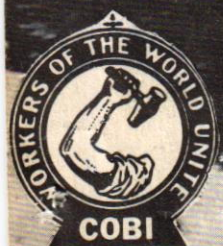


THE CRISIS OF BRITISH CAPITAL

part 1,
causes



Proletarian
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PREFACE TO THE SECOND EDITION (JUNE, 76)

There is no final crisis of capitalism - not in the absolute sense at least. There is no point at which capitalism as a mode of production simply falls off the cliff of history, whereupon the 'socialists' or 'revolutionaries' come around to pick up the pieces.

Capitalism is the only mode of production whose very existence depends upon revolutionising its productive base (due to the competitive pressures of capital accumulation). Accordingly it also happens that capitalism can and does revolutionise the social forms under which accumulation takes place, for its more efficient functioning. It is profoundly mistaken to look to the private ownership as the distinguishing feature of the bourgeois regime, as has been traditional in the countries of capitalism's original emergence. On the contrary, this is increasingly outmoded even in areas of Western Europe which are now well advanced towards a state capitalist mode with suitable social democratic/welfareist superstructure.

Change - sudden and qualitative - is inherent in capitalism. For instance in Britain we have seen the switch from the pre-war laissez faire norm to post war Keynesian orthodoxy. As predicted in the previous edition of this pamphlet, Keynesian indirect methods of demand management, are now being replaced by overt state dirigisme, predicated upon Labour Party/T.U.C. corporatism, and utilising massive capital injections drawn from state revenues.

Hence there is no point at which capitalism will by its own inertia, simply run smack into a brick wall, to be stopped dead. Only active confrontation by the proletariat can put an end to it.

Only when the proletariat is armed with class initiative and scientific socialism can this occur. And these vital ideological actions do not drop from the skies, nor do they spring out of the ground of immediate experience. They come only from the class party that has arisen in the course of the struggle to formulate and disseminate a scientific programme; one whose first prerequisite is to constitute the proletariat as a political class. In the first instance this means supplanting the defencist, sectorial trade unions with the offensive, consolidated, Industrial Unions.

It is to the causes of this crisis in world, but more especially British, capital that this pamphlet is addressed, so that by grasping the objective dynamic beneath appearances, it can be made the penultimate crisis. That means studying its lessons theoretically.

The substance of Proletarian Pamphlet No.2:- The Crisis of British Capital; its causes and consequences is essentially unchanged from the first edition of the pamphlet of June 75. But it has been extended and section 1 entirely rewritten as the previous edition contained errors in the estimation of exploitation. This edition, is also provided with better statistics (described in appendices). Further, Section 4 has been substantially lengthened, and again new appendices added. This makes the four sections together far too unwieldy to be a single pamphlet since the sections deal with different aspects of the crisis, we have accordingly split the pamphlet up into two parts of two sections each. We now have
Part 1 = Causes
Part 2 = Consequences

The Glossary of Terms is a new feature and appears at the end of section 1, though of relevance to both.

Further Reading (of items not cited in the text), plus a list of abbreviations appears at the end of part 2, and is likewise relevant to both parts.

COBI WELCOMES COMMENT UPON, AND CRITICISMS OF THIS PAMPHLET AND ALSO OF THE REST OF ITS PUBLICATIONS.

The Crisis

1. Britain was the country of the industrial revolution. It was here that a new form of society, industrial capitalism, was born. Having given birth to this capitalist mode of production, Britain has been dominated by it more completely than any other country. The present crisis, referred to in the press as "Britain's crisis" must be understood as a crisis of this capitalist mode of production. It is a crisis affecting capitalist society on a global scale, but one which manifests itself with special intensity in this the oldest and most decadent of all the capitalist nations.

The essential features of capitalism

2. Capitalist production has two essential features that distinguish it from all past and future systems of production.

(i) Social labour takes place in separate units of production, which can only maintain themselves by selling their products as commodities. Production is for society since goods are not directly consumed by those who make them; (shoes for example are produced for public consumption, not just those working in shoe factories). At the same time however, production is subordinated to private interests. Production takes place in separate enterprises each of which seeks only its own gain. The enterprises are not interested in the useful qualities of their products, but as these products are their private property they are unwilling to give them up unless they can receive something equivalent in return. Here we see the first contradiction of capitalist production; how can the product pass from the unit of production to the consumers without the former losing any of its property?

This paradox is only resolved by the product becoming a commodity and being sold for its equivalent in money. In what sense is money "equivalent" to the commodity that it purchases?

It is equivalent because with this money it is possible to purchase other commodities that have the same value as the original commodity. And what is the source of this value? Why are these commodities valuable?

The commodities are valuable because part of society's labour has been used up in their production. The value of a commodity is nothing other than the number of manhours of social labour that are required for its production. The more labour that society must devote to a commodity's

production, the more valuable it is. It is this underlying value that in the long run, determines prices of commodities. If the prices of commodities fall below their values, so that the producers are unable to sell them for their equivalent in terms of money, they will be unwilling to continue production. So we see that the system of commodity production already contains the seeds of crisis, arising from this contradiction between private property and social production.

- (ii) The second feature of capitalism is that the direct producers are separated from the means of production and reduced to the status of wage slaves.

The separation of the producers from the means of production, the concentration of these means of production in the hands of a class of capitalists, and the consequent creation of a propertyless proletariat is the result of a historical process that goes through two phases. The first of these is the formal subordination of labour to capital. The formal subordination of labour to capital arises on the basis of the forcible dissolution and destruction of precapitalist systems of production. At this stage the technology of production is based on simple manually operated tools. It is still technically possible for an individual worker to use these tools to produce on his own account without the intervention of a capitalist. As a result, if the capitalists are to obtain wage slaves, a class must be created that lacks the tools and other means of production required to produce independently. To achieve this, the rural population must be driven from the land into the cities where they can be brought under capitalist exploitation. The means by which the link between the peasantry and the land is broken by a landlord class, the flight of peasants from debts, war and its attendant destruction, all play their parts in the creation of a class with no property but their ability to expend labour power. Having no other means of subsistence, they are forced to sell this labour power to the capitalists.

The value of a commodity is determined by the labour required to produce it; the same applies to the commodity labour power. Its value is set by the labour necessary to maintain the worker and his family at their customary standard of life. In other words, the value of labour power is determined by the labour required to produce the food, clothing, housing etc, used by the labourer and his family. But one day's work produces more than is required for maintenance. The difference between the number of hours required to maintain the workers and the total number of hours worked each day is the surplus labour, (producing surplus value) which is the source of capitalist profit.

During this first stage of capitalism, the main means by which capitalists obtain surplus value is through the lengthening of the working day, so that the surplus labour results from an absolute increase in the amount of work performed. In consequence, a major feature of the proletariat's struggle against exploitation is the fight for a shorter working day.

The second stage in the separation of the producers from the means of production is what Marx termed the real subordination of labour to capital.

During the first stage independent production by artisans and other small producers was still technically possible. In this second stage where the production processes comes to be based upon large scale machine industry, the nature of the forces of production becomes such that they can only be worked by associated labour. Small scale, independent producers can't compete with capitalist industry. Driven into bankruptcy, they are forced down into the ranks of the proletariat. The work started by political and legal repression during the first stage of the separation of the producers from the means of production is now completed by the technical superiority of capitalist production.

The development of productivity that accompanies the real subordination of labour to capital opens up new possibilities for exploitation. Previously capital had relied upon the production of absolute surplus value through the lengthening of the working day; now it becomes possible to produce relative surplus value by reducing the value of labour power. The developing productivity of labour allows the value of labour power to be reduced without real wages having to fall, since, as labour becomes more productive, less labour is needed to produce the goods that workers consume. As the labour necessary to reproduce the workers falls, the surplus portion of labour must rise. *given no rise in 'C'!*

Some Contradictions of Capitalist Development

3. Once the real domination of labour by capital has been established, the production of relative surplus value becomes the driving force behind economic development. The nature of this development, however, is inherently contradictory. Each individual capitalist acts only to maximise his rate of profit. They invest in new machinery capable of improving labour productivity because this enables them to cut costs, undercut their competitors, gain a larger share of the market, and thus increase their profits. But by improving labour productivity and making the product easier to produce they reduce its value. At first, any gains they make are at the expense of their competitors who have not yet installed new machinery, and can't

produce so cheaply. The result is that these competitors are themselves driven out of business - just as they had previously contributed to the impoverishment of the independent artisans. The immediate result of the development of productivity is that each branch of production becomes dominated by fewer capitals. The process by which relative surplus value is produced leads to the concentration of capital ownership. Large capital grows at the expense of small because it is more efficient.

In addition to acting as a constant process of expropriation, the production of relative surplus value tends to result in a falling rate of profit. (for detailed explanation of this see appendix 1) The development of productivity usually involves the introduction of more complex and expensive machinery. The value of capital invested in machinery tends to increase relative to the number of workers employed. But since profit arises from the exploitation of living labour not inert machinery, this tends to mean that less profit is produced for each £ invested in machinery. Therefore the rate of profit per £ of capital invested tends to fall.

This decline in the rate of profit is at first only a relative tendency, a tendency offset by other factors. The first is that the production of relative surplus value, by reducing the value of labour power, allows a greater quantity of surplus value to be extracted from each worker. This increase in the quantity of surplus value at first tends to prevent the rate of profit from declining. Secondly; the improvement in productivity also affects those industries where machines are produced. The value of machinery tends to fall; it becomes cheaper. This means that although an increased mass of machinery may be employed per worker, the cheapening of this machinery could result in it representing a smaller value of capital. Where this is the case, an increase in the quantity of machinery used will not lead to a fall in the rate of profit. We shall see how this decline in the rate of profit becomes transformed in the course of capitalist development from a relative tendency into an absolute law.

* What is the Decadence of Capitalism

4. According to the Marxist conception you can't say that any social system is absolutely progressive or absolutely reactionary. Capitalism can only be judged progressive or reactionary compared to other social systems. Within a society capitalism enters its reactionary phase once its historic task is complete, once it has finished the work of expropriating and proletarianising the independent producers: the peasants and artisans.

In this historically reactionary phase, the contradictions of capital accumulation become increasingly difficult to solve. Capitalism is production for the sake of surplus value, but since this surplus value comes from the exploitation of wage labourers, the limit to the amount of surplus value that can be produced is set by the size of the proletariat. The more workers who are being exploited the greater the surplus value. Whilst capitalism exists alongside petty production, the production of relative surplus value is continually ruining masses of petty producers and forcing them down into the proletariat. This ensures a growing proletariat available for exploitation. When this is combined with the effects of the falling value of labour power the result is a rapid expansion in the production of surplus value.

The expansion in the quantity of surplus value produced would slow down the fall in the rate of profit. If this is not enough, there are two other effects that accompany this rapid expansion of the proletariat. The constant influx of new elements into the working class means that the trades union struggle is carried out under unfavourable conditions. The existence of a large reserve army of unemployed, constantly topped up by migration from the countryside, means intense competition for what jobs are available. Wages can be pushed down by employers till they are actually below the value of labour power. In other words, real living standards decline. Improvements in productivity lead to the increasing misery and impoverishment of the proletariat.

Secondly, a rapid expansion in the number of workers employed provides a ready outlet for capital investment, which slows down any tendency for the capital employed per worker to increase, since its value is spread over more workers. ?

During this expansionary phase of the capitalist mode of production such crises as occur are of the cyclical rather than the chronic sort. Prosperity and depression succeed each other in a 10 year cycle. During boom times, increasing production and employment accompanied a big expansion of credit. Capitalists borrow to finance an expanded scale of production. Low unemployment however, allows workers to win higher wages. This decreases profits. In response investment is cut back, and new orders slowed down. Capitalists who had borrowed on the expectation of a bouyant market find themselves with unsold stocks unable to meet their debts.

A round of bankruptcies and company failures follows. Prosperity is transformed into depression. Unemployment rises again, wages again fall preparing the way for the next round of profitable exploitation with a larger and worse-paid labour force whose morale and Trade Unions has crumbled in the meantime.

5. The Formation of a Surplus Population

The continued existence of a relative surplus population that can be drawn into the exploitation process is vital to the accumulation of capital. Marx identified three forms of such a Relative Surplus Population.

- (i) The floating reserve population. This is constantly generated by the development of technology that accompanies the production of relative surplus value. If machinery is introduced that is capable of doubling the output of every worker in the shoe industry, what will happen?

First the price of shoes will fall as each shoe will now contain less labour. This fall in price may stimulate an increase in sales but the rise in sales is unlikely to compensate for the fall in price.

If prices fell from £8 per pair to £6 per pair, and if at first 10 million shoes were sold a year we would start out with sales of £80 million a year. Suppose that as a result of the price cut sales rose by 2 million to 12 million we would end up with sales of only £72 million: a fall of £8 million. This decline in the value of sales means we have over-production of shoes. Under capitalism over-production leads to unemployment, in this case among shoe workers.

The production of relative surplus value thus necessarily entails the constant "setting free" of workers as a result of improvements in productivity. These workers "set free" are what might be called the internal surplus population generated by capitalism. They make up the floating reserve population.

- (ii) The latent reserve population. This is historically the most important part of the surplus population. It is made up of that part of the population employed in agriculture.

"Part of the agricultural population is therefore constantly on the point of passing over into an urban manufacturing population, and on the look out for circumstances favourable to this transformation. (Manufacture is here used in the sense of all non agricultural industries). This source of relative surplus population is thus constantly flowing". (capital I P.642).

- (iii) "The third category of the relative surplus population, the stagnant, forms a part of the active labour army, but with extremely irregular employment. Hence it furnishes to capital an inexhaustible reservoir of disposable labour power. Its conditions of life sink below the average normal level of the working class; this makes it at once the broad basis of special branches of capitalist exploitation. It is characterised by the maximum of working time and the minimum of wages. We have learned to know

its chief form under the rubric of "domestic industry". It recruits itself constantly from the supernumerary forces of modern industry and agriculture, and specially from those decaying branches of industry where handicraft is yielding to manufacture, manufacture to machinery".

(Capital I P.643).

The second and third forms of surplus population rely upon capitalism not yet having fully industrialised an economy. Once agriculture has been reduced to the status of a minor branch of the economy accepting only a few percent of the workforce then it ceases to supply industry with "a surplus" population. When manufacture and handicraft have fully given way to industry then the stagnant reserve also dries up. Capitalism is then left only with the floating reserve that is released by improvements in productivity. This reserve is the result of two conflicting tendencies. (a) the rise in the organic composition of capital, which means that a larger proportion of capital is invested in machinery so that each fl million of capital employs fewer workers. This rise in the organic composition of capital releases workers. (b) The accumulation of capital as profits are reinvested as capital in new enterprises thus creating demand for labour and absorbing the floating reserve army. Only if the first process exceeds the second i.e. if the organic composition of capital rises faster than the overall accumulation of capital, does capitalism find itself with a secure reserve population. If this does not happen, the accumulation of capital meets with a limit set by the supply of labour power. But this interruption of accumulation leads to unemployment and an expansion of the floating population. Hence the paradox that under capitalism a shortage of labour power results in unemployment!

"That the natural increase in the number of labourers does not satisfy the requirements of the accumulation of capital, yet in all times is in excess of them, is a contradiction inherent in the movement of capital itself. It wants larger numbers of youthful labourers, a smaller number of adults. The contradiction is not more glaring than that other one that there is a complaint of the want of hands, while at the same time many thousands are out of work, because the division of labour chains them to a particular branch of industry." (Capital P.641).

Even in the current depression, the most grave since the advent of Keynesianism over a generation ago, employers are often heard to lament dearth of "the right kind of labour" in the right place at the right time.

When capitalism has completed its historic task of proletarianisation, the balance of class forces changes. As the size of the working class stabilises, union organisation becomes stronger and more capable of defending and improving wage

Chart I : Agricultural in relation to total labour force

	1841	1851	1861	1871	1881	1891	1901	1911	1921
Agricultural Employees ('000s)	1515	2017	1942	1769	1633	1502	1406	1496	1434
Total Employees	6908	9737	10,523	12,752	12,731	14,499	16,280	18,286	19,354
Agricultural as % of total	22%	21%	18%	14%	13%	10%	9%	8%	7%

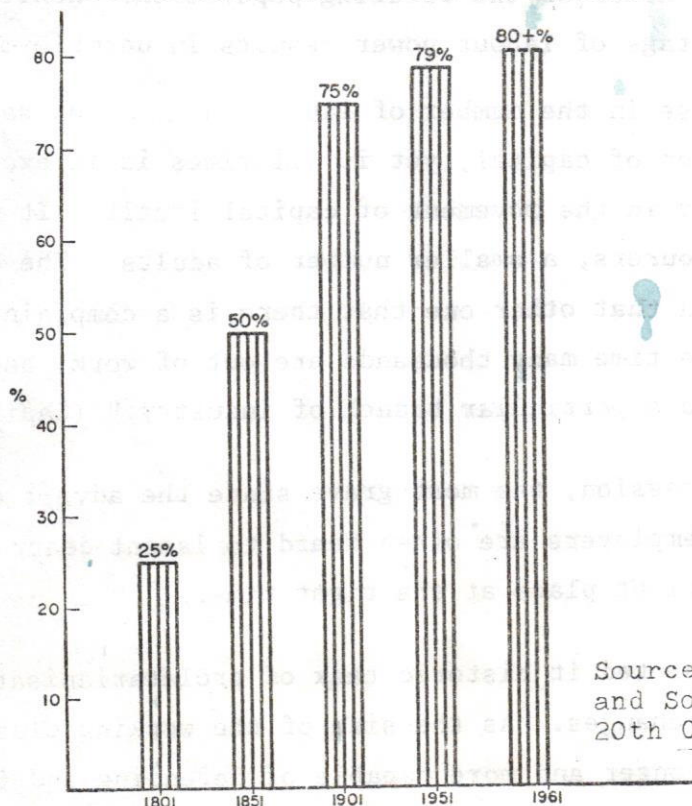
Source: Census.

Table I : POPULATION OF MAIN CONURBATIONS, 1901-1961 (To nearest thousand)

Conurbation	1901	1911	1921	1931	1951	1961
Greater London	6,586	7,256	7,488	8,215	8,348	8,172
SE Lancashire	2,117	2,328	2,361	2,427	2,423	2,427
West Midlands	1,488	1,634	1,773	1,938	2,237	2,344
West Yorkshire	1,524	1,590	1,614	1,655	1,693	1,702
Merseyside	1,080	1,157	1,263	1,347	1,382	1,386
Central Clydeside	1,343	1,461	1,638	1,690	1,760	1,802
Tyneside	678	761	816	827	835	852

SOURCE: Censuses of population, England and Wales and Scotland.

Histogram I : THE PERCENTAGE OF THE POPULATION CLASSIFIED AS URBAN



Source: Short Economic and Social History of 20th Century Britain.