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# Marxist-Leninist Organisation of Britain

## Principles of Marxism-Leninism

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P R I N C I P L E S       O F

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M A R X I S M - L E N I N I S M

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An elementary course

Class Three : How Capitalism Works (Part Two)

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The INTRODUCTION to the course, which contains details of the recommendations of the Marxist-Leninist Organisation of Britain as to the methods of conducting the course and its aims, was published with Class One.

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### SYLLABUS

- Class One: The Development of Society.
- Class Two:
- Class Three: How Capitalism Works.
- Class Four: The State and the Road to Socialism.
- Class Five: The Party of the Working Class.
- Class Six: The National Question.
- Class Seven: War.
- Class Eight: How Socialism Works.
- Class Nine: The World Outlook of Marxism-Leninism.
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### HOW CAPITALISM WORKS (Part Two)

#### 1. WHAT IS THE ACCUMULATION OF CAPITAL?

The transformation of surplus value into new capital.

Even if the rate of exploitation remains unchanged, the accumulation of capital enables the number of exploited workers to be increased, thus increasing the total surplus value obtained by the capitalist firm concerned.

#### 2. THE NEW MEANS OF PRODUCTION OBTAINED AS A RESULT OF THE ACCUMULATION OF CAPITAL TEND TO BE MORE MECHANISED THAN THE OLD. WHAT ADVANTAGE DOES THIS GIVE THE FIRM CONCERNED?

The increased productivity resulting reduces the cost of production of each commodity and enables the firm (as long as it enjoys a technical advantage over its rivals) to make an above-average rate of profit.

NOTE: We call the ratio of constant capital (plant, etc.) to variable capital (wages) the organic composition of capital. Thus, with the development of capitalist society, the organic composition of capital tends constantly to increase.

#### 3. WHAT IS THE CONCENTRATION OF CAPITAL?

The enlargement of individual capitals (i.e., of individual firms) into larger and larger units. The concentration of capital follows from the process of accumulation of capital.

#### 4. LEAVING ON ONE SIDE THE ACCUMULATION AND MECHANISATION OF CAPITAL, HOW CAN A CAPITALIST FIRM INCREASE ITS PROFITS?

Only by increasing the amount of surplus value it obtains from each of its workers, for example,

- 1) by cutting wages (allowing prices to rise while

wages are "frozen" represents a cut in real wages);

2) increasing hours of work without a corresponding increase in wages;

3) increasing the intensity of work by such methods as piecework wage systems (where wages are geared to the intensity of work), "speed-up", time-and-motion study (designed to eliminate any actions which do not contribute to production), etc.

#### 5. WHAT IS THE BASIS OF THE CONFLICT OF INTEREST BETWEEN CAPITAL AND LABOUR WHICH WE CALL "THE CLASS STRUGGLE"?

The division of the value produced by the workers between two classes -- the capitalist class (surplus value) and the working class (wages). Higher profits can be obtained, in general, only at the expense of the living and working conditions of the workers, while improved living and working conditions for workers can be won, in general, only at the expense of capitalist profit.

There is thus a fundamental conflict of economic interest between the working class and the capitalist class. At times smouldering beneath the surface, at times bursting into the open flames of strike and lock-out, revolution and counter-revolution, the class struggle is inherent in capitalist society. No repressive measures can do more than hold it down for a time. It will disappear only when capitalists have disappeared from the world.

#### 6. WHAT ARE THE BASIC CAUSES OF SLUMPS?

The unplanned, anarchic character of production under capitalism (by which each firm plans its production in the hope of realising maximum profit for itself), combined with the fact that the working class (who comprise a majority of the population) receive in wages considerably less than enables them to buy all the goods they produce.

Periodically, therefore, a glut of unsold goods

piles up in the warehouses and orders to producing firms are drastically cut. As a result, capitalists cut back their production, putting many of their workers on short-time or dismissing them altogether. As a result, the purchasing power of the working class is reduced still further, orders are further cut back, and the whole system sinks into a vicious spiral of depression, with mass unemployment and widespread bankruptcies.

When production has fallen to a low level (often with masses of surplus produce being destroyed), the warehouses are compelled to order at least a minimum quantity of the goods required by the population. As a result, the capitalists take back some workers into employment and, in consequence of the rise in the purchasing power of the workers, more orders flow into producing firms. The system picks up into a recovery, followed by a boom -- at the height of which a new crisis of "over-production" begins to take shape.

This alternation of boom and slump forms the capitalist trade cycle and is common to all capitalist countries.

#### 7. WHAT IS CENTRALISATION OF CAPITAL?

The passing of the control of capital into fewer and fewer hands.

This comes about because a large firm has several important advantages over a smaller one: larger capital resources and reserves, better opportunities for technical research and the bulk buying of raw materials, etc. Thus, during an economic crisis it is the smaller firms which run the greatest risk of insolvency, while at all times there is a tendency for larger firms to take over small firms (and, today, larger firms as well).

The concentration and centralisation of capital leads to a qualitative change in the character of capitalist society. From competitive capitalism it develops into monopoly capitalism.

## 8. WHAT IS A MONOPOLY?

A firm, or association of firms, which possesses monopoly power, i.e., which controls so much of the output of a commodity within a market that a competitive market can no longer be said to exist.

## 9. WHAT ARE THE ADVANTAGES OF MONOPOLY POWER?

A monopoly can fix the prices of its commodities at a higher level than would operate in conditions of competition, i.e., it can hold the prices of its commodities above their value. It can assist this process still further by artificially restricting output. Thus a monopoly can make a higher rate of profit than would operate in conditions of competition.

## 10. A MONOPOLY MAY BE: 1) A TRUST; 2) a COMBINE; or 3) A CARTEL. WHAT ARE THE CHARACTERISTICS OF EACH?

A trust is a single giant firm with monopoly power, such as Imperial Chemical Industries.

A combine is a group of firms under single control and possessing monopoly power, such as Unilever. Control of such a group is usually exercised through a holding company, i.e., a company which exists to hold shares in other companies.

A cartel -- commonly called a ring -- is an association of separate firms which agree to restrict competition between themselves in their mutual interest, e.g., to fix production quotas and shares of the market for the firms involved, and to fix common prices for their products.

## 11. DOES MONOPOLY END COMPETITION?

No. It reduces competition within the area covered by the monopoly, while accentuating it in other fields, e.g., between monopoly capitalists and non-monopoly capitalists, and between rival groups of monopoly capitalists in the same or different countries.

## 12. WHAT IS FINANCE CAPITAL?

As capitalist society develops, concentration and centralisation proceed in banking as in industry, and a merging of banking and industrial capital takes place, so that a small group of monopoly capitalists -- a financial oligarchy -- comes to control the large banks and financial institutions as well as the large industrial firms. This merged bank and industrial capital is called finance capital.

## 13. WE HAVE SEEN THAT ALL CAPITALIST CLASSES ARE FACED WITH A MARKET PROBLEM. HOW DO THEY ENDEAVOUR TO SOLVE THIS MARKET PROBLEM?

They could, of course, "in theory" raise the workers' wages to equal the value of the commodities they produce, but since this would reduce surplus value to nothing capitalists do not consider this course of action practicable!

Consequently they try to solve their perennial market problem by exporting commodities. Since all developed capitalist countries have a market problem, each directs its export drive primarily towards less developed countries.

## 14. EXPLAIN THE FOLLOWING STATEMENT:

"THE EXPORT OF COMMODITIES LEADS TO THE EXPORT OF CAPITAL AND TO COLONIALISM".

Because an undeveloped country is economically backward, its population as a whole is usually poor. Furthermore, its economy tends to be autarkic (that is, relatively self-contained within a very restricted area). Thus, an undeveloped country provides a poor market for the surplus goods from a developed capitalist country unless its economy is basically transformed.

This is one reason why capitalist firms "export capital" to such undeveloped countries, i.e., invest it in acquiring large tracts of land for conversion into plantations and in establishing mines to exploit

the country's mineral wealth. They flood the country with cheap manufactured goods which ruin many of the native artisans (who still use handicraft methods that cannot compete with machine production). And if they can control the administration of the under-developed country -- a process which we call colonialism -- they can force a large part of the peasantry from the land they have traditionally held (for example, by imposing money taxes which cannot be met except from wages).

These ruined artisans and landless peasants are compelled to seek employment at starvation wages in the foreign-owned plantations and mines, producing cheap raw materials and food for the developed capitalist country (at a very high rate of profit for the firms concerned, which provides a second very important reason for the export of capital) and providing a market for the surplus manufactured goods from the developed capitalist country -- a market which in the case of a colony can be closed to other capitalist countries by tariffs and other trade restrictions.

A colony may also have importance as a military base for the colonial expansion of a developed capitalist power into new areas.

#### 15. WHAT ARE SUPER-PROFITS?

Surplus value which a capitalist class obtains from the exploitation of workers outside its own country, particularly in under-developed colonial-type countries where the degree of civilisation (and so the value of labour power) is lower than in the developed capitalist country, so that the rate of profit is (often very considerably) higher.

#### 16. WHAT IS A COLONY?

A colonial-type country which is administered directly by a developed capitalist country (e.g., Hong Kong, Angola).

#### 17. WHAT IS A SEMI-COLONY?

A colonial-type country which is dominated by one or a group of developed capitalist countries, but which retains nominal self-government, e.g., China in the late 19th. and early 20th. century, Israel).

#### 18. MAOISTS AND "BLACK NATIONALISTS" CLAIM THAT THE WORKING CLASS OF A DEVELOPED CAPITALIST COUNTRY SHARES IN THE EXPLOITATION OF THE WORKING PEOPLE OF COLONIAL-TYPE COUNTRIES. IS THIS TRUE?

No. The super-profits wrung from the exploitation of the working people of colonial-type countries go to the monopoly capitalists of the developed capitalist country involved. While a small portion of these super-profits is used to "bribe" a small stratum of the highly-paid workers (chiefly the officials in the labour movement who act as agents of monopoly capital), the workers as a whole receive only the value of their labour power in wages and do not share in super-profits.

The fact that the standard of living of the British working class has risen over the past fifty years is not because they receive more than the value of their labour power in wages, but because the value of their labour power has risen. A large portion of the super-profits from colonial-type countries has been used to accumulate capital and mechanise production at home, so that productivity has risen and with it the degree of "civilisation" which contributes to the determination of the value of labour power. In other words, total production has risen very considerably over the past fifty years, and the working class has been accorded a minor part of this in the form of increased real wages. Despite this, the share of the working class in total production has fallen, so that the exploitation of the British working class has increased in this period.

19. THE ECONOMIC TRANSFORMATION OF A COLONIAL-TYPE COUNTRY IN TIME LIMITS THE USEFULNESS OF THE COUNTRY TO THE DEVELOPED CAPITALIST COUNTRY CONCERNED. HOW DOES THIS COME ABOUT?

The monopoly capitalists need a stratum of well-educated native people to serve as civil servants, office workers, etc., and these become frustrated by the fact that the higher positions are reserved for representatives of the foreign power which dominates their country.

And although the foreign monopoly capitalists try to limit capitalist development in the colonial-type country (other than that which they control), in order to bring out the raw materials and food from the country the foreign capitalists need railways, harbours, etc. This helps to develop a national capitalist class (which feels frustrated by the restrictions placed by the foreign rulers on its capacity to exploit the workers of its own country) and cannot ultimately avoid developing a degree of native capitalist industry which competes with the export industries of the developed capitalist country. It also creates an industrial working class which, by reason of its concentration, plays a leading role in developing a labour movement, which begins to struggle for higher wages and better working conditions (that is, to reduce the exploitation of the working people of the colonial-type country at the expense of super-profits).

In time all these factors lead to the rise of a movement of national liberation, the aim of which is free the colonial-type country from the domination and exploitation of the foreign monopoly capitalists.

20. WHAT IS IMPERIALISM?

Imperialism is monopoly capitalism or finance capitalism.

A capitalist society has developed to the stage of imperialism when:

1) the concentration and centralisation of production has developed to such a high stage that it has created monopolies which play a decisive role in economic life;

2) the merging of bank and industrial capital has developed to such a high stage that it has created, on the basis of this finance capital, a financial oligarchy;

3) the export of capital, as distinguished from the export of commodities, has become extremely important.

On a world scale we must also note the creation of international capitalist monopolies and the fact that by 1914 all the undeveloped countries of the world had been brought within the sphere of influence of one or other imperialist power, so that further imperialist expansion could only be at the expense of some other imperialist power.

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The next class will be:

THE STATE AND THE ROAD TO SOCIALISM