in selling in foreign markets; it implies that, given the ability to translate market superiority on a national plane to the world market, the uncertainties avoided by foreign production, including the possible use of state powers at the behest of capitals so invaded, outweigh the technical factors militating in favour of concentration of production, i.e. the gain from scale economies in production, less the cost of transport. If economies of scale in production continue to increase, integration of production internationally (e.g. within a region) permits continued escape from the uncertainties of international markets, since product-range rationalization, or the production of different components in different countries, means that international exchange takes the form of intra-firm transfers. [18]

To sum up: although Bukharin's analysis permits of the fusion of states in response to the growing need to extend and to organize international flows of commodities and labour, his one-sided emphasis on the 'nationalization' tendency means that this can only come about by the annexation of one state capitalist trust by another. Thus a European state would be the horizontal centralization of a group of state capitalist trusts. If, however, the process of internationalization is such as to demand increasingly a minimal denationalization of state power, with firms as distinct from states being the vector of internationalization and its organization, then we have a much more complex situation, in which states represent both national capital and all national capitals operating internationally. Whether this requires a super-state of some sort depends on the extent to which this obviously contradictory role makes the states, separately or in spasmodic cooperation, no longer capable of maintaining the general conditions for the reproduction of capitalist relations of production on a world scale. Such a framework clearly permits such cooperation or fusion on a regional basis, within an overarching minimal cooperation on a global scale.

## III. THE EFFECTS ON THE STATE OF THE INTERNATIONALIZATION OF PRODUCTION.

As a result of the "double movement" of on the one hand centralisation of production on an international scale, and on the other increased reliance by capital on the state due to concentration, centralisation and socialisation of capital, contradictions have become apparent between the structures of capital and the state. What is the nature of these contradictions?

### 1. Strengthening of Control over the State by International Capital.

The international firm increases its dominance over national class forces (small capital, petite bourgeoisie, "organised labour") by the manipulation of different state structures, especially of foreign "puppet" states.

For example, international firms have a certain flexibility in allocating taxation revenues to different states. Thus, in 1951 the U.S.A. secured exclusive control of vast oil reserves in Saudi Arabia by offering the Saudi state a higher contribution than was then usual. The companies did not pay all of this, as they got State Department approval for the treatment of the payments to Saudi Arabia not as royalties but as taxes and therefore eligible for credit against U.S. taxes. This in effect amounted to a large increase in the U.S. state's subsidy to Saudi Arabia, without the approval of the U.S.Congress and the consequent exposure to criticism by the anti-oil lobby.

Similarly, the U.S.A. has supported the development of a U.S. owned shipping fleet under foreign "flags of convenience" so as to avoid the application of U.S. labour and other standards. Tax havens are tolerated and double-tax agreements negotiated by the large capitalist states in such a way as to permit international firms the freedom to arrange their internal financial flows without the liability to tax that normally arises on payments between separate companies.

The importance of these arrangements is that they enable international firms to secure a hegemony over other elements of capital with a purely national base and access therefore only to a single national state power.

## 2. The Diminishing Power of the State in Defence of National Capital.

To the extent that foreign capital has penetrated the national economic space the state loses its power to defend its own capital. This is in a sense the corollary of our previous point, but applies not only to "puppet" states but to any state where any significant degree of penetration has taken place. Their territorial definition is a basic element of state institutions and mechanisms; it is consequently very difficult to defend national capital against foreign capital that actually controls production facilities within the national territory. The very functions of the state can be summed up as the definition and regulation of the national market economy on behalf of the capital operating within it. The attempt to distort the operation of the internal market in favour of national capital cannot succeed if, as is generally the case, national capital is weaker than "foreign" capital in those sectors which the latter has penetrated. Thus government procurement policies, which are virtually the only form of discrimination by European states against U.S.-owned firms, have been far from successful. For these reasons we have some reservations in regard to Rowthorn's statement :

> "With sales in Europe of over $60,000 million a year, American subsidiaries would be extremely vulnerable to retaliatory action by the combined European powers in the event of a conflict with the United States, and at the present time the loss of a substantial proportion of these sales would far outweigh the benefits to American firms of vigorous state intervention on their behalf." 19

It seems to us that, on the contrary, the control of an important segment of European production by U.S. capital is a major source of the latter's strength. The vigorous intervention on behalf of its capital in Europe that has been the feature of U.S. policy since 1945 shows no signs of abating. The U.S. measures of August 1971 bringing to an end the IMF-GATT system under which the expansion of US capital has taken place show a determination to consolidate the U.S. hegemony and negotiate a new structure from a position of relative strength.

In this respect the important U.S.-owned sector in Europe does not constitute a hostage. It does not lose from the U.S. defensive measures (only some 2% of sales of U.S. manufacturing subsidiaries in Europe go to the U.S.A.) and is likely to gain from European counter-measures. Indeed, most of the measures taken by European states to improve the position of their own capital, including the integration of European state structures, have benefited U.S. firms not only as much but often more, as they have frequently been in a better position to benefit. On the other hand, Rowthorn is correct in seeing the weakness of U.S. capital in its need to depend on the European and other foreign fast-growing markets.

3. <u>The Need for New State Structures</u>.

(a) Apart from the problem of defence of national capital, the rapid concentration, centralization and socialization of capital requires increasingly large state units to perform essential functions. The primary limits to the scope for centralization and concentration are set by the size of the home state, in terms of the home market's limits not only on sales but on capital's power to socialise costs through the state. This is clearly the main impetus for the integration of state structures in Europe, particularly as the scope for concentration and centralization within the European nation-states has been further reduced by the American penetration.

The only alternative to European integration might have been to stimulate concentration and centralization of capital within the existing nation-states,[20] thus producing the "nationalization of capital as capital". There are clearly strong currents of policy in European states still favouring national centralization. In particular government military and other procurement policies, and purchasing in the nationalized sectors are strongly resistant to moves to centralize on a European scale. This is part of the jockeying between European states for advantageous positions before the integration process becomes irreversible. In Britain, the abolition of the I.R.C. and the "lame-duck"policy seem at least partly motivated by the need to indicate clearly to Europe the willingness of British capital to allow capitalist rationalization to proceed on a Quropean scale. Rolls-Royce and U.C.S. show the contradictions of government policy here.

Whatever may be the policy of European capital towards national concentration and centralization, it clearly does not provide the revolutionary alternative. In general terms, the nationalist alternative can only be revolutionary for a state on the periphery of the capital system, but with a broad enough economic base to permit autochtonous development. That nationalism is not revolutionary in the capitalist centre, and can in addition ultimately not be tolerated by capital, is shown by the history of European fascism. Clearly Britain today is in a rather different position, but all the signs are that neither national-imperialism nor national-socialism are any longer viable.

(b) The new stage of capitalist development does however throw up contradictory demands of the state; or put another way, the contradictions in the mode of production are reflected at the level of the state. In contrast to the need for larger state units to serve capital, the trend towards socialisation of production clearly tends in social terms to <u>decentralization</u>. Centralization and the massive use of state power to preserve the control of a decreasing capitalist class runs fundamentally counter to the tendency to socialization, not only in production but also in the utilisation of new productive forces. For instance, modern means of communication have been distorted and manipulated to continue working-class fragmentation and isolation while facilitating ruling-class cohesion.[21] Note that this distortion of the development of the forces of production puts great strains on capitalist development, which is continually driven to accept the socialism required by new forces of production.

As regards the state, this contradiction seems to lead to an increasing diversification of its mechanisms and differentiation between them, for it is partly through the differential response of diverse institutions, officials etc. that the state attempts to contain social conflict. This process however is in contradiction with the state's role as a factor of social cohesion, which is increasingly called into question. It would seem that the development of integrated European state structures to fulfil the functions essential to European capital will come into conflict with the need to maintain adequate state institutions at national and local level to fulfil the varied social functions summed up by Murray as "intervention for social consensus". In fact these 'economic' and 'social' state functions are not separable, and the attempt to carry out state functions through different mechanisms and at different levels of international integration will impose great strains on the state, not least in the viability of its role as a factor of social cohesion.

## 4. <u>The Need for a New International Framework</u>.

A rationalization of state structures is needed in order to provide a framework to contain the conflicts between big international capital blocs. In this respect even European integration might be a necessity from the point of view of capitalism as a whole, even though it might be in the short run interests of U.S. capital to retard integration at an early stage for as long as possible. Certainly some new international co-ordination of state functions is necessary, as state powers to orchestrate the national economy have been eroded by the internalization by international firms of a major part of the international flows, especially of capital.[22]

Thus, some kind of state-co-ordinated regulation of international capital markets is now being formulated. If control of these markets were left to international firms and finance capital regulation would take the form of some kind of cartel arrangement, with all the instabilities that this entails, especially in a period of heightened interimperialist competition. Further, only interstate regulation would provide the co-ordination with other state functions still being carried out at the national level.

Again we point out that the U.S. is pressing for a reorganization of the international framework at a time when European capital has not progressed far towards integration, thus hoping to secure a new system that will perpetuate U.S. dominance.

## IV. INTERNATIONALIZATION: EEC & BRITAIN.

### (a) The Pressure for a 'Superstate'.

If Bukharin rightly saw great inter-imperialist wars as a consequence of the continual drive of capital beyond national boundaries, and the need to monopolize the international exchange process, then the EEC, historically, is an attempt to contain those drives within a peaceful framework. The need to reconstitute the European economy (and especially the German economy) on a capitalist basis implied, given the development of the material forces of production, a degree of economic internationalization and organization which in turn necessitated a certain 'denationalization' of state powers. The slowness with which this developed can be attributed firstly to the exceptionally rapid pace of accumulation, based on postwar reconstruction and a sharp rise in the rate of exploitation, which allowed largely 'intensive' development; and secondly to the fact that cooperation was enforced in any case by the exigencies of the Cold War and by U.S. economic, diplomatic and military hegemony.

It is not insignificant that the years around 1960 saw not only the formal establishment of the EEC, but also the beginning of a decline in the rate of accumulation, and an increase in international competition, to which the response was the "merger boom" in Britain and in the EEC countries. If concentration and centralization were increasingly necessary, they could involve, as Mandel notes,[24] either national mergers, or mergers between firms in different European states, or takeover (i.e. defeat) by U.S. capital. If individual national markets were becoming too small to ensure the continued competitive strength of 'national' firms in industries where

R and D costs were becoming much heavier, gestation periods much longer, and fixed costs a much larger proportion of total costs, then the first alternative was increasingly ruled out. In the '60s, this appeared to be true of computers, aerospace, and nuclear energy in particular; and the formation, well before the EEC, of the European Coal and Steel Community implied the same for those industries. In the case of aerospace, international cooperation developed after the industry had become effectively nationalized in most countries. European mergers and cooperation have undoubtedly developed much more slowly, both in the case of state-supported industries and that of private industry, than was expected in the mid 1960's,[25] yet the trend is undeniably there. One reason for its slowness has certainly been the remaining possibilities for 'national solutions' in most sectors of industry, but in many cases these are rapidly being exhausted. Thus in heavy electrical engineering, there are only 2 British, 1 German, 1 French, 1 Swiss and 1 Swedish firms left in Europe, after a wave of mergers and 'joint ventures.[26] The same is almost true of transportation, where one of the most complex international link-ups was recently announced - between KHD (Germany), Saviem (France), DAF (Holland) and Volvo (Sweden) - to integrate their heavy truck ranges.[27] It is notable that such link-ups (e.g. Dunlop-Pirelli) do not necessarily involve countries within the EEC to the exclusion of those outside. In the case of U.S. companies, it has been widely noted that a European firm has far greater legal and tax problems taking over another of different nationality than does a U.S. bidder.[28]

Banking capital has followed and supported this internationalization of industrial capital (and its national concentration too). There has been a growing number of joint ventures and agreements between banks of all kinds (e.g. Commerzbank-Credit Lyonnais - Banco di Roma), and the Euro-currency markets have provided funds, short and long term, to international business. The Eurocurrency markets have been largely operated and used by U.S. and British capital, but they have also enabled the largest internationally-operating European firms to escape the limitations of their relatively under-developed domestic capital markets. These limitations have undoubtedly been greatly exaggerated,[29] since the closer reliance on banks in the absence of a well-developed securities market funded by institutions has clear advantages as well as disadvantages; yet there are specific instances where financial difficulties have prevented consolidation of growth, notably the Italian refrigerator and appliance firms Ignis (absorbed by Philips) and Zanussi (by AEG-Telefunken).

It is impossible to devise any adequate measures of internationalization which would permit one to draw conclusions on qualitative changes. We know that trade has risen much faster than output among the advanced countries, and especially so within the EEC: thus EEC intra-trade grew by 16½% per year in 1958-70, while that between the EEC and other European OECD countries grew by 10%.[30] As a result, the proportion of GNP represented by exports is extremely high in many cases: Belgium-Luxembourg 34.5%; Netherlands 31.9%; West Germany 17.9%

U.K. 13.2%; Italy 13.0%; France 10.4%. [31] If we took the proportion for manufactured goods alone, the figures would be much higher. On the internationalization of capital, figures are harder to come by. Adam [32] suggests that "international production" in 1966 can be estimated at $240,000m., compared to $130,000m. for exports of the main industrialized countries, and he notes that in the same year 22% of U.K. exports were to related enterprises overseas - a figure that rises to 56% in the case of exports from U.S. subsidiaries in the U.K; and 35% for other foreign subsidiaries. And although the major EEC countries have less direct investments overseas than does the U.K. (let alone the U.S.), and less of a foreign stake at home, they have been catching up on both counts, and are likely to continue to do so. [33] Given the effects that this internationalization, especially that of capital, can increasingly have on the efficacy of state economic policies,[34] pressure will undoubtedly grow for the transference of certain state functions to the EEC. Can we say if, and at what point, this pressure will lead to irreversible changes in the direction of a European 'super-state'?

This is not a question which can be decided by giving endless examples of international mergers, or by presenting figures on the matter, interesting though these may be. The test, Mandel wrote in 1967, will be a general recession in Europe. Such a situation would lead either to a retreat to nationalism, with capital in Europe, in need of a greater use of state power, turning back to the existing nation states; or to a qualitative shift towards a European state, with the EEC taking on major state functions. Given the developments since 1967, and especially those of August 1971, the sharpening of imperial rivalries is clearly a closely interrelated factor, as Mandel indeed implies. At present, although pressure from the U.S. is pushing the European powers towards a joint position over the reorganization of the international monetary system, within Europe the moves towards EEC state powers appear to have slowed down and even reversed.[35] The Common Agricultural Policy is effectively suspended pending agreement on new exchange parities. The Werner report on fiscal and monetary integration was meaningless, since it did not propose budgetary centralization. Progress on developing even a European company law has been extremely slow. This shift in trend is undoubtedly linked to the generally slower rate of growth and rising unemployment throughout Europe. Yet just as we cannot expect a return to depression on the scale of the 30's, we also cannot expect a return to protectionism on that scale - largely because internationalization is now irreversible. The prospect in the medium term will be one of continued reliance on existing state powers, and jockeying for position within the existing limited degree of EEC integration. Yet in the long run, the pressure for EEC state functions must increase, simply because the underlying economic pressures will continue to grow. For example, it would be ludicrous from a capitalist point of view if the 6 heavy electrical firms mentioned above were not reduced to 2, or perhaps 3, by 1980, simply because of the rate at which technology is changing towards requiring a higher and higher level of minimum output for profitable production. The pressure will especially be the case if there is no possibility, via severe working-class defeats, of raising the rate of exploitation sufficiently to permit accumulation rapid enough to slow down the drive for centralization.[36]

British Entry.

Big capital in Britain has throughout the post-war period been much more international than that of the major continental countries; it has expanded overseas by investment rather than by export, and the EEC has been a major target.[37] In the words of Management Today:

> "...For all practical purposes, Britain is already in Europe....All debate must start from this realization... Britain's leading corporations, which throughout so many vicissitudes of the 1960's have kept their dominance in world business outside the U.S, are bound to lose that position unless they are committed in force to the Continent." [38]

On the face of it, much of this investment has taken place to get behind tariff barriers, without which economies of scale in production would have dictated the concentration of production - e.g. the case of British Leyland's investment in Belgium.[39] But in general faster growth in Europe required a firm hold on markets there, which given a more competitive and uncertain world economy in general, and British stagnation and high wages in particular, took the form increasingly of investment. The ability of British firms to do this was largely due to their historically international nature, coupled with the extremely rapid consolidation of the merger boom (since size has been directly related to expansion overseas by investment rather than exports.)[40] Now, despite the fact that studies[41], though conflicting, do not suggest that British firms will find life easy in the EEC, entry is absolutely necessary if this advantage is to be consolidated. It is also necessary if the state-backed European cooperation in aerospace, etc., in which Britain has participated, is to be consolidated and extended into other fields involving state control or procurement.

Nevertheless, except in so far as British entry may enable European capital to present a more solid bargaining front against the U.S, which ought in the short term to encourage closer state cooperation while U.S. pressure lasts, it is hard to see British entry making much difference to the degree of pressure for the development of EEC state functions. As elsewhere, there are nationalist elements in British capital, and even a surrogate agricultural problem in the shape of the Commonwealth.

## V. IMPLICATIONS FOR THE REVOLUTIONARY MOVEMENT.

Discussions of the nature of the relationship of the changing capitalist mode of production to the state raise fundamental,questions of revolutionary strategy. In particular they highlight the issue of the relationship of revolutionary processes to state power. This question must be squarely faced, but it must be considered in the light of a comprehensive analysis of the social and political implications of changes in the capitalist mode of production. As such analysis has not proceeded very far, particularly in Britain, we are unable to do more than throw out a few suggestions at this point.

Changes in the mode of production based on new scientific and technical forces under ruling production relations and class control can be seen to create new and sharper contradictions between the characteristics and potential of these new productive forces : e.g. notably the division of mental and manual labour. What are the effects on production relations and the structure and consciousness of the working class of the developing <u>international</u> character of production which we have discussed?

(a) The internationalization of production creates new possibilities for the manipulation and exploitation of labour. Most important here is the creation of new forms of migrant labour and the "internal colony", which clearly demonstrates the changed structure of modern imperialism. Further, the internationalization of production gives the firm a new flexibility to develop production in countries and regions where the social conjuncture is more favourable to higher rates of exploitation, and to use this flexibility to intensify exploitation in established areas. (Cf.Henry Ford in Britain). However, both these factors involve the weakening, which we have already mentioned, of the nation-state as a factor of social cohesion.

(b) The intensification on an international scale of the process of concentration and centralization intensifies inter-imperialist competition and uneven development. The consequent creation of, and rapid changes in, the levels of privilege in different national workforces can have an important impact on class consciousness. This is a point made much of by Mandel, with which we do not necessarily fully agree.

(c) The international centralization of control of productive forces leads to new contradictions between forces and relations of production. The clearest example of this is the analysis by Arrighi of the effects on the structure of the working class of control by the international firm of the growing manufacturing sector in the underdeveloped periphery. The capital-intensity of the technology of these firms creates a relatively smaller and more skilled industrial section of the working class, and a resultant large semi-urbanised lumpen-proletariat. These developments are parallel to the growth of the internal colony, and there can be increasingly close social and political connections between the ghettoes of San Juan and New York, Lagos and London. At the same time, it is those sections of the working class at the heart of the system that most sharply feel the contradictions between the potential of the modern forces of production and the distortions produced by their class-control.

It is in the light of these changes in the working-class that we must see the changes in the state. As we have tried to indicate, state structures are likely to be put under great strain, becoming more fragmented at the same time as capital becomes increasingly reliant on them. The revolutionary perspective that this indicates in broad outline must lay less importance on the seizure of existing state structures, and emphasize rather the building up of alternative forms based on revolutionary working class activity. Such activity will take on an increasingly variegated and diffuse character "internally" , and also will increasingly transcend national boundaries.

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FOOTNOTES.

(1) C.Palloix , "Firmes Multinationales et Analyse du Capitalisme Contemporain" (1971). This has now been translated at Warwick and will be published soon in English.Part I draws heavily on Palloix's analysis. The quote is from p.10.
(2) K.Marx,"Capital",vol.3,pp.879-80(Moscow ed.).
(3) Palloix,op.cit.,p.9.
(4) See e.g. S.Hymer,"The Efficiency (Contradictions) of Multinational Corporations",in American Economic Review,Papers & Proceedings,May 1970,p.441.
(5) "Capital" vol.1,p.625.
(6) Ibid. p.624.
(7) Ibid.,p.625-6.
(8) Cf.Palloix,op.cit.,p.16 & sec.I(B) ; Hymer,op.cit.
(9) Alfred Sohn-Rethel,"The Dual Economics of Transition",paper to 2nd. Conf.of C.S.E.
(10) Robin Murray,"The Internationalization of Capital and the Nation-State", New Left Review No.59,pp.94-5.
(11) Bukharin makes this point precisely against those who saw trusts etc. as 'artificial' - created by tariffs,non-economic corecion etc.
(12) He does not at this point consider a 'superstate' to carry out this function.
(13) I.e.,just as capitalism had to dominate agriculture at home,both in secuting supplies of labour,and in improving productivity to ensure labour's survival and reproduction,so it now has to do this on an international scale too.
(14) See "Capital" vol.3,pp.250-9,esp.p.255 : "Over-production of capital is never anything more than over-production of the means of production ... which may serve as capital,i.e.may serve to exploit labour at a gifen degree of exploitation." The whole section repays very careful reading on the question of capital export.
(15) Military expenditures were specifically cited by Kautsky as one of the two major factors leading to the renunciation of imperialism by the ruling classes.The other was the development of the periphery, involving both competition in world markets,and social revolution against the colonial powers. See K.Kautsky,"Ultra-Imperialism",New Left Review No.59,extract from "Der Imperialismus",Die Neue Zeit,Sept.11th 1914
(16) As Robin Murray notes in "The Internationalization of Capital and the British Economy" , The Spokesman No.11,April 1971.
(17) Cf.Palloix,op.cit.,pp.35-6.
(18) See e.g.,Murray op.cit.Spokesman ; and G.Adam,"World Corporations : 'Dual Power' in the International Economy?",New Hungarian Quarterly No.39,1970,pp.210-212.
(19) Bob Rowthorn,"Imperialism in the Seventies - Unity or Rivalry?", New Left Review,No.69,p.48.
(..) S.

(20) S.Hymer & R.Rowthorn,"Multinational Corpporations and International Oligopoly : The Non-American Challenge",in C.P.Kindleberger,ed.,"The International Corporation" (1970).
(21) R.Murray & T.Wengraf,"The Political Economy of Communications",The Spokesman,No.5,1970 ; H.M.Enzensberger,"Constituents of a Theory of the Media" New Left Review No.64,No.-Dec.1970.
(22) Murray,Spokesman op.cit.
(23) This section could have been written to almost any length,but there seems little point in repeating empirical material readily available elsewhere. The argument is based on Ernest Mandel,"International Capitalism and 'Supranationality'",Socialist Register,1967. For empirical material see Mandel's "Europe versus America ?" (1970) ; also C.Tugendhat,"The Multinationals"(1971) , C.Layton,"Industry & Europe" (1971 - P.E.P. Broadsheet), and U.S.Senate Committee on the Judiciary,Subcommittee on Antitrust & Monopoly, "Economic Concentration : Part 7,Concentration outside the United States."(1968).
(24) Mandel (1967) op.cit.
(25) See e.g. Tugendhat op.cit.,ch.5,"Trans-European Doubts". He quotes the well-known Opera Mundi report which showed that between 1961 and mid-1969 1,861 mergers took place in the various E.E.C. countries between firms of the same nationality,and 257 between firms of different natioality. At the same time,non-E.E.C.compaanies made 820 acquisitions of E.E.C. ones,with only 215 acquisitions in the other direction.
(26) See C.Layton,op.cit.ch.8,section on "Heavy Electrical Plant".
(27) "Guardian" 16th Nov.1971.
(28) For a recent review of these legal and tax problems,and the ways round them,see J.Trevor Brown,"Practical Legal and Tax Problems of International Company Link-Ups", in "Industry and the Common Market",Federal Trust Report (1971).
(29) E.G. in O.E.C.D.,"Capital Markets Study" (1967). Vol.1 gives a wealth of figures on European capital markets. The study insists that the U.K./U.S. capital market pattern must be developed in European countries,and that complete freedom of international capital movements is vital,thereby clearly expressing the wishes of big U.S.industrial and banking firms.
(30) Calculated from figures in OECD,"Statistical Bulletin : Foreign Trade, Series A ".
(31) Quoted in Adam op.cit. p.211,from OECD "Observer" Feb.1969.
(32) Adam op.cit. UK export figures from Board of Trade Journal,16 Aug.1968.
(33) See Bob Rowthorn,op.cit.
(34) See above Part III,and Murray"Spokeman"op cit; also J.Behrman,"National Interests and the Multinational Enterprise" (1971). And for an excellent summary of the debates between advocates and critics of the global activities of big business see G.Adam,"The World Corporation Problematics : Apologetics and Critique" (Budapest 1971,Hungarian Scientific Council for World Economy : Trends in World Economy,no.5).
(35) N.Kaldor,"Common Market - A Final Assessment",New Statesman 22 Oct.1971 p.528.
(36) In a more recent paper Ernest Mandel suggests that a long period of stagnation is now likely : "... the most likely variant is one of a declining rate of growth in the seventies as compared to the fifties and sixties,of shrply increased inter-imperialist competition,and of exacerbation of class contradictions .." History of Capitalism and Laws of Motion of Capitalism ", paper to Tilburg Congress,Sspt 1970.
(37) Rowthorn op.cit.;J.Dunning,"Studies in International Investment" (1970) chs.2 & 7.
(38) "Management Today" dec.1969.
(39) For a very intresting discussion of BLMC's strategy in Europe see M.Shanks "British Leyland : European Industrial Organisation",in Federal Trust op.cit.
(40) Hymer & Rowthorn, op.cit.; Dunning, op.cit.
(41) S.S.Han & H.H.Liesner, "Britain & the Common Market" (1971); Layton, op.cit.; "Where Germany Beats Britain", Management Today, Jan. 1971.
(42) E.g. the Mandel-Nicolaus debate, New Left Review nos.54,59.
(43) See Sohn-Rethel, op.cit., and Palloix, op.cit.

## THE E.E.C. AND NEO-COLONIALISM IN AFRICA

### PART 1. TRADE AND CAPITAL MOVEMENTS 1950's AND 1960's

The Six countries of the E.E.C. are all distinguished by the fact that they hold, or held, major colonial possessions - Dutch Indonesia, French Indo-China and French North Africa, the Belgian Congo, the German war-time empire in southern and central Europe. The European and African possessions are still associates with the Six either as Associated states or as states having special trade treaties. They are listed in Table 1 with populations, income per head and proportions of trade conducted with the Six. It will be noted that three ex-British African territories are included; and it is also worth remarking here that this association of Mediterranean lands, where Britain has historically been in conflict with France and Germany, is one reason why British industry is anxious to get into the Common Market.

The Six countries of the E.E.C. are further distinguished by the important role that foreign trade plays in their economies. This has always been true of Belgium and the Netherlands; but the importance of foreign trade has grown for them too since the establishment of the Common Market and it has grown also for the others and especially for West Germany and Italy. Table 11 reveals the picture and shows that the growth has been in the importance of intra-trade and not in trade outside the Common Market.

At the heart of the Rome Treaty lie two mutually reacting principles:

first, the original bargain between West German industry and French agriculture, which required a protective external tariff and managed food prices in exchange for free trade in manufactures- a bargain which the French have had to struggle consistently and tenaciously to get the Germans to adhere to;
secondly, the commitment to an economic community, which provided for free movement of labour and capital as well as of goods and thus inevitably involved ultimately common fiscal and monetary policies.

The combined result of the three factors here considered - the colonial past, the foreign trade interest and the nature of the Rome Treaty - has been a somewhat ambiguous relationship of the E.E.C. with the countries of the Third World: on the one hand, the increasing self-sufficiency of the Six countries as intra-trade grew and the share of external trade and particularly of trade with underdeveloped countries declined in relation to the national products of the Six; on the other hand the continuing interest in the Mediterranean countries and Central Africa, evidenced in the treaties of trade and association and in the flows of capital, both private and official. There is of course a real conflict between protectionist agricultural policies in the Six and the development of trade with underdeveloped countries whose economics are mainly agricultural. But more detailed examination of the statistics reveals that the ambiguity may be more apparent than real, since tropical and temperate products only compete in the case of sugar, and there was an evident change of direction both in trade and capital flows after the mid- 1960's. This is shown in the recovery of the proportion of external trade in the national products of the Six after 1966, and even a very slight recovery of the proportion of trade with underdeveloped lands, following the very sharp decline in these shares between 1958 and 1966. (See Table 11).

It must be emphasised that the trade diversionary effect of the establishment of the Common Market was very considerable between 1958 and 1966. The proportion of foreign trade in the national products of the Six nearly doubled, but this was the result of the sharp rise in the proportion of intra-trade and a decline in that of external trade. The share of intra-trade in the consumation of manufactures did double; in the case of France, West Germany and Italy whose dependence on imported manufactures was very small before 1958 the share of imports was more than doubled. All the Six countries, however, increased their share of imports in their consumption of manufactures from outside the Common Market as well as from inside, although the growth was much smaller. It follows that the share of outside imports in the consumption of agricultural and other primary products must have been reduced. (Compare Table 111 and Table 11).

The recovery of external trade i.e. excluding intra-trade, in the economies of the Six after 1966 was only slight, at least up to 1968. Whether we take growth rates (Table 1V) or shares (Table V) and whether we take the changes between 1958 and 1965 or those between 1965 and 1969, the external trade of the Six countries grew more slowly than the average for all Developed countries and the share of the underdeveloped countries in the Six Countries grew more slowly still. The process had already begun before 1959, but having begun with a larger share of their foreign trade directed towards underdeveloped countries than the average for the world as a whole and about the same share as other developed countries they ended up in 1964 with smaller shares and in 1969 with smaller shares still.

When we turn from trade to capital, movements of capital from the Six to underdeveloped lands do show a slight change of trend around 1965. The contribution of the Six to the OECD total of such capital flows rose between 1957 and 1960, fell back sharply to 1964 and recovered thereafter once more to the 1960 proportion. But it can be seen clearly from Table V1 that this recovery was the result of increased flows of private capital. The contribution of official capital had not recovered by 1969. This is well illustrated in Table V11 which shows that the overall target of 1% of national income for overall flows of capital to underdeveloped lands had been reached by the Six countries in 1969; there would however, have to be a very considerable stepping up of the annual rate of growth of official capital flows which was achieved between 1964 and 1968 to reach the target of 0.7% of national income from such flows by 1975.

We have now seen that there has been some recovery in the trade of the E.E.C. with underdeveloped countries since the low levels of the mid-1960's and a considerable increase in the flows of private capital from the Six to these countries in the same period - an increase little if at all supported by official capital. We need to look more closely at the nature of these trade exchanges and of this capital flow. Unfortunately statistical data is here very sparse with respect to capital movements, although the trade flows are well documented. As far as trade is concerned, the shares in the Six countries trade of Southern Europe, North Africa and the Middle East have been well maintained (see Table V111). The main declining shares causing the general decline of E.E.C. trade with underdeveloped lands have been in trade with Latin and Central America and with Asia beyond the Middle East and excluding here the Communist countries. There has been some decline also in trade with underdeveloped African economies south of the North African lands. Evidently the agreements of the E.E.C. with Mediterranean and Saharan lands on association and trade have borne fruit and to these we shall turn in a moment. But Table V111 also reveals an important aspect of the trade of the Six countries with the underdeveloped lands, which bears on the flows of capital from the E.E.C.

Imports from the underdeveloped lands into the Six countries have remained at a much higher level than the exports of the Six to them. Whereas exports to developed lands from the Six, and even their exports to Southern Europe and the non-Middle-East Asian countries, have stayed at levels well above the imports of the Six from the less developed lands, the balance of trade of the Six with most of the underdeveloped lands remains persistently in deficit. In other words, the Six import from them more than they export to them. This suggests that there is no outflow of capital from the Six to such poor lands to finance a surplus of exports but rather the contrary. Of course underdeveloped lands have to pay with their exports for services as well as for goods. Indeed, United Nations studies (for example, the U.N. World Economic Survey for 1968) show a faster rate of growth of African exports in the 1960's than of African imports - with the important exception of the ex-British colonies of Nigeria, Tanzania, Kenya and Uganda. The capital flow would appear to be from the African countries to the E.E.C. rather than the reverse during this period. The explanation for this may be found by examining in more detail the capital flows for the Maghreb - the three North African countries, Algeria, Morocco and Tunisia.

The recent study by Samir Amin The Maghreb in the Modern World provides us with a number of important insights into the nature of the capital flows between France and her ex-colonies. These are significant for the whole of the EEC, because of the preponderant share of French capital in the total EEC supply of capital for under-developed lands, viz - more than half of the official funds and at least a third of the private funds (see Table VI). The picture of the foreign balance for the three countries of the Maghreb in the 1950s and 1960s has three main elements (see Table IX):

(a) a deficit on the trade and direct services account, i.e. goods, tourism, embassy expenditure, etc., very large in the fifties, reduced in the sixties but estimated to have risen again sharply in the last few years;

(b) a steadily rising figure of debt payments on loans and investments provided from abroad, and especially on the oil investment, to add to the trade deficit;

(c) a small figure for gross private capital inflow and a declining figure for military expenditure (in Morocco mainly and prior to 1956) and technical aid, plus a massive figure of official aid to balance the above mentioned deficits. The private capital movement is clearly a net outward one from the Maghreb, and only covered by a net inward official flow of funds.

Considering the capital account alone, Samir Amin comments that the $200 m. surplus for investment in the three countries is an optimistic estimate, but it is the absolute minimum necessary for stepping up the Maghreb's economic growth rate given realistic levels of local saving. What needs to be emphasised is the actual negative effect of private foreign investment. Amin gives some interesting figures for the oil investment in Algeria in the late 1950s and early 60s. Of the original capital investment, one third was spent on imported goods, one third on imported services and only one third was spent locally. When regular operation had begun one quarter of the exported value of the oil was spent locally, one twelfth went on imported goods and services, leaving two thirds exported in earnings on the capital invested. It was this huge sum that required to be covered by French official aid each year. In fact, the balance of payments deficits of each of the Maghreb countries, following the reduction of military expenditure and the flight of capital with the departing colons, taken together with rising debt payments, led to the cutting back of Maghreb imports in the mid-1960s and a period of economic stagnation from which the three countries are only just emerging.

The Maghreb countries illustrate well another important aspect of the economic ties of ex-colonial peoples with their one time metropolitan masters. Their economies are distorted into an artificial division of labour by which the ex-colonial peoples supply primary products in exchange for manufactured goods from the metropolitan countries. What is worse two or three products account for about two thirds of each of the countries' exports. For the Maghreb as a whole oil now makes up a third of the exports, a sixth consists of phosphates and about a half of agricultural products - mainly wine, citrus fruits and olive oil. The distortion reaches right down into the economies of the country, so that nearly a third of the total national product is exported, as much as forty per cent of agricultural production. A very similar situation obtains in the other countries of Southern Europe and Africa with which the E.E.C. is associated. Table X gives details. The causes of this concentration on one or two crops and minerals lies partly in the origins of the states precisely as colonial plantations and mining concessions, partly also in their subsequent development for which we need an explanatory model.

## PART II. A MODEL OF DUAL ECONOMY

The facts of the dependence of the less developed primary producing economies upon the more developed industrial economies have been well established. The elements of the syndrome run as follows:

1. The primary producing economy sells its products through the markets (or firms) of the country by which it was first developed or with which it was first associated;

2. The primary producers are in a poor bargaining position in relation to the buyers of their products because of their lack of diversification of products (and of employment opportunities), because of storage difficulties for perishable crops and because of the large number of competitors scattered all over the world facing an organised and often cartelised market;

3. The primary producers depend for their economic development on the buoyancy of the market of the developed countries and on being able to purchase manufactured goods from these countries;

4. Primary products like minerals and fuels that are non-renewably assets come to be used up by the more developed countries, often leaving nothing behind for the underdeveloped primary producers to develop for themselves;

5. Foreign ownership of mines and plantations in underdeveloped economies implies an outflow of earnings from capital investment and therefore much reduced spread effects than if these earnings were spent locally.

6. Growing markets in underdeveloped economies tend to be preempted by giant foreign companies either through their export or through local subsidiary production with results similar to (5) above.

Traditional international trade theory would indicate that, despite these difficulties, movements of capital and labour together with the free movement of goods should move to where capital is cheap and wages are high. The law of comparative advantage in trade should work to encourage production among even the least efficient producers of those goods where the comparative advantage of the most efficient is least great. And yet these processes work out by slowly if at all. Something akin to the dual economy between advanced and backward sectors of a not very highly modernised state is established in the world as a whole. Labour does not move freely and the movement of many goods, especially agricultural and labour intensive products, is strongly protected.

The nature of the economic relationships in what amounts to a dual world economy can be understood in the light of the relative freedom of capital and technological movement compared with the absence of free movement of labour and goods. Capital does not, of course, necessarily flow where labour is cheapest because local markets and external economies are more important than wage levels in determining profit rates and industrial location. At the same time, labour is prevented from moving to where capital investment is taking place and wages are higher. As a result, the dual economy encourages an artificial division of labour - capital intensive manufacturing industry developing in the richer countries; labour intensive production in the poorer countries. And even this division is distorted by the measure of protection of agriculture and of labour intensive industry in the rich countries. Thus economic diversification occurs in the rich countries paralleled by specialisation in the poor countries on a few products which cannot be produced in the rich countries.

Tsuneo Iida (1) has offered several models of dual economy with technologically advanced and backward sectors, the first having higher wage rates and profit rates than the latter. These models may be applied with even more realism to countries, since the assumption of Iida's models is that labour cannot move from the backward to the advanced sector while capital can move either way. Factor prices in the backward sector are thus determined by those in the advanced. Wage earners in the backward sector must choose a low wage offered or unemployment since the marginal produce of labour is zero (2) but - and here we go beyond Iida's model - if wage earners in the advanced sector attempt to raise their wages without incurring unemployment, they can do this but only if they prevent capital flowing to the backward sector. This they can do in advanced countries by measures of protection - through tariffs and subsidies - and by capital export controls against the backward countries. What is more they may be able to prevent the flow of labour from the backward country to the advanced. Thus the dual structure of the international economy follows from the strength of Trade Unions and of producers' organisations like those of farmers and manufacturers with low capital intensity of output in checking the flow of labour and goods from poor to rich lands, and of capital in the other direction. Moreover, the dual structure is self-perpetuating and self-reinforcing since wealth attracts and poverty repels investment on the Myrdal model of cumulative causation. (3) Of course owners of capital in the advanced countries could import labour from the backward countries and reject the projectionists of their labour intensive industries but they do not do so because of the political strength of these interest groups. (4)

## PART III. THE TERMS OF E.E.C. ASSOCIATION

We may test this model empirically against the terms laid down by the E.E.C. in reaching agreements of association. We shall look first at the agreement with certain semi-developed economies of Southern Europe and then at the relation with underdeveloped African associated territories.

### 1. The Semi-developed Economies

Greece became an associated member of the E.E.C. by an Agreement signed in 1961. Since there was no mention in the Rome Treaty of such a status for European countries, the Agreement embodies provision for the "eventual accession to the E.E.C. should the Association Agreement work well enough to enable that country to contemplate full acceptance of the obligations deriving from the Treaty of Rome."

Turkey, which applied for membership at about the same time as Greece, was kept waiting until the Greek talks were concluded. The principles established in the E.E.C. Greek agreement were important not only for Turkey but for the other Southern European countries - Spain and Yugoslavia and also for Israel and other countries which are not wholly underdeveloped and have more recently been discussing terms of Associate E.E.C. membership. The circumstances of these applications were all similar - the threat or fact of declining exports or at least of trade deficits by these countries with the E.E.C.

The following were the main terms:-

1. Customs union between Greece and the E.E.C. is established, providing for:

   a) immediate free entry for Greek manufactured goods into the E.E.C. (these barely exist);
   b) an extended period (up to 22 years for some products) for the abolition of import duties into Greece from E.E.C.

c) temporary tariffs permitted on imports from E.E.C. to protect infant Greek industries in the first 12 years of the association;

2. The common market external tariff accepted by Greece except for some special imports from third countries including quotes for U.S. aid items;

3. Agricultural trade managed by prices and levies, to allow increased exports of Greek tobacco and raisins to E.E.C., but little room for competition of Greek products like olive oil, wine and citrus fruit which would cut into the market for such Italian produce;

4. A development loan of $125 m. over a five year period provided from the European Development Fund, a sum which was subsequently stepped up for the following five year period;

5. Free movement of labour (i.e. of Greek underemployed rural labour) to be introduced at the earliest (my emphasis - M.B.B.) on the expiring of the 12 year transition period. Socialist members of the European Parliament, who attempted to write into the Agreement assurances about the freedom of Greek Trade Unions were defeated.. (5)

6. Right of establishment for E.E.C. companies and partnerships to be speedily extended - in the words of the official commentary as "a necessary condition if the influx of private capital is to be stimulated and guarantees are to be available that it can be invested without discrimination based on nationality". (6)

The effect of these provisions taken together almost exactly fits the model of the dual economy. On the one hand, there is a minimum guarantee of privileged markets for some Greek agricultural export not competing with E.E.C. products (the privilege would be reduced with every new Southern European state admitted to the same form of association) and a minimum supply of development capital; on the other hand, the Greek market is opened up to the industrial products and the private investment of the more advanced full E.E.C. members. Free movement of labour is explicitly deferred. Since freedom of establishment is by contract guaranteed the protection against imports allowed for infant Greek industries is as much an advantage for foreign firms establishing subsidiaries in Greece as for firms in the Greek ownership.

Economic development is thus to an extent encouraged but only within a framework that incorporates Greece into the economic strategy of the giant European companies. Criticism of what appeared like neo-colonialism inspired the leftward shifts of Greek Governments in the early 1960's which were in their turn blocked by the Colonels' coup of 1966.

2. The Underdeveloped Countries

If the model of a dual economy which has been described fits the less underdeveloped countries of Southern Europe what are we to say about the more under-developed E.E.C. associated territories of Africa? Does the same model apply to them? The inclusion of the colonies of the six countries as associated territories under the Rome Treaty (Act 135) was made rather late in the original Common Market negotiations at the request of France which was looking for help with her heavy colonial aid expenditure. Under this article there were four main provisions.

a) All duties on imports into the E.E.C. from the overseas associates of the six were abolished;

b) The associated territories were free to chose their markets subject to consultation with the E.E.C., if they deemed that protection was necessary to foster domestic industry and development;

c) All preferences granted, however, by the associated territories to their metropolitan country were to be extended to the other E.E.C. members;

d) A development fund was established with some $600 m. to spend over the first five years, nearly all of it was earmarked for the French Colonies.

The result of these terms of association was to give a privileged market in the E.E.C. to associated territories for certain typical products - cocoa, coffee, tea, ground nuts, palm oil, bananas - since the E.E.C. operated a common tariff on imports of these products from non-associated countries. In fact, the advantage of this preference was greatly reduced in 1963 by the agreements reached between the E.E.C. and U.K. and under the G.A.T.T. to reduce common external tariffs on tropical products. Moreover, after considerable criticism of the terms of association had been expressed by non-associated African states like Ghana and Nigeria and Kenya, application was made by some of these states also for E.E.C. association. In fact, the attraction of the E.E.C. market for many tropical products were, and are, severely limited by internal taxes. In the case of Germans these raise the import price of coffee, for example, by 90% and of tea by more than 100%.

Imports by the E.E.C. of processed products were, nonetheless somewhat encouraged by association since the E.E.C. to an even greater extent than the U.S.A. and U.K. impared progressive rates of tariff according to the degree of processing involved; and this gave definite advantages for example, to cocoa products, copper goods, cotton, woollen and jute fabrics, wood manufacturers, paper and fabricated rubber materials from associated territories. By 1971 these advantages were extended to most other underdeveloped countries (in Asia and Latin America) subject to quotas based on the Community's 1968 imports and with more severe limitations on textile imports. But long before then the original associated territories had ceased to be colonies of the E.E.C. members, and other African states had obtained associated status as a result of new negotiation in 1962 and 1963. The terms of these agreements of association are important for an understanding of the Community's approach to developing lands.

We need first to distinguish four different types of association that have emerged:

1. The Rome Treaty Part IV which still applies to any remaining dependent territories of the six.

2. The Yaoundé Conventions of 1958, 1963 and 1969 applying to those ex-colonies of the six which have attained political independence. These arose from the Treaty and because of financial provisions required signature by all six E.E.C. members separately.

3. Agreements establishing association with Nigeria in 1966 and with Kenya, Uganda and Tanganyika in 1968 and being offered in negotiation with Britain to other Commonwealth countries in 1971. These were negotiated by the E.E.C. as a whole under article 238 of the Rome Treaty and contained no financial provisions.

4. The Agreements establishing association with Greece and Turkey. These were also negotiated under Article 238 of the Treaty but, as we saw earlier, provided for full membership in due course. Such agreements are under discussion with Spain, Yugoslavia and others.

These four types of association can be distinguished by the relatively greater freedom of manouevre for the associated state in each case, increasing respectively from 1 to 4. Such freedom relates to rights to impose export duties, to withold certain products from the list of goods allowed free entry, to take protective action without consultation, to impose internal local charges, to make customs union or free trade arrangements with third parties. Subject to these variations the terms of association in each case are fairly similar.

They may be summarised as follows:- (7)

1. Customs duties on imports into the E.E.C. from the Associated state are eliminated for all products except certain (often major) specified items where a quota only is subject to tariff freedom. (Internal E.E.C. taxes, e.g. on coffee and tea are not affected).

2. Duties and quotas on imports into the associated state from the E.E.C. are progressively eliminated, subject to the right of the associated state in effect to collect internal taxes at the frontier (so-called fiscal entry charges) and to retain or introduce duties or quotas which "are needed to meet emergency situations or are deemed necessary to meet its development needs or its industrial requirements".

3. The exercise of these rights, however, must be subject to consultation with the Community in an Association Council established for the purpose.

4. Associated states are free to make customs unions or free trade agreements among themselves and with others subject to these having no discriminatory effect against the Community.

5. The interests of the Associated state will be "taken into consideration" within the framework of the Common Agricultural Policy as regards products similar to and competitive with European products.

6. Rights of establishment (i.e. of E.E.C. companies' subsidiaries) and to provision of services and to freedom of capital movement shall not discriminate between nationals of the associated state and Community members, subject to the reciprocity for the associated state in the Community members' countries (an unlikely eventuality!)

There is no provision for movements of labour from the associated states into the E.E.C., although this is allowed for in the terms of associated with Greece and Turkey, which might be applied to more developed countries like Spain and Yugoslavia. For the ex-colonies there is, in addition, provision for grants of aid from the European Development Fund. $580 m. was made available between 1958 and 1963 and $660 m. for the next five years under the Yaounde Convention. Out of the first fund 0.7% was allocated to industrial development and 45% to transport and communication; out of the second fund 20% was for economic diversification; the rest in each case was divided between agriculture, technical and other education and social needs. Projects under the Fund are initiated and administered by the Commission of the Community, so that "the principle of the unity of the Community's political aid is fully preserved" - to quote the relevant E.E.C. memorandum. (8)

After reviewing the e terms of association one can perhaps only hope that the new Convention to be negotiated will, in the ultra-cautious words of the Nigerian government negotiator with E.E.C., Mr. P.N.C. Okigbo, "satisfy the commercial interests of the Community and at the same time meet the development needs of the African states." (9) The kind of development planned for the associated states by the E.E.C. is clearly what might be called 'back-garden development' - enough to help to sustain the E.E.C. sales, investments and sources of non-competing supplies, but firmly tied into the E.E.C. economy. There are no promises or plans for increased sales by the Associated states - indeed they have in fact relatively declined; there are no promises or plans for industrial development in the associated states - indeed the gap between them and the Community has widened. Most important, the dual economy is clearly maintained as we have understood it by the lack of any reference to labour movements in the African agreements and by the protection of competitive European agricultural products and certain other labou intensive products including textiles in the E.E.C.

## PART IV. PROSPECTS FOR E.E.C. ASSOCIATE MEMBERS

If the analysis of this paper is correct, the development of the Associate members of the E.E.C. within the framework of the Association depends upon four factors combined:

a) Freer movements of labour from the associated states in the E.E.C.

b) Freer movement of labour intensive goods from the associated states into the E.E.C.

c) Freer movement of capital from the E.E.C. into the associated states.

d) Greater retention of capital earnings in the associated states.

Of the first - the freer movement of labour into the E.E.C. - there are already signs of increased movements not only from southern parts of the E.E.C. (and of course in the returning French Colonies from North Africa) but also from Greece, Turkey, Spain and Yugoslavia. Unfortunately, the initial result of this process is not so much to reduce unemployment in the associated states as to deprive them of the more skilled and educated members of the population. The advanced countries benefit from education and training which they have not had to pay for and the backward countries lose an important attraction to capital flows. Moreover, insofar as the import of labour reduces wage rates in the advanced countries the return to capital in these countries should be raised and the attractions of capital export to the backward regions that much reduced. This is, of course, part of the pincers movement of traditional theory.

Of the second - the freer movement of goods into the E.E.C. - there are also signs of new intentions in the 1971 decision to abolish duties on many of the poorer nations' exports of manufactures, semi-manufactures and some processed agricultural products. This decision really spreads more widely to other underdeveloped countries the privileges of the associated states. It is not intended in the first place to increase the total imports but only to switch purchases within 1968 ceilings. (10) Textile imports will still be severely restricted. The effect of Britain's entry into the E.E.C. would be to reduce Britain's purchase of competitive agricultural and other products from other non-E.E.C. suppliers in favour of E.E.C. produce. Even if special arrangements are made for New Zealand meat and butter and for Caribbean sugar, purchases of Argentine meat and grains, of Iraq barley of Polish and Yugoslav meat, of Indian and Pakistan textiles, of Afghan diner print and hides and of many other products of underdeveloped countries outside the E.E.C. and its Associated States, will be affected. Britain's tariff and quota policy regarding textiles and other manufactures and semi-manufactures has been considerably more liberal than that of the E.E.C. at least as regards goods of commonwealth origin.

What seems likely to emerge from the E.E.C. associations is a limited opportunity for industries to develop - limited that is to those which compete least with products of the E.E.C. members themselves. It is significant that textile imports are still to be severely restricted; for the textile industry is heavily concentrated geographically in most industrial countries and the direct effects of increased imports on the prosperity of certain areas that much more obvious. Demand for textiles, moreover, shows a less than one for one increase as income increases; so that advanced countries have relatively declining textile industries and employment in them is therefore a sensitive question for governments. Growth of imports may be easier to allow in the case of other less sensitive products; but it would be idle to expect this to be rapid unless it was planned for deliberately as part of a more planned growth of trade exchanges - a suggestion which we discuss later.

Of the third - freer movements of capital to the Associated States - there is considerable evidence of a change since 1966 as far as private capital is concerned. The change was noted earlier in this paper and involves a movement of capital mainly into the Associated States and mainly into oil and other mineral extraction. Of course, this capital flow to underdeveloped countries is almost negligible compared with the flows currently taking place between the developed countries - the E.E.C., U.S.A., U.K. - themselves. There is very little evidence yet of manufacturing investment in the E.E.C. associated states although motor car assembly has been established in Algeria and Morocco and some local consumer goods industries like brewing and cement manufacture elsewhere in Africa.

This leaves the crucial fourth condition for economic development of the associated states to be considered - the greater local retention of earnings from investment in the underdeveloped economies. What we saw earlier of the Maghrebe states revealed that retention of earnings would have to be on a very large scale to exceed the debts owed on earlier investments. The flow of private capital in recent years has been in general <u>from</u> the underdeveloped and <u>to</u> the developed countries because debt repayments have been exceeding retentions and new investment; and this flow has barely covered by official funds. E.E.C. imports from the Associated States of Africa, as we saw earlier, were higher than exports to these states, even though the reverse was the position in the E.E.C.'s trade with the Southern European states. This suggests that the flow of capital might begin to be outwards from the E.E.C. to the African, and especially the North African, states once a minimum local market for manufactured goods begins to emerge as in Southern Europe. This would follow increased sales of local products in European markets. Some diversification of production and general economic development might then be encouraged by the E.E.C. agreements on Association with underdeveloped countries.

Two problems remain and one is the speed of this process in relation to population growth in the underdeveloped countries; the other is the limitations set to this process by the very nature of the economic framework within which they are set. The first problem can be well illustrated once more from the experience of the Maghrebe. In the period 1955-70 an average 4% - 5% real annual growth rate has been reduced by population growth of 2.5% per annum to a per capita growth rate of only 2%. Even if population growth over the next 20 years could be kept below 2% p.a. a growth rate of around 6% would be needed to raise per capita output by 4% sustained for fifty years. Such a rate would bring standards of living near to those in Western Europe. In twenty years a third of that standard would be achieved. Such a target may not appear impossible, although the implication both for growth of non-agricultural jobs (8% a year) and for increased agricultural productivity (perhaps as much as 5% a year) seem rather more daunting. Table XI gives the details.

The second and more serious problem concerns the limitations of the economic framework within which the development of E.E.C. associated states may take place. This we have already described in static terms. The dynamic of the E.E.C. is, however, the accumulation of capital by very large corporations operating right across state boundaries. Many of these corporations have already established operations in the associated states over many years and were part of the colonial relationship by which the European association was first established. One may instance the Belgian Union Miniere, Royal Dutch Unilever and the United States Company, Petroles Francaises. Insofar as the association is no longer a colonial one but with the E.E.C. as a whole there are two important differences: first, the giant metropolitan company does not have the same privileged monopolistic position in "its colony"; other giants are there in competition; secondly, the state, in this case the institutions of the E.E.C., must mediate and regulate this competition. This certainly provides some room for manoeuvre for the associated state and some possibility of official capital for infra-structural development, but at the same time the scale and interests of the giant companies are not greater and wider than ever and their technology much further advanced. This has two results: on the one hand, these giants are in a position to treat states as clients offering to make capital available on conditions that involve determining the whole fiscal and employment policies of the states and indeed the whole growth path of their economies. On the other hand, the capital intensive technology of the giant firm today renders the contribution of labour to production so small that wage rates are much less important than the education, skills and loyalty of employees.

What emerges is a pattern everywhere of dual economy among the underdeveloped countries. Wage rates and profit rates are high in one sector, that of the trans state corporation, and low in the local sector of primary production and labour intensive manufacture. Capital does not move from the first to the second (some of it in fact moves out of the country); nor does labour move from the second to the first. The possibilities of escaping from this dual economy position depend upon the generation either of some local private capital or local state capital or upon official foreign capital and aid. Local capital generation is unlikely because this will tend to have been preempted by the giant corporations through the tax policies they require that leave the associated state with little power to accumulate. Nonetheless, the oil providing states have shown that resistance to giant company accumulation can be achieved by united action. The position of the elites which provide the ruling groups in the underdeveloped countries is profoundly ambiguous on the one hand, agents historically of the developed countries, on the other, and particularly in Africa, eith close links to their own peoples. They would prefer aid without strings. Official foreign capital and aid tend as we have seen, however, to be tied to the interests (if not the actual products through export credits, etc.) of the developed lands. There remains local state capital with all the problems of collecting taxes for investment in the future from people who have barely enough to live on in the present. The "iron heel of primitive accumulation", as Preobrezhensky described the early years of Stalin's policies was not only a Russian phenomena.

There remains one possible way out. The interests of workers in the rich countries and the people of the poor countries appear to be opposed in the mechanism of the dual economy. Labour intensive products in the rich countries are protected and labour mobility from the poor countries is prevented. But this is the result of the failure of economic management inside the advanced industrial nation states to be applied to the international economy. It may or may not be possible to envisage the industrial powers applying Keynesian measures on a world scale given the competitive struggle of European, American and Japanese giant corporations. A new world-wide trade war may seem a more likely outcome in the near future. The increasing concentration of investment by the giant corporations in the frontiers of technological advance, where the greatest monopoly rewards may be won, leaves however, not only great areas of underdevelopment in the poor countries but redundancy and unemployment in the rich countries themselves. The interest of the great mass of the peoples in rich and poor countries are thus opposed to the concentration of capital accumulation in a few giant companies at their expense. What they both need is a new framework of international co-operation which unites the interests equally of the peoples of the rich and poor countries. Such a framework can only be found in the planning of international trade exchanges through a multilateral trade clearing agency.

The aim of such a planned trading system would be the achievement of the real mutual advantages of international trade to replace the present artificial world division of labour, between manufacturing countries and primary producers. A beginning would be the abolition of protection for the labour intensive exports of the advanced countries in exchange for expanded markets in the underdeveloped countries for the more capital intensive products of the developed countries. But this could not be carried far without a planned expansion of trade exchanges.

FOOTNOTES

1. T. Iida - 'Resource Allocation in the Dual Economy' - Economic Journal, September, 1965.

2. See also J.E. Meade - 'Efficiency, Equality and the Ownership of Property'.

3. G. Myrdal - 'Economic Theory and the Under-developed Regions'.

4. See W.P. Travis on the "Leontieff Effect" in The Theory of Trade and Protection, 1964.

5. E. Strauss - 'European Reckoning', 1962, p. 101.

6. E.E.C. Bulletin, April, 1966, p. 21.

7. The Nigerian Agreement is quoted in full in The Journal of Common Market Studies for December, 1966.

8. E.E.C. Commission Information Memo, P. 23/63 July, 1963, p. 14.

9. P.N.C. Okigbo - Africa and the Common Market - Longmans, 1967.

10. 'European Community' No. 5, May, 1971.

TABLE 1

E.E.C and Associated Countries 1964-66

| Country | Population millions | 1966 per Capita Income $ | E.E.C. & Other Assoc. area share of trade 1964 | | | |
|---|---|---|---|---|---|---|
| | | | Exports (%) | | Imports (%) | |
| | | | Six | Other | Six | Other |
| Belgium/Lux. | 10 | 1900 | 63 | 4 | 53 | 7 |
| France | 49 | 2050 | 38 | 22 | 38 | 20 |
| W. Germany | 57 | 2000 | 36 | 6 | 35 | 8 |
| Italy | 52 | 1180 | 38 | 11 | 33 | 7 |
| Netherlands | 12 | 1670 | 55 | 4 | 52 | 5 |
| TOTAL SIX | 180 | 1760 | 43 | 10 | 40 | 9 |
| Greece | 9 | 760 | 38 | 8 | 42 | 4 |
| Turkey | 32 | 320 | 34 | 5 | 29 | 3 |
| Spain | 32 | 700 | 39 | 5 | 36 | 6 |
| Yugoslavia | 20 | 600 | 28 | 6 | 28 | 5 |
| Malta | 0.3 | 550 | 13 | 15 | 26 | 7 |
| Cyprus | 0.6 | 700 | 30 | 6 | 25 | 5 |
| Israel | 2.6 | 1500 | 28 | 7 | 29 | 3 |
| TOTAL ABOVE | 97 | C.600 | - | - | - | - |
| Morocco | 14 | 200 | 62 | 12 | 52 | 5 |
| Tunisia | 5 | 230 | 65 | 11 | 59 | 4 |
| Algeria | 12 | 250 | 90 | 5 | 75 | 4 |
| Kenya | 10 | 110 | 23 | 12 | 19 | 2 |
| Tanzania | 12 | 80 | 21 | 3 | 17 | 1 |
| Uganda | 8 | 100 | 17 | 12 | 22 | 2 |
| Nigeria | 60 | 90 | 36 | 5 | 23 | 3 |
| 18 'Yaounde' States | 65 | 150 | 67 | 1 | 50 | 1 |
| of which Congo | 16 | 150 | 67 | 1 | 50 | 1 |
| Malagasy | 6 | 110 | 55 | 12 | 80 | 3 |
| TOTAL ABOVE | 192 | C.170 | - | - | - | - |

Source: U.N. Statistical Yearbook & I.M.F. International Financial Statistics

# TABLE II

## Role of Foreign Trade in E.E.C. Countries C.N.P. 1955-68

(Figures in % and $billions)

| Country | G.N.P. ($b.) 1955 | 1958 | 1966 | 1968 | Imports (%) 1955 | 1958 | 1966 | 1968 | Exports (%) 1955 | 1958 | 1966 | 1968 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium/Lux. | 8.6 | 9.6 | 16.4 | 20 | 29 | 30.5 | 41.5 | 45 | 29 | 31 | 40 | 44 |
| France | 38. | 49.6 | 117 | 118 | 12 | 12.5 | 15 | 16 | 13.5 | 12 | 15 | 16 |
| W. Germany | 39.5 | 50.6 | 104 | 123 | 13 | 15 | 21 | 23 | 17 | 21 | 22.3 | 26.5 |
| Italy | 22.5 | 25.9 | 54 | 70 | 8.5 | 9.5 | 17 | 18 | 7.5 | 10.5 | 20.5 | 22 |
| N'lands | 7.4 | 8.6 | 8.7 | 24 | 35 | 38 | 55 | 59 | 38 | 43 | 54 | 58 |
| TOTAL($b.) | 116 | 144.5 | 310 | 355 | 19.2 | 22.1 | 51 | 59.5 | 18.9 | 23.4 | 52.6 | 64 |
| As percentage | 100 | 100 | 100 | 100 | 16.5 | 15.5 | 16.5 | 16.7 | 16 | 16 | 17 | 18 |
| Of which intra trade | 100 | 100 | 100 | 100 | 5.3 | 5.2 | 9.0 | 8.0 | 5.3 | 5.2 | 9.0 | 8 |
| Extra trade | 100 | 100 | 100 | 100 | 11.2 | 10.3 | 7.5 | 8.7 | 10.7 | 10.8 | 8 | 10 |
| To/From u'dev. lands | 100 | 100 | 100 | 100 | 3 | 2.5 | 1.3 | 1.4 | 2.9 | 2.5 | 1.2 | 1.3 |

Source: U.N. Statistical Yearbook

TABLE III

Role of Foreign Trade in E.E.C. Countries, Consumption of Manufactures

1954 - 68

| Country | Total Consumption($b.) | | | Intra Trade (%) | | | Other Imports (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1954 | 1958 | 1968 | 1954 | 1958 | 1968 | 1954 | 1958 | 1968 |
| Belgium | 3.3 | 3.9 | 8.6 | 18 | 24 | 39 | 18 | 18 | 23 |
| France | 18.7 | 23.5 | 55.5 | 2 | 3 | 10 | 3 | 4 | 5.5 |
| W. Germany | 19.5 | 29.4 | 70.4 | 2.5 | 3.5 | 8 | 3.5 | 5.5 | 7 |
| Italy | 8.7 | 11.2 | 29.7 | 4 | 4 | 9 | 5.5 | 5 | 6.5 |
| Nederlands | 3.2 | 4.2 | 11.3 | 26.5 | 29.5 | 37.5 | 15.7 | 15.2 | 15.2 |
| TOTAL | 53.4 | 72.5 | 172.5 | 5.1 | 6.2 | 12.3 | 5.4 | 8.2 | 7.9 |

Source: N.I.E.S.R. Economic Review, November 1970, p.33

TABLE IV

Growth of Developed Countries' Trade and of E.E.C. Trade by Area 1955 - 69

Current Values
1958 = 100

| | 1955 | 1958 | 1965 | 1969 | 1969 1965=100 |
|---|---|---|---|---|---|
| Exports | | | | | |
| All developed countries | 85 | 100 | 180 | 272 | 149 |
| EEC - All | 81 | 100 | 204 | 325 | 159 |
| - Intra Trade | 83 | 100 | 278 | 490 | 176 |
| - Extra Trade | 80 | 100 | 170 | 248 | 147 |
| of which to underdev. | 81 | 100 | 120 | 165 | 137 |
| Imports | | | | | |
| All developed countries | 90 | 100 | 185 | 282 | 151 |
| EEC - All | 88 | 100 | 210 | 328 | 154 |
| - Intra Trade | 83 | 100 | 278 | 490 | 176 |
| - Extra Trade | 89 | 100 | 177 | 242 | 137 |
| of which from Underdev. | 94 | 100 | 160 | 222 | 135 |
| Prices | | | | | |
| EEC Exports | 99 | 100 | 103 | 108 | 105 |
| EEC Imports | 96 | 100 | 98 | 99 | 101 |

Source: U.N. Statistical Yearbook

## T A B L E V

### World and E.E.C. Trade with Under-developed Economies 1955 – 69

| | 1955 | 1959 | 1964 | 1969 |
|---|---|---|---|---|
| World Trade (\$b.) | 93.5 | 115.4 | 172.2 | 272.0 |
| % to under-developed | 24.7 | 23 | 20.4 | 18.8 |
| % from under-developed | 25.3 | 22.3 | 20 | 17.7 |
| All Developed Countries | | | | |
| Exports (\$b.) | 60.5 | 75.4 | 117.3 | 194.1 |
| % to under-developed | 27.7 | 26.5 | 21.5 | 19.5 |
| Imports (\$b.) | 61 | 74 | 116 | 191.3 |
| % from under-developed | 28 | 25.5 | 21.5 | 18.8 |
| E.E.C. Exports (\$b.) | 18.9 | 25.4 | 42.6 | 76.3 |
| % to under-developed | 26.5 | 23.7 | 16.1 | 13.5 |
| Imports (\$b.) | 19.2 | 23.7 | 43.1 | 72.3 |
| % from under-developed | 27.0 | 24.2 | 19.4 | 16.6 |

Source: U.N. Monthly Bulletin of Statistics

Long term Capital and Aid to Under-developed Countries TABLE V1
1957-1969 (U.S. $m.)

| | 1957 | 1960 | | 1964 | | 1968 | | 1969 | |
|---|---|---|---|---|---|---|---|---|---|
| | ALL | ALL | Public only | ALL | Public only | All | Public only | All | Public only |
| OECD TOTAL | 7,635 | 8,115 | 4,703 | 9,142 | 6,015 | 12,753 | 6,429, | 13,571 | 6,207 |
| Belgium | 36 | 182 | 101 | 164 | 71 | 243 | 88 | 257 | 116 |
| France | 1,229 | 1,325 | 847 | 1,360 | 828 | 1,483 | 855 | 1,742 | 965 |
| W. Germany | 522 | 628 | 237 | 707 | 460 | 1,635 | 554 | 2,045 | 595 |
| Italy | 209 | 298 | 77 | 237 | 48 | 505 | 165 | 848 | 130 |
| N'lands | 145 | 239 | 35 | 118 | 49 | 276 | 134 | 369 | 143 |
| EEC. TOTAL | 2,141 | 2,609 | 1,197 | 2,586 | 1,456 | 4,142 | 1,796 | 5,261 | 1,949 |
| EEC as % of OECD | 28 | 33 | 27.5 | 28.4 | 24.3 | 32.5 | 28 | 38.8 | 29 |

Note: = 1969 total net flow for Six countries was $5,197 - about 40% of the OECD total.

Sources: Pearson Report and O.E.C.D 1970 Review of Development Assisstance

## TABLE VII

**Annual Rates of Growth of E.E.C. Flows of Capital and Aid to the Under-developed Countries 1956-68**

| | 1956-61 | | 1961-68 | | 1964-68 | | Rate p.a. for Target | |
|---|---|---|---|---|---|---|---|---|
| | All | Public | All | Public | All | Public | All | Public |
| Belgium | 12.8 | 35.7 | 5.8 | -0.7 | 10.3 | 5.4 | 1.9 | 12.0 |
| France | 4.6 | 7.8 | 0.8 | -1.4 | 2.2 | 0.8 | 1.6 | 4.5 |
| West Germany | 15 | 34.2 | 10 | 8.1 | 23.3 | 4.0 | 0.7 | 11.7 |
| Italy | 14 | 13.3 | 10.1 | 11.1 | 20.9 | 29.3 | 10 | 22.7 |
| Netherlands | -6.5 | 3.1 | 4.7 | 13.4 | 23.6 | 28.6 | 3.1 | 8.6 |
| O.E.C.d. | 8.0 | 13.3 | 4.8 | 3.2 | 8.9 | 1.9 | 8.9 | 14.1 |

Note: Target = 1% of G.N.P. by 1975 for all flows, in fact more than achieved by all E.E.C. Countries in 1969; and 0.7% of G.N.P. by 1975 for public flows on assumption of 1956/7 to 1968 G.N.P. Growth Rates continuing.

Source: as for Table VI.

Table V11

EEC Trade with Developing Countries, 1964-69

| Trade by Areas | Exports 1964 | Exports 1966 | Exports 1969 | Imports 1964 | Imports 1966 | Imports 1969 |
|---|---|---|---|---|---|---|
| All Areas ($ b.) | 42.6 | 52.7 | 76.3 | 43 | 51 | 72.3 |
| South Europe (%) | 4.2 | 4.7 | 4.5 | 2.0 | 2.1 | 2.1 |
| All Underdeveloped (%) | 16.1 | 15.2 | 13.4 | 19.5 | 18.7 | 16.6 |
| North Africa | 2.9 | 2.4 | 2.2 | 3.5 | 3.5 | 3.5 |
| Other Underdev. Africa | 3.4 | 3.1 | 2.6 | 4.3 | 3.9 | 3.6 |
| Latin America | 3.8 | 3.5 | 3.2 | 5.1 | 4.5 | 3.8 |
| Caribbean Etc. | 0.7 | 0.9 | 0.7 | 0.4 | 0.5 | 0.2 |
| Asia- Middle East | 2.3 | 2.4 | 2.3 | 3.9 | 4.0 | 3.7 |
| Other Asia | 3.0 | 2.9 | 2.4 | 2.3 | 2.2 | 1.8 |

Notes: Communist countries are excluded (except Yugoslavia) from both underdeveloped total land from Other Asia.
South Europe = Greece, Turkey, Spain and Yugoslavia
North A frica = Maghreb and U.A.R.
All percentages as % of all areas.

Source: U.N. Monthly Bulletin of Statistics.

## TABLE IX

**Foreign Balance for Three Countries of Maghreb, 1955-70**

(all figures in $ millions current values)

| Item | 1955 | 1965 | 1970(Est.) |
|---|---|---|---|
| Goods and Services Account | | | |
| Export of Goods | + 800 | +1300 | +1900 |
| Tourist Earnings etc. | + 140 | + 180 | + 350 |
| Imports of Goods | -1200 | -1425 | -2400 |
| Travel, etc. Expenses | - 130 | - 120 | - 160 |
| Net Balance | - 390 | - 65 | - 310 |
| Government and Military Current Account | | | |
| Foreign Government (net) | + 260 | + 200 | + 145 |
| Capital Account | | | |
| Oil Investment | + 40 | .. | .. |
| Other Private Capital | + 60 | + 30 | + 100 |
| Official Aid | + 300 | + 250 | + 650 |
| Debt Payments etc. | | | |
| -Oil | 0 | - 265 | - 350 |
| -Other | - 280 | - 175 | - 200 |
| Net Balance of Government and Capital Accounts | + 380 | + 40 | + 345 |

Sources: S. Amin, The Maghreb in the Modern World, p.228
United Nations Statistical Yearbook

Notes: Other Private Capital is an estimate
Foreign Government Expenditure is mainly military in 1955 and Technical Aid etc. thereafter

TABLE X

Commodity Distribution of Exports of Certain African Countries 1938- 1968

Percentage of Total Exports consisting of Exports of -

| COUNTRY | YEAR | Cocoa | Veg.Oils Grndnuts- | Coffee | Cotton | Sisal | Citrus Fruits | Wine | Iron Ore | Oil |
|---|---|---|---|---|---|---|---|---|---|---|
| British West Africa | 1938 | 27 | 13 | .. | .. | .. | .. | .. | 13 | .. |
| | 1951 | 43 | 18 | .. | .. | .. | .. | .. | 3 | .. |
| Nigeria | 1938 | 17 | 47 | .. | 3 | .. | .. | .. | .. | .. |
| | 1950 | 21 | 50 | .. | 5 | .. | .. | .. | .. | .. |
| | 1957 | 20 | 47 | .. | 6 | .. | .. | .. | .. | .. |
| | 1966 | 16 | 37 | .. | 1 | .. | .. | .. | .. | 25 |
| Ghana | 1938 | 40 | .. | .. | .. | .. | .. | .. | .. | .. |
| | 1950 | 72 | .. | .. | .. | .. | .. | .. | .. | .. |
| | 1957 | 56 | .. | .. | .. | .. | .. | .. | .. | .. |
| | 1966 | 65 | .. | .. | .. | .. | .. | .. | .. | .. |
| British EasT Africa | 1938 | .. | 4 | 13 | 36 | .. | .. | .. | .. | .. |
| | 1950 | .. | 3 | 23 | 27 | 2 | .. | .. | .. | .. |
| | 1957 | .. | 4 | 35 | 22 | 10 | .. | .. | .. | .. |
| French West Africa | 1938 | 13 | 31 | 6 | .. | .. | .. | .. | .. | .. |
| | 1950 | 15 | 46 | 23 | .. | .. | .. | .. | .. | .. |
| | 1957 | 10 | 44 | 26 | .. | .. | .. | .. | .. | .. |
| | 1966 | 12 | 23 | 27 | .. | .. | .. | .. | 8.5 | .. |
| French Equatorial Africa, including Cammeroons | 1938 | 25 | .. | 15 | 17 | .. | .. | .. | .. | .. |
| | 1950 | 20 | .. | 10 | 25 | .. | .. | .. | .. | .. |
| | 1957 | 25 | .. | 15 | 14 | .. | .. | .. | .. | 4 |
| | 1966 | 8 | .. | 12 | 7 | .. | .. | .. | .. | 4.5 |
| Maghreb | 1938 | .. | 3.5 | .. | .. | .. | 2 | 35 | 5 | .. |
| | 1950 | .. | 5.5 | .. | .. | .. | 4 | 24 | 2.5 | .. |
| | 1957 | .. | 3 | .. | .. | .. | 7 | 28 | 5 | 20 |
| | 1970 | .. | 2 | .. | .. | .. | 35 | | 9 | 33 |
| Egypt (UAR) | 1938 | .. | .. | .. | 74 | .. | .. | .. | .. | .. |
| | 1950 | .. | .. | .. | 87 | .. | .. | .. | .. | .. |
| | 1957 | .. | .. | .. | 73 | .. | .. | .. | .. | .. |
| | 1966 | .. | .. | .. | 50 | .. | .. | .. | .. | 5 |

SOURCES: Oxford Economic Atlas of the World
I.M.F. International Financial Statistics
U.N. Economic Survey of Africa
S. Amin The Maghreb in the Modern World

## TABLE XI

The Maghreb Occupied Population, 1955-1990
(all figures in millions)

| Occupations etc. | | 1955 | 1970 | 1990 |
|---|---|---|---|---|
| Total Population | -Muslim | 18 | 32 | 48 |
| | -European | 1.8 | 0.3 | - |
| Urban Population | -Total | 5.5 | 10.5 | 30 |
| Urban Employment | (Muslim) | | | |
| | -Total | 1.9 | 3.7 | 9 |
| | -Manual | 0.64 | 1.0 | 4.3 |
| | of which industry | 0.45 | 0.85 | 3.2 |
| | -Clerical | 0.17 | 0.36 | 1.4 |
| | -Middle Income | 0.33 | 0.6 | 1.3 |
| | -Upper Income | 00.06 | 0.13 | 0.6 |
| | -Government | 0.07 | 0.8 | 1.2 |
| Unemployed | | 0.6 | 0.8 | 0.2 |

Source: S.Amin, The Maghreb in the Modern World, Penguin, 1970

Notes: 1.The assumption is a six per cent growth rate to 1990 in gross domestic production;
2.The rate of population increase comes down from 2.5% p.a. to 1.7% p.a. over the twenty year period to 1990.

TAble X11

U.K. and E.E.C. Imports of Certain Tropical Products

1959 - 1970

| Imports and sources | Year | All Veg oils ($m.) | Cocoa | Palm Oil | Palm Kernals (in 000's of tons) | Grndnuts | Grnd.nut oil |
|---|---|---|---|---|---|---|---|
| Totals From All Areas | | | | | | | |
| -by U.K. | 1959 | 234 | 86 | 194 | 234 | 231 | 48 |
| | 1964 | 280 | 77 | 114 | 191 | 147 | 53 |
| | 1969 | 460 | 177 | 160 | 37 | 61 | 94 |
| -by E.E.C. | 1959 | 782 | 272 | 242 | 404 | 735 | 146 |
| | 1964 | 950 | 364 | 295 | 381 | 736 | 81 |
| | 1969 | 1685 | .. | .. | .. | .. | .. |
| Percentages from E.A.M.A. | | | | | | | |
| -by E.E.C. | 1959 | 20 | 31 | 53 | 33 | 52 | 77 |
| | 1964 | 20 | 41 | 53 | 29 | 43 | 31 |
| | 1969 | 18 | .. | .. | .. | .. | .. |
| Percentages from Commonwealth | | | | | | | |
| -by U.K. | 1959 | 90 | 96.5 | 100 | 100 | 92 | 95 |
| | 1964 | 75 | 100 | 100 | 100 | 83 | 98 |
| | 1969 | 62 | 98 | 99 | 99 | 77 | 98 |
| Percentages from Nigeria | | | | | | | |
| -by U.K. | 1959 | 40 | 51 | 83 | 82 | 82 | 90 |
| | 1964 | 35 | 60 | 58 | 85 | 61 | 98 |
| | 1969 | 20 | 63 | .. | 24 | 21 | 79 |
| -by E.E.C. | 1959 | 10.5 | 18 | 2 | 52 | 30 | 5 |
| | 1964 | 9 | 21 | 12 | 53 | 29 | 10 |
| | 1969 | 8 | .. | .. | .. | .. | .. |

Sources: P.N.C. Okigbo, Africa and the Common Market pp.98-9
Overseas Trade Accounts of the U.K.
O.E.C.D. Trade Statistics

REVIEW:

PAUL MATTICK: MARX AND KEYNES: THE LIMITS OF THE MIXED ECONOMY

(Porter Sargent 1969 and Merlin Press 1971)

David S. Yaffe[1]

. . . .

This book was written over a period of time when economists in the Western world were celebrating the 'taming' of the business cycle and the 'new' economics of Keynesianism. At this time many of the academic Marxist economists were, themselves, at pains to show how much of Keynes was anticipated by Marx while others with empiricist leanings were attempting to explain away or refute the various so-called predictions in Capital that did not seem to comply with the general 'prosperity' of a large part of the Western world. Still others rejected the 'theory of value', the cornerstone of Marx's analysis, as irrelevant for the period of monopoly capitalism or as metaphysical stuff and nonsense. At best it could only be the 'normative' foundation of a critique of nineteenth century capitalism but, in no way, relevant to our own times. Social and economic stability, we were told, was to be maintained by Government intervention in the economy and the last pockets of poverty and despair would slowly be reformed away.

Mattick does not share this perspective. Rejecting those interpretations of the theory of capitalist crisis which emphasise lack of effective demand and/or disproportionality, he stresses that the basic contradiction of capitalist production is manifested in the need to expand production to fulfill the ever-growing demands of capital reproduction and expansion. This the state can mitigate but cannot resolve.

'Scientific socialism' was developed by Marx in contrast to the voluntaristic ideas of the early 'utopian' socialists. The basis of scientific socialism lay in its ability to show the historical necessity of the new mode of production as it develops out of the contradictory nature of the old. While historical necessity can only find its expression as the self-conscious activity of the working class this consciousness develops within the increasingly antagonistic 'totality' that is the capitalist production process. As Marx puts it in the Grundrisse, capitalist society consists of

> 'a mass of contradictory forms of social unity whose contradictory character, however, can never be exploded by peaceful metamorphosis. On the other hand, all our attempts to explode them would be quixotic if we could not find embedded in society, as it is, the material conditions of production and the corresponding relationships of production for a classless society'

The discussion and understanding of a Marxian critique of contemporary society is, therefore central to the reform or revolution debate. For if the capitalist mode of production can ensure, with or without government intervention, endless expansion, then the most important objective argument in support of revolutionary socialist theory breaks down. Mattick's contribution has to be seen in this context and the debate, Marx versus Keynes, becomes one that leaves the 'musty' volumes of academia and enters the vital issues that face the socialist movement today.

Mattick's book can be divided into four parts. The first examines the central categories of Keynesian economics and compares these with those of Marx. In the second he gives an interpretation of Marx's theory that differs significantly from Anglo-American Marxist economics. It can be located in a tradition that goes back to Henryk Grossmann and includes writers such as Korsch and Rosdolsky Thirdly, he examines the 'mixed economy' and shows the limits of Keynesian policies from a Marxist standpoint. Finally there is a discussion of imperialism, the East European economies and Marxism and socialism.

For Keynes the central variables that could be manipulated by government intervention to maintain full employment in the face of a decreasing marginal efficiency of capital were the propensity to consume and the incentive to invest. So that by suitable fiscal and monetary policies, deficit financing, credit expansion, public works and armaments production an increase in effective demand could revitalise stagnating capital formation and maintain full-employment and growth. Marx however did not see the cause of a declining rate of capital formation as a lack of incentive to invest, but traced the dilemma 'to its final base, to the character of production as <u>production of capital</u>'. (p.21) So that for Marx Keynesian policies could only be of a temporary nature so long as the aim and intention of production is profit. To understand this we have to understand the Marxian theory of accumulation and crisis.

Capitalist production is only conceivable in terms of accumulation of capital and this in turn involves the continual increase in the social productivity of labour and hence the rate of exploitation. Capitalism is always driven to a higher and higher productivity of social labour in order to produce sufficient surplus-value for the continuous reproduction and expansion of social capital. As Mattick says, quite clearly rejecting any underconsumptionist theory:

> 'Whether one looks at the production of surplus-value, or its realisation, when seen from the position of total capital, the real problem of capitalism is a shortage, not an abundance of surplus-value.' (p. 82)

The crisis represents an overproduction of capital only with respect to profitability, that is, with respect to the given rate of exploitation. If the latter can be sufficiently increased then accumulation can continue because the accumulated capital only proved too large in relation to the rate of profit it was able to bring forth. (p. 67). The crisis mechanism by bringing about the devaluation, restructuring and concentration of capital would lead to an increase in the productivity of labour and the process of accumulation could proceed. But, according to Mattick, the business cycle mechanism towards the turn of the century was no longer sufficient to bring the restructuring of capital through crisis and competition towards a greater profitability.

'The business-cycle as an instrument of accumulation has apparently come to an end; or rather, the business-cycle became a "cycle" of world wars. Although this situation may be explained politically it is also a consequence of the capitalist accumulation process.' (p. 135)

And it was seen

'that only under conditions of large-scale warfare ... in which half of the Gross National Product served the needs of war, was there a full use of productive resources.' (p. 139)

The Keynesian anti-slump suggestions must be seen in this context. The period of wars had already brought the state to intervene massively in the economy. In this sense war takes over the 'role' of the crisis by destroying capital values and allowing for the restructuring of capital and ensuing increased productivity of labour. It thereby improves the conditions for further accumulation. (p. 137-8) But while after the first world war many nations were able to reduce government-induced expenditure considerably conditions after world war 2 showed that the war had failed to provide the impetus for a market-determined private capital accumulation on a scale sufficient to allow for the retraction of government-induced demand. (p. 139) A decrease in government expenditure led to a decrease in economic activity which made a resumption of this expenditure all the more necessary.

The substitution of government-induced demand in Europe and America has been an inflationary process. It has required deficit-financing on a large scale and monetary policy that makes this possible, together with a massive expansion of credit facilities. Inflationary policies replace the traditional deflationary policies as soon as the effects of deflation, and increased number of unemployed, threatened the social and political stability of the capitalist states, Inflation is only the money expression of the increasing state-induced production, the form in which this appears on the private market. 'Through government purchases with borrowed money the public debt is monetised and ... increases the social demand.' (p. 183) Instead of the accumulation of capital there is the accumulation of national debt.

In general, state-induced production involves 'non-productive' expenditure in the Marxist sense, such as public works, armaments and other 'waste' production. Although state expenditure 'realises' surplus-value, the products brought by the state and financed out of taxes or deficit financing do not function, in general, as capital and therefore do not produce additional surplus-value from the standpoint of social capital. The finished products that the state buys are acquired with already produced surplus-value. We have, therefore, the following mechanism. A declining rate of private capital formation means that 'governments' must supplement production for the market with 'waste' production if they are to avoid high unemployment and social instability. But this is a capitalist expense indicating a latent tendency to crisis. This can only be avoided temporarily, it would seem, by an extension of the credit mechanism and through government borrowings. If all new capital went into 'waste' production, then capital accumulation would cease. But, a non-accumulating capital represents capitalism in crisis, for it is only through the expansion of capital that market demand suffices for the realisation of profits made in production. It is clear therefore, that there limitations to government-induced demand in a capitalist economy. If production grows faster in the 'non-productive' sector of the economy than in the 'private' sector, the production of profit, or surplus-value relative to total production declines more rapidly than before. More surplus-value must be produced from a smaller base of productive labourers in order that the tendency of the rate of profit to fall may be checked. That is, the productivity of labour must be sufficiently increased so as to maintain the rate of profit and finance the 'non-productive' government sector. If this is not achieved government expenditure must be further increased and the problem is accentuated even more. It is with this in mind that Mattick is able to refer to the 'mixed-economy' as capitalism in a permanent crisis. The present occurrence of stagnation and inflation in Western capitalist economies tends to support this view.

The final section of the book is about the East European economies and their relation to the 'mixed-economy'. Here Mattick's conclusions concerning the Russian revolution are inadequate.

> 'Though carried out in the name of Marx, the state-capitalist, or state-socialist revolutions would be better described as "Keynesian revolutions" ... Arising at the same time as the mixed economy, the state-capitalist system may be regarded as Keynesian in its most consistent and most developed form.' (p. 279)

State-capitalism because of its relations with the world economy and world market remains a 'mixed-economy'. The kind of planning undertaken in these economies is determined by the needs of capital production within a setting of international capital and power competition. (p. 280) While private ownership no longer exists, the means of production still have the character of capital because they are controlled by government instead of being at the disposal of the whole society. The 'socialisation' of the means of production in these countries is only the <u>nationalisation of capital as capital</u>. (p. 290)

While accepting this characterisation as being an accurate, although incomplete analysis of the East European economies, I cannot agree that the Russian revolution was a state-capitalist revolution or that Mattick's interchangeable use of state-capitalism and state-socialism has the necessary scientific vigour. Lenin and Trotsky never entertained the idea of 'socialism in one country' and further always tied the success of the Russian revolution to that of the International Socialist revolution. As Lenin said at a session of the Moscow Soviet in 1918, 'Our backwardness has pushed us forward, and we shall perish if we cannot hold out until we meet the mighty support on the part of the insurrectionary workers of other countries ...' And at another congress, 'It is absolutely true that without a German revolution we will perish'. Again, Trotsky said,

> 'If the people of Europe do not rise and crush imperialism, we will be crushed - that is indubitable. Either the Russian revolution will raise the whirlwind of struggle in the West, or capitalists of all countries will strangle our revolution.'

And Trotsky adds further, 'But in the last instance the limits of socialist transformation are determined by the condition of economy and politics on the world arena.'

Mattick cannot have it both ways. If he will explain the state-capitalist economies with reference to the world economy and market he must also consider the Russian revolution itself in this manner. Only by categorically denying even the possibility of a revolution in the West in this period can he be said to have made his case, and that only with hindsight. What is needed for a consideration of these extremely vital questions is an understanding of Marx's notion of the dictatorship of the proletariat, and this Mattick nowhere offers.

In spite of the weaknesses of this last section the book is an excellent one. It should serve to bring Marxian economics 'out of its slumbers' to become the only consistent challenge to orthodox economic theory, and therefore to bourgeois society. In this way it could reinforce its claim as a 'critique of political economy'.

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NOTES

1. David Yaffe is a Research Assistant at the Institute of Development Studies.

ARGHIRI EMMANUEL ON UNEQUAL EXCHANGE

AND INTERNATIONAL SOLIDARITY OF WORKERS

by John Harrison

The most controversial aspect of Arghiri Emmanuel's book L'Echange Inegale [1] is his argument that workers in advanced countries no longer have an objective interest in solidarity with workers in underdeveloped countries. Since the book will not be available in translation for some time and the question of international solidarity is clearly of prime importance for any discussion of revolutionary strategy it seems worthwhile presenting a brief summary of Emmanuel's views and an indication of various possible lines of criticism. Unfortunately limitations of space prevent the sort of detailed discussion the question warrants and so what follows is summary and at times cryptic. I am hoping to produce a detailed critique of Emmanuel's position in the near future, based on a more rigorous and fuller development of the points catalogued below.

Emmanuel's model assumes that differences in wage levels between countries are far greater than international productivity differentials and that there is high international mobility of capital, and hence a tendency towards equalization of the rate of profit. Trade in such circumstances will be unequal exchange of equal values (i. e., equal quantities of socially necessary labour time) which will be to the benefit of the country with high wage levels. A simple numerical example may help.

Consider the production of commodity x in countries A and B. Both countries use the same production technique and have equal constant capital costs (£2). They both employ the same quantity of variable capital but, because the wage level in B is half that in A, variable capital costs in B are half those in A (£4 and £8 respectively). If they both sell a unit of x at the same price (£12) there will be a differential surplus (£6 and £2 respectively), and, assuming all surplus value is directly appropriated by capitalists as profit, a differential level and rate of profit. Thus if trade is to equalize unit profits B will have to exchange 14 units of x for 10 units from A. Clearly it is not necessary that the same level of technique is employed in both countries for the argument to hold, but merely that the difference in wage levels exceeds the difference in productivity.

An additional factor is that the country with cheaper labour will tend to concentrate on commodities whose production involves a high proportion of current labour (i. e., labour intensive products). If we assume that the cost of producing one unit of a labour intensive product, Y, in B is the same as the cost of producing a capital intensive product, Z, in A then to equalize profits they will exchange at the rate of one unit for one unit, which will represent the exchange of more socially necessary labour time for less.[2]

His position on the question of international solidarity of workers is that workers in the countries that are the beneficiaries of unequal exchange would suffer a fall in standard of living with the establishment of socialism in their country, because of the loss of the gains from unequal exchange. This means they have an objective interest in the maintenance of monopoly capitalism and hence no true basis for solidarity with workers in under-developed countries, who have an objective interest in the establishment of socialism and the ending of exploitation by national capitalists (via the appropriation of surplus value) and foreign capitalists (via unequal exchanges).

He produces three arguments in support of this view. Firstly that the wage differential between blue collar workers in the rich and poor countries is much greater than the differential between white collar and blue in the rich countries and therefore

> 'Unless we transpose it to the international plane, the category of "aristocracy of labour" is now an absolute one.'[3]

Secondly that the manifest lack of solidarity between workers in advanced and underdeveloped countries must be explained in terms of an objective divergence of interests since,

> 'It is vain and contrary to historical materialism to blame the bureaucrats of the working class parties and the masses' lack of awareness. After a century of social and political struggles, the masses have had time to give themselves the leaders and the parties they deserve.'[4]

Thirdly he counters a possible objection, that a world-wide socialist revolution will increase production to such an extent that it will be possible to wipe out inequalities between nations and more than compensate the rich countries for the effect of a redivision of wealth, by arguing that

> '(true) awareness is not concerned with choice between the short run and the long; it is concerned with the primacy of structure over conjuncture . . . if the working people of today decline to take account of the long run, this is perhaps because this long run is longer than ordinary people can look ahead. And that constitutes an <u>objective</u> obstacle to internationalism.'[5]

Awareness is defined as follows:

> 'Awareness on the part of the proletariat does not necessarily mean its adhesion to a revolutionary ideal which we lay down a priori and independently of it; this awareness means its grasp of its own interests as a class, as they transcend those of the individual proletarian.'[6]

The major weakness of Emmanuel's model is that, as he himself recognises, it makes the wage level the independent variable. He offers nowhere a satisfactory explanation of how international wage differentials come about. In reality, of course, the wage level is not an exogenous variable but is determined within the system.

The major limitation is that he considers only one type of unequal exchange - that resulting from wage differentials exceeding productivity differences in a situation where there is a tendency towards equality in the rate of profit. Another important source of unequal exchange may be monopoly pricing - where entry barriers prevent the erosion of higher than average profits. The relative importance of different sorts of unequal exchange in the contemporary world is an empirical question.

There are a number of important criticisms of his views on international solidarity of workers. Firstly it is not clear that he is correct, even on his own terms: that a divergence of interest exists if the ending of unequal exchange would produce a short-run fall in the standard of living of workers in the rich countries. The abolition of unequal exchange would reduce the income of the rich countries but the establishment of socialism would increase the share of that income going to the working class. The cake would be smaller but the capitalists' mouths would be eliminated. Whether the workers would be better off or not depends on the relative magnitude of the two effects. Thus international income differentials are only one relevant factor and national differentials are completely irrelevant to the consideration of whether the working class as a whole in rich countries have an interest in the establishment of socialism.

Further, to make a calculation of the relative importance of the size of the surplus and the gain from unequal exchange requires some conception of what would constitute equal exchange. Emmanuel does not provide one and the answer is far from self-evident. It would be one unit for one unit - in which case there is a valuation problem (how much cotton cloth is a crate of coca-cola worth?) - or an equal exchange of socially necessary labour time or trade at a rate of exchange and volume to give the workers in both countries an equal standard of living. Clearly the adoption of different criteria can lead to different conclusions about the existence of a basis for solidarity.

There are very significant costs involved in unequal exchange. The exploitative trade patterns existing in the world today are only maintained by enormous aid and military expenditure, and the immense costs of repression necessary for the maintenance of the "free world" must be offset against the gains from unequal exchange. Martin Nicolaus puts the point well:

> 'A look at any contemporary imperialist state budget will show that the system now carries a heavy overload; oppression is expensive, and growing more so. These costs and the blood-tax of conscription

are a debit against the privileges of the mass of metropolitan workers.'[7]

Secondly it is not clear that Emmanuel's terms are the correct ones. It is certainly not clear that the fact that true consciousness is concerned with the primacy of structure means that it excludes long run considerations. There are certainly situations where there is an objective divergence of short and long run interests. If Emmanuel is saying short run interests should always take precedence then he is doing what he explicitly condemns in his definition of true awareness - laying down an ideal a priori.

Finally, and perhaps most importantly, Emmanuel's whole cost benefit type approach, based on the single criterion of crude material well-being, takes not account of qualitative factors. The quality of life under monopoly capitalism is clearly of paramount importance in any discussion of whether workers in advanced countries have an objective interest in the maintenance of the system. Certain factors could, at least in theory, be quantified, such as the increase in output that would result from better working conditions and, more questionably, the qualitative change in output that would result from the democratization of the ownership of the means of production. (Strictly this could only be accurately quantified after the democratization since any calculations made before the event involve making a priori assumptions about needs under socialism. Rough estimates can be attempted however. See Baron and Sweezy's calculation of the size of the US surplus in Monopoly Capital.) The degree to which human potential would be more fully realized under socialism can clearly not be so neatly quantified. Unfortunately alienation is made no less real by being excluded from a cost benefit analysis.

## NOTES

1. Arghiri Emmanuel, L'Echange Inegale, Maspero, 1968. To be published in translation by Monthly Review Press.

2. This sort of example considers only one "round" of unequalex exchange. Trade may alter cost structures by cheapening, or making more expensive, the elements of constant and/or variable capital. Since unequal exchange involves a transfer of value from the victim to the beneficiary of the exchange it reduces the surplus available for re-investment in the poor country and raises it in the rich. Thus it intensifies uneven development.

3. A. Emmanuel, "The Delusions of Internationalism," Monthly Review, June 1970, p. 16.

4. Ibid, p. 18-19.

5. Ibid, p. 14 and 15.

6. Ibid, p. 15.

7. Martin Nicolaus, "The Theory of the Labour Aristocracy," Monthly Review, April 1970, p. 100.

# LETTERS FROM MARXIST GROUPS

## REPORT FROM GLASGOW UNIVERSITY

Hillel Ticktin

We have had a group running, but more as a Marxist discussion group than anything else. The most that could be said about it is that it met fortnightly with some 6 - 10 people and discussed such topics as the Effect of the Industrial Relations Bill; the Political Economy of South Africa and the Cuban Economy. The discussion was led by someone working on the subject.

We plan to do a more systematic treatment of subjects this year. At the moment the question of the nature of socialist planning in a socialist state is a subject for a paper. None of us see Eastern Europe other than as non-socialist, non-worker states and the exercise is, therefore, an attempt to formulate an economic programme for a socialist society - important for Eastern Europe itself. Since we have a nucleus around the Institute of Soviet Studies - this is almost certainly where our major contribution must be. We already have the draft of a paper.

In regard to courses which I run at the University of Glasgow, there is a course in non-Soviet Marxist Political Economy which is technically for post-graduate students of Soviet Studies but anyone else can turn up. I also run an extra-mural course with the same topic. Otherwise, there is a course in Soviet Social Structure - which is an attempt at working towards a political economy of the USSR - and as a background, a course in the History of International Communism. They are all taken by me. I am afraid that is the limit at this university. If there are any further developments I shall let you know.

If you require any more information I shall be happy to send it to you.

# LETTER FROM A GROUP OF MARXIST ECONOMISTS IN ARGENTINA

L. Barry

At the end of 1970, a group of young Marxist Argentinian economists got together in Buenos Aires - independently of their own political tendencies - to establish a centre of Marxian economic studies, which is now called Centro de Estudios de Economia Politica - CEEP - (Centre of Studies of Political Economy). The intellectual leader of this group, of about fifteen members, is O. Braun.

The main objective of the CEEP is to contribute to the revolutionary process that has started in Argentina during the last few years by means of theoretical practice in the grounds of political economy. For the achievement of this goal, CEEP members consider to be of crucial importance the diffusion of Marxist thinking, together with deepening of the study and research on the problems of imperialism and dependence of Latin America and, more specifically, of Argentina.

In spite of its short existence and the political problems that nowadays must be faced by any group or individual who propagates Marxist ideas in Argentina, the CEEP has done some important work. During 1971, two "Capital" reading groups for university students were formed and worked throughout the year. Two other courses were given by CEEP members for students and non-students, one in a Revision of Imperialist Theories, and the other one in Marxist Economics (this one specially designed for non-students).

Besides, the CEEP has started to publish some of its members' recent papers on different subjects. The authors and titles of those publications are:

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|---|---|
| O. Braun | <u>Imperialismo y Comercio Internacional</u> (Imperialism and International Trade). A critical review of the theories of imperialism and international trade, and basically a reformulation of the unequal exchange theory. |
| O. Braun & R. Kesselman | <u>Crisis Coyuntural y Estancamiento Estructural: Argentina 1971</u> (Conjunctural Crisis and Structural Stagnation: Argentina 1971). Intends to explain what has happened in the Argentinian economy during the last five years and the causes of the recent crisis. |
| L. Barry & J. Heilpern | <u>Politica Economica-Financiera y Coyuntura Politica</u> (Economic and Financial Policy and Political Conjuncture). |

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The links between the different economic policies adopted by the Argentinian dominant and ruling classes and the internal political situation since 1966 are explained in this paper.

The CIEP is linked to the CICSO, which is another group of Argentinian Marxist sociologists, historians and philosophers.

# INTERNATIONAL NOTES

Hugo Radice.

Over the past two years, we have corresponded with or sent information to well over 50 contacts overseas. About 30 subscribed to the conference on the state; others wrote asking for particular papers, for information or for contacts. We even had a subsidiary operating in Italy. The resultant network ought to be of great value in speeding up the transfer of ideas and in helping globe-trotting political economists find their feet in other countries. These notes are intended to supplement this by reporting in every issue of the Bulletin on organizations, publications and events which may be of interest, covering Britain for the benefit of those abroad as well as vice versa. If you want anything mentioned here, write to me at: 17, Kenilworth Court, Warwick Rd., Coventry CV3 6HZ - likewise if you know of or need contacts in other countries.

## UNION OF RADICAL POLITICAL ECONOMISTS

2503 Student Activities Building, University of Michigan, Ann Arbor, Michigan 48104, U.S.A.

URPE has been going for several years now. It has getting on for 1,000 members, runs an annual summer conference, and also regional conferences. Since May 1969, they have published the Review of Radical Political Economics; recent issues have been devoted to: "The War & Its Impact on the Economy" (Vol.2 No.3), "Case Studies in Imperialism and Underdevelopment" (Vol.3 No.1), "Radical Paradigms in Economics" (Vol.3 No.2), and "Capitalism, Inequality and Poverty" (Vol.3 No.3). They also publish occasional papers, the most recent being "The State, Power and the Industrial Revolution, 1750-1914", by Douglas Dowd; and a regular Newsletter.

Membership of URPE is $15 high income, and $7.50 low income; for this members receive all the publications. Subscription for institutions is $25.

## INTERNATIONAL INFORMATION CENTRE

Gronnegade 37, DK-1107 Copenhagen, Denmark.

From a recent circular:

"The objective of the Centre is to coordinate information and facilitate joint actions in the world anti-imperialist struggle. The Centre collects and distributes information on the following subjects:

1) The Military Industrial Complex
2) Universities and the Military
3) International Corporations
4) Aid to Developing Countries

We therefore ask you to send us any material you might have on the subjects in question.

We invite you and all groups engaged in the anti-imperialist struggle to become members of the Centre. Membership costs £2 for one year".

Their publications include: Report on Weaponry in the Nordic Countries; Report on Honeywell; Report on the

World Bank (new issue Jan. 1972); the Common Market (Spring '72).

HAFTEN FOR KRITISKA STUDIER
Brunnsgatan 28, 11138 Stockholm, Sweden.

A theoretical socialist review circulating throughout Scandinavia, keen to build up international contacts, and to help anyone looking for contacts in that part of the world.

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## A TRADE UNION STRATEGY IN THE COMMON MARKET

A Review.

Edmond Sciberras (1)

Centre for Contemporary European Studies,
University of Sussex.

26th November, 1971.

A Trade Union Strategy in the Common Market subtitled more accurately the Programme of the Belgian Trade Unions, edited and introduced by Ken Coates (Spokesman Books 1971) is the text of the report of the 1971 Congress of the Belgian General Federation of Labour (FGTB), on the Programme of Workers' Control.

The central theme of the Report is the distinction between the concept of Workers' Control which was defined as consisting 'of continual limitation of arbitrary action on the part of employers, thanks to measures permitting the intervention of the workers in areas which previously escaped them - by progressive conquests within the framework of the Unions which preserve the autonomy of their rights and powers which are continuously being renewed, assuring for the workers progressive mastery over economic and social life ... at all levels'

and other forms of participation such as that in France, with compulsory workers' shareholding and W. Germany's 'co-determination', with joint worker and shareholder managing bodies, which only serve to integrate workers into the capitalist system. The failure of these other participatory forms rests on the fundamental misconception that

> 'economic power, like political power in a coalition government can be shared between workers and bosses in an enterprise'.

Defining it's activities as traditionally motivated by an attitude of 'competitive participation tending towards changing the system', the conference sought to discuss measures intended to achieve Workers' Control, with the Trade Union Movement in the forefront of the struggle.

The recognition of the need to co-ordinate Union activities from the enterprise level (by restructured factory councils) to industry and regional-wide bodies, then finally to national organisations is the most exciting aspect of the Report. It is here that rather than a defensive or reactive role by the Union movement, a strategic initiative can be seized in the anti-capitalist struggle.

> 'When economic decisions are taken at a higher level than that of the company, (the case of companies run by a holding is an example) the usefulness of links at the level where decisions are really taken is obvious. It would also be very convenient to forge links at the level where decisions should be taken and where this does not yet happen ...'

Equally significant strategically is the recognition of the implicitly collaborationist character of co-management plans in the proposals for the European Limited Company and the importance of resistance by the Belgian and European Union Movements generally, to this form of participation in favour only of Workers' Control.

In the struggle it will pay the workers' movement to always keep in mind the Revolutionary maxim of Chairman Mao

> 'Support whatever the enemy opposes and oppose whatever the enemy supports'.

Unfortunately, although for revolutionary marxists not necessarily surprising, the performance and results of the activity of the FTGB are not as impressive as the Programme which the Report outlines. Nor is the Union Movement's 'resistance' as clear as the Conference statements. The Conference's own account of the movements' achievements since 1948 is a record of lost initiatives and farcical representation. After lamenting the defects of the 1948 Law resulting in the failure to achieve expected transformations, (what happened to the lessons of Lenin's, State and Revolution?) and the persistence of employers not to live up to the spirit of the Law (comment here is unnecessary) the Report concludes

> 'It is impossible to deny that subsequent experience dashed the hopes invested in this institution'.

In spite of the impressive list of institutions on which the FGTB is represented, time and time again (there is no room here for details of each instance) a closer scrutiny will show either the Government or the employers having right of veto over decisions. Or as is most frequently the case, examination will reveal the power of the institutions concerned as merely consultative.

The most that the Report can conclude as to the actual experience of the factory councils is that, 'they provide an opportunity for monthly encounters between labour and management'. This hardly seems necessary in view of the hourly and daily experience of the management by workers in their place of work. The Report continues,

> 'These meetings, even if they seem to be dialogues between deaf people, form habits of contact which influence industrial relations. They are one way in which Union recognition is expressed'.

As a record of achievement, this is a far cry from 'competitive participation ... (with) continual limitation of arbitrary action on the part of employers ... assuring for the workers progressive mastery over economic and social life at all levels'.

Perhaps the most serious failure of the FGTB with these 'transmission belts of revolution' can be gleened from a comparison of the crucial importance given to the role of the Factory Councils in the achievement of Self-Management, through which only, workers ' will gain maximum control over their labour as a stage towards mastery over their lives', and their actual role in relation to the workers, described in the Report in the following terms: 'The image of the Factory Council is hazy and is not very clearly perceived by the workers nor even by their delegates'. Furthermore, the occupation of the representative positions on the various committees, especially at the important industry and national levels, by officials of the distant Union hierarchy would do little to stimulate ordinary worker participation. How relevant is the spirit of criticism mentioned in the Report, 'You only take part in elections once every four years but you go to the workshop every day', to the Trade Union movement also, from the point of view of the worker on the shop floor.

Marxists must ask to what extent these failures have been inevitably due to the limitations of Trade Unions themselves. 'Marx, Lenin and Gramsci were all emphatic that trade unions could not in themselves be vehicles of advance towards socialism ... They can bargain with the society, but not transform it,' noted Perry Anderson in another book to which Ken Coates contributed.

Yet this is precisely the aim of the FGTB; the transformation of society by the gradual erosian of decision making power from the employers to the Union representatives. They argue

> 'there will be no end to the basic dissatisfaction engendered by alienation at work by increasing wages or by decreasing the number of working hours. Work like leisure or consumption should be subject to the worker's choice. The parts of their lives which wage earners devote to work cannot be left to the arbitrary decisions of management or the inhuman logic of economic laws'.

However, the transformation of society cannot take place by a gradual movement through quantity into quality. Neither the capitalists nor the bourgeouis state will permit such and extension of Union decision making power, that society will gradually achieve a qualitatively different set of goals. As any student of Marx knows, the inevitable contradiction between the goals of the working-class and the bourgeouisie will reach intractable positions long before this. If Coates wants to offer the advice of Chairman Mao to the working-class, more appropriate for the FGTB is the following quotation from 'On Contradiction',

> "Revolution and revolutionary wars are inevitable in class society and without them, it is impossible to accomplish any leap in social development and to overthrow the reactionary ruling classes and therefore impossible for the people to win political power".

Ed Sciberras.