

# Unemployment

A Weapon of  
the Capitalists



AN I.M.G. PUBLICATION

by PETER HAMPTON

## **ERRATUM**

*Page 1, six lines from bottom, should read:*

'... the pursuit of profit is the primary stimulus of industry and the absence of it is the primary cause of stagnation and decline.'

## THE FIGURES TELL THE STORY

The government- and media-encouraged myth of a swinging, booming Britain took another blow with the publication of August's unemployment figures. The Department of Employment reported the highest unemployment since 1940 with its total figures of 904,190—an increase of 75,000 over July, which is also 35,000 higher than the normal seasonal increase. Region by region, these figures tell an even grimmer story. In Northern Ireland one man in every 10 has no job—the guns obviously echo more than supposed religious sectarianism. Scotland has 135,087 people out of work—6.3 per cent of the employable population. Male unemployment in Scotland stands at a staggering 8.2 per cent. For every vacancy in Scotland there are twenty jobless men. In Wales, the Midlands, the North West, and the Northern Region the percentage of unemployed is 5.7, 5.4, 4.5, and 7 per cent respectively.

The official figures do not include thousands of married women made redundant, but not eligible for the dole as they chose to pay the minimum National Insurance contribution when at work. Many of this summer's 450,000 school leavers have still to find jobs and a large proportion of these are not included in the August total. With vacancies for young people shrinking at an alarming rate of 10,000 jobs each month, thousands of these school leavers are destined to become statistics in the autumn figures.

Despite Trade Union Congress demands that the government should reduce unemployment by a 'rise in the annual growth rate of the economy from 2 per cent to 5 per cent' the Tories remain unmoved and unemployment rockets upwards. The advice of the 'learned' economists and the appeals of the Official Opposition fall on deaf ears. Unemployment has been created as a deliberate strategy by the government, aimed to combat what the Chancellor of the Exchequer describes as '... absurdly high wage increases.' *The Banker*, a mouthpiece of the City of London, was even more frank when it wrote: 'More demand, faster growth, and less unemployment would surely intensify the militant union pressure for an ever-growing share of wages in the national income.' (*Banker*, February 1971). Speaking in the House of Commons on 31 March, Minister of Trade and Industry John Davies bluntly explained: '... the pursuit of profit is the primary stimulus of stagnation and decline.' The Treasury's evidence to the Wilberforce Court of Inquiry into the Electricity Dispute expressed the same view when it said: 'The resulting sharp narrowing of profit margins is having adverse effects on investment plans, both through reducing cash flow and by reducing the expected profitability of new investment.'

Davies and his cohorts are absolutely correct when they stress that capitalists are in business to make profits, and that the need for profit must take precedence over the needs of the working class for higher wages and better social services. The government is only too well aware that since 1964 the share of profits in the national income has dropped from 21.2 per cent to 14.2 per cent. And that in the five years from 1964 to 1969 the post-tax rate of profit fell from 7.1 to 3.2 per cent. This means that in order to restore profits to their 1964 level there would have to be a 3 per cent annual increase in productivity between now and 1974, with no increase whatsoever in real wages. The steady fall in the rate of profit is seriously jeopardising investment as it undermines the confidence of potential investors, thus failing to provide the additional capital needed to carry out the rationalisation of industry. As a *Times* correspondent noted: 'It will make better sense for many companies to invest their money in fixed-interest securities with no management problems and virtually no risk, rather than in new factories or working capital.' Faced with the urgent need to modernise industry, the capitalist class must somehow restore confidence in the profitability of British industry so as to attract a massive influx of badly needed new capital.

#### —THE TORY STRATEGY IN OPERATION—U.C.S.

The Tories are determined to release capital and resources from the old, traditional, but now, non-profit- or low-profit-making, industries like heavy engineering, ship-building and textile engineering. They want to direct capital to the more capital-intensive industries where profit expectations are higher. This policy is most clearly illustrated at UCS. Before the last war Britain built one third of the world's ships. By 1970 it was producing only 5 per cent. The early post-war years produced a great boom in ship-building as maritime nations sought desperately to replace wartime losses. Profits zoomed to all-time highs. Very little of these profits were redirected into the industry and the necessary investment needed to adapt to the production of giant tankers and bulk carriers was never carried out. Despite an astronomical productivity increase since 1969 of 87 per cent, profitability has kept slumping. The standardised, all-purpose cargo ships of 18,000 and 26,000 tons which the yards are best able to build with their out-dated equipment are no longer profitable. No wonder Nicholas Ridley in his confidential report to the government suggested: 'We could put in a government "butcher" to cut up UCS and to sell (cheaply) to Lower Clyde and others, the assets of UCS.' To get rid of what Ridley considered was a financial liability, he added, '... we could sell the government holding in UCS for a *pittance*.' (My emphasis.) The Tories are

quite willing to spend £5 million to close down UCS rather than fork out £6 million to keep the yards running. Liquidation of the yards will come as a financial blessing to many shipowners who will be better off losing the down-payment rather than having to pay in full for ships that in view of the dramatic decline in freight rates have now no chance of ever making a profit. Six and a half thousand jobs are threatened at UCS alone, but the effects of the closedown will mean that some 20,000 other workers in the supply industries are likely to be made redundant. UCS and Rolls Royce show that the great 'shakedown' has begun in earnest. Despite claims to the contrary, Rolls Royce's problems were not caused by wage increases as their contract for the RB 211 was a flexible one. According to the *Sunday Times* of 8 February, the problem was the low base price which was forced on the company by international competition.

### —LESS ROOM FOR MANOEUVRE FOR BRITISH CAPITALISM

The inroads that working class militancy has made into profits over the last decade is a matter of real concern to the government. Faced with escalating inflation, under the pressure of their members the trade unions have responded by a militant struggle on the wages front. In the less competitive period of the fifties and early sixties, employers found it easier to concede wage demands and pass them on in the form of higher prices to their customers. In most cases the people who sat on the Employers' Federation Boards discussing the wages applications were the same people who in the trade associations determined prices. As foreign competition has increased this has become less and less practicable. On the one hand if the employers resist wage demands and enter into prolonged strikes there is the danger of them losing markets. *The Economist*, 23 January, reported that the seven-week Pilkington strike entailed the '... loss of many of the company's old customers.' Increased competition has therefore made it harder for the manufacturing companies to fight long strikes. It also makes it more difficult for them to pass on the new wages awards by jacking up prices. The OECD (Organisation for Economic Co-ordination and Development) report, *The Present Problem*, says, '... the rapid growth of international trade has contributed to holding down prices both by providing lower cost substitutes for domestic products, and through its effects on productivity and price policy in domestic sectors exposed to foreign competition.' As Glyn and Sutcliffe report (*New Left Review*, No. 66), in the last six and a half years, wages and salaries have grown in aggregate by roughly 47.7 per cent although this represented a gain in real consumption of only some 11 per cent due to rising prices. The net profits in proportion to invested capital in the manufacturing

industries in the period 1955 to 1966 declined from 10.3 per cent to 5.8 per cent (*Proceedings of Special Conference*, between Engineering Employers Federation and the Confederation of the Ship Building and Engineering Unions, March 1968.)

As the boom began to draw to its end the employers demanded action from the government to help them stem the tide of wage increases. Labour came to the aid of capitalism when it imposed a standstill on wages for six months following its savage deflationary measures of July 1966. This was done by the Prices and Incomes Act of 1969 which permitted the government to delay payment of any wage increase exceeding 3.5 per cent for up to 11 months. The Prices and Incomes Act had limited success; Aubrey Jones believes that the increase in earnings may have been just '... under one per cent less than otherwise it would have been.' (*PIB Report*, No. 77).

The employers and the government were not able however to inflict a decisive defeat on the working class. Unemployment was not high enough to act as a really intimidating weapon and the power of the shop stewards in the factories was still able to wring concessions from the management.

The advent of the Tory government last year was meant to change this situation. They understand that unless they are able to defeat the working class movement, then the future for British capitalism is very bleak indeed. Unemployment is for the Tories a key weapon for restoring the balance of forces in favour of capitalism.

### —'MORE FLEXIBLE DEPLOYMENT OF MANPOWER' ...

The increased wave of redundancies this year shows that the employers are deadly serious in their attempt to reduce the workforce. International Computers, Britain's last major computer manufacturer, announced on 26 July that it intended to make 1,800 of its workers redundant. In less than nine months ICL has chopped its labour force by 3,400 people. ICI (Fibres) issued redundancy notices to 1,400 of its workers in the same month. In the Midlands area—including the so-called prosperity centres of Coventry and Birmingham—there have been 27,833 redundancies in the last year. The plans of the British Steel Corporation to introduce further closures will affect some 45,000 workers in dependent industries such as British Oxygen, ancillary steel and engineering. The *Benson Report* which was prepared on behalf of the British Iron and Steel Federation, recommended a cut in the BSC workforce of 100,000—one third of the workers!—by 1971. More than 6,000 are due to be laid off in the special steels division alone. This division made a record £20 million profit last year. On

the last day of August, the British Aircraft Corporation made 1,200 of its workers redundant. The introduction of Productivity Deals is of course one of the main causes of redundancies. Productivity Deals are in every way against the interests of the workers since the 'savings' come entirely out of the labour force. But here we are only concerned with their effects on unemployment. The government's *Code of Conduct* makes no bones about the fact that management should use work-study, job evaluation and measured day work as methods of boosting output and cutting jobs. The *Code* spells out the intention of Productivity Deals when it says that the above methods 'maintain a system for transferring workers from one job to another so that unavoidable changes in manpower can be handled as smoothly as possible.' In industry after industry where Productivity Deals have been introduced they have led to cuts in manpower. Alex Hendry, Labour reporter for *The Financial Times*, wrote on 24 July: "About 10,000 jobs are expected to disappear in the electricity supply industry this year as a result of the productivity schemes being introduced.' The *Penzance* Deal wiped out 30,000 railway jobs. In the mines, Productivity Deals have had the effect of ending specific jobs; this is the process known as the 'more flexible deployment of manpower' which means less miners can do more jobs. The Steel Industry plans to produce 35.5 million tons of steel in 1975 with one third less labour than it employed to produce 27 million tons in 1965. In the docks, chemicals, transport, textiles, ship-building, engineering—in fact right across the board of British industry—the same monotonous picture of Productivity Deals equalling redundancies appears time and time again.

## **What Strategy For The Working Class?**

### **—NATIONAL EMBARGO ON OVERTIME**

Unless the working class develop a strategy to fight sackings and redundancies, the capitalists will be able to establish their complete control over the political and economic life of society and the former gains made by the workers will be destroyed. To date there has been a notable absence of such a strategy. The trade union leaders have in particular been more noted for their timidity and unwillingness to fight than their ability to defend their members' livelihoods. The first obvious measure to take against growing unemployment is an immediate embargo on all overtime. The Association of Scientific, Technical and Managerial Staffs has called on its 260,000 members to impose a voluntary ban on overtime. Last November the Glasgow District Committee of the Amalgamated Union of Engineering Workers placed a 20-hour-a-week limit on overtime in their district. This was extended in

January to 30 hours. The Bolton branch of the AUEW have imposed an overtime ban on firms in their area unless 'they promise to consider work-sharing schemes and other measures to avoid redundancies.' Such policies are inadequate. The ASTMS policy of a voluntary ban places the entire onus of the campaign on the membership. This means that if one group of ASTMS members do ban overtime they have no guarantee that they will receive the support of their fellow members in other factories or areas. If overtime bans are restricted to voluntary calls or used in only one district, they will remain ineffective. What is needed is a nationally coordinated campaign which involves the entire trade union movement. If a national campaign is not organised there will be a tendency on the part of some workers to 'grab' all the overtime that they can, seeing this as a financial insurance against the day when they too may be sacked.

#### —'NO-REDUNDANCY' CLAUSE

A number of trade union leaders are belatedly beginning to insist that no Productivity Deals should be signed which do not include a written guarantee against redundancy. Whilst this is a correct policy, it does not go far enough. Productivity Deals have two effects. Firstly, cuts in the present labour force often wrapped up as 'natural wastage' or 'attrition'. Secondly a reduction in job opportunities. Even when Productivity Deals do contain a 'no-redundancy' clause, the resulting shrinkage of jobs—that is what a 'more flexible deployment of manpower' means—places the men in a disadvantageous position. A pool of unemployed outside the factory makes the fight for better conditions all that much harder and the management's hand is much strengthened if it later wishes to throw out the 'no-redundancy' clause. The 'no-redundancy' clause should not simply be restricted to Productivity Deals but should also be written into all wage agreements. Employers are often prepared to pay out a relatively large wage increase if they are able to get the unions to accept sackings. Last August a 16-week strike ended at Burroughs Machines Ltd. At first impression the workers gained a considerable victory. The firm's original offer of £1 per week, followed by a further £1 next year, with any increase arising out of the Engineers' National Award being deducted from these increases had been rejected by the men. The strike forced Burroughs to increase their offer to £3 now, £1.85 next year, with any National Award being paid over and above these increases. However, 400 men at the Burroughs Cumbernauld factory who had been made redundant just after the strike began remained sacked. The new wage award has therefore been financed out of the 400 redundancies. In the power industry increased earnings of around 20 per cent have only cost the employers 6 or



7 per cent on their total wage bill as the industry shed 10,200 workers in one year.

### —FIVE DAYS' WORK OR FIVE DAYS' PAY!

A national ban on overtime, a written 'no-redundancy' clause in all Productivity and Wage Agreements are important first steps but they must also be linked with the demand for a shorter working week with no loss of pay. Unemployment is becoming a permanent feature of the British economy because capitalism can only solve its problems at the expense of the working class. Otherwise it cannot survive in the cut-throat world of international competition. Unemployment is not caused by the working class. They do not own the industries; they have no say in how they should be managed; they are excluded from the policies of investment; control is not in their hands. It is ludicrous to expect workers to sacrifice their security, the future and well-being of their families, in order to save capitalism. The problem for the working class is how it can protect its own interests. To accept short-time working, increased mobility of labour and the surrender of the annual productivity bonus as was suggested at BSA, is fundamentally wrong as it grants the right of the employer to sack workers or cut earnings when it suits his interests. The only demand that makes sense in such a situation is: *Five Days' Work or Five Days' Pay*. This puts the onus for unemployment where it belongs: on the capitalist class, and raises the question of who should own and control industry.

### —OCCUPATION STRIKE—A WEAPON TO BE USED

One of the most serious challenges facing the working class in its fight against unemployment is the closing down of certain factories or industries, by the employers. This cannot be defeated by appeals to the government such as Feather has done at UCS. Why should a Tory government expend valuable capital on what they consider to be an uneconomic proposition? The Tory policy is clear: money for ICL which they think is a viable competitor to the American-owned IBM for the European computer market; nothing for the 'lame-ducks', as Davies so graphically described the non-profit-making industries. The proposals of the Left-Labourites, whilst being a slightly brighter shade of pink, are equally unrealistic. All they can offer is another inquiry by a 'select commission' which will supposedly suggest nationalising UCS, wiping off the old debts, compensating the owners and reorganising the yards in such a way that there will be less redundancies than proposed by the Tories.

Closures can only be defeated by mass occupations that extend

the struggle beyond a particular yard or firm to other sections of industry. The employers own the capital in an enterprise and they are free to shift that capital to a more profitable outlet whenever it suits them. The workers are in no such fortunate position. All they own is their labour power. They cannot shift that whenever, or wherever, it suits them. An occupation stops the capitalists removing their assets and places an immediate challenge to their rights of ownership and control.

But occupations to be successful demand an extension to the struggle. To restrict them to one place is either a token gesture which is designed to arouse public sympathy, or a utopian attempt to create a form of workers' management or cooperative in one isolated workplace. Public sympathy is not sufficient to change the minds of capitalists. It may under certain circumstances cause them to delay their plans, but the normal employer prefers dying rich and disliked to being broke and popular. A worker-owned enterprise cannot survive as a single entity surrounded by a hostile capitalism. It would not be able to get credit for buying materials and paying wages. Other firms fearing its success because of the effects on their own workers would boycott its products and it would be immediately deluged in a flood of legal actions. The extension of an occupation has the great advantage that it hurts other employers. It is one thing for them to support the 'free movement of capital' —the right of another employer to close his works at will; it is another matter for them to subsidise that right. The extension of an occupation therefore puts pressure on other capitalists financially and because it challenges their rights of ownership. It would be naive not to expect mass occupations to lead to a confrontation with the state. A series of occupations backed by solidarity strikes would lead to open conflict with the government. One could hardly expect the Tories to stand idly by, whilst the factories were being occupied and the capitalists' rights of ownership were being challenged or even expropriated. But unless the fight against unemployment is focussed around the right of every worker to have a job and the need of the working class to take over industry to get that right, it will not succeed. There can be no defence of jobs and no fight against closures unless the working class is prepared to challenge the capitalist system with the most powerful weapons at its disposal.

### **—‘THE DANGER SIGNALS ARE FLASHING’**

The real unemployment figures are now over one million and it is not sufficient to sit back and blissfully hope that there will be some miraculous upturn in the economy so that they can all get jobs again. In Northern Ireland two-thirds of the unemployed men have been out of work for two months. Nearly one third have been

unemployed for six months or over. A similar situation is rapidly developing in Scotland, Wales, and areas in the North of England and the Midlands. Long-term unemployment is particularly prevalent amongst young people. Figures for 1 June show that people under 20 years of age who have been unemployed for more than four weeks in the various regions totalled: 9,693 in Scotland, 6,287 in the North-West, 4,148 in Yorkshire, and 5,665 in the Northern Region. There are 1,467 under-20s in Scotland who have been out of work for more than six months. Another 348 have not worked for more than a year. Towns like Jarrow, so evocative of the 'hungry thirties' and the unemployed marches, are again becoming desolate. In an area where one man in every four is without a job, where the under-18 workless total 9,892, Jarrow alone has 595 idle young men. Mr. Hart, the local careers officer, describes the situation as a 'cattle market'. Dorothy Wedderburn, reader in sociology at Imperial College, London, reports that 50 per cent of the sacked white-collared technicians at Rolls Royce have not yet got jobs. According to her report these workers were 'uniformly pessimistic about the prospects of getting a job of any kind'. David Ennals, campaign director of the National Association for Mental Health and former Minister of State for Health and Social Security, speaking in Birmingham on 28 July, said that the present unemployment situation was 'affecting two groups most prone to stress symptoms: adolescents and men in late middle age.' An unemployed worker told Virginia Bottomley, who is conducting research into poverty on behalf of the Child Poverty Action Group, that he had applied without success for twenty jobs the previous week. He explained that: 'Poverty is having to save up to buy your food.' A continuation of this situation can lead to important sections of the working class becoming demoralised, thereby undermining the combativity of the working class as a whole. *The Department of Employment Gazette*, 27 July 1971, reports that 'the number of new stoppages in the first six months of this year fell.' Up to 30 June there had been '1,176 strikes involving 720,000 workers.' Corresponding figures for last year read '2,355 strikes involving 978,200 workers.' Wage rates in the first six months of this year are 4.9 per cent above the level of the second half of 1970, which in turn was 8.1 per cent higher than in the previous six months.

With prices rising at 10.3 per cent the wage rates have begun to sink gradually under the pressure of mounting unemployment. The rise in unemployment and tough government resistance to wage claims—*The Economist* urges 'resistance to the knife when any wage demand above 5 per cent is tabled in the public sector'—have served to check the less powerful groups of workers from pursuing

their claims with the same militancy as before. This has not yet stopped labour's big, powerfully-organised battalions, but the danger signals are flashing. It is vital that every attempt is made to organise the unemployed workers and to convince them that their only hope lies with linking their struggle with the organised labour movement. Many workers on the dole are distrustful of both the trade union leaders and the Labour Party. Not, one might add, without good reason. Thousands of them know that they are out of work because their union leaders accepted redundancy agreements. Others recall that it was the Labour Party who through the Industrial Reorganisation Corporation helped Weinstock merge English Electric with GEC, thus wiping out thousands of jobs in the process. Labour then handed out a knighthood to Weinstock. There is no *automatic* reason why the unemployed should seek a socialist solution to their problem and their cynicism about the so-called representatives of labour is more than justified.

#### **—CRIMINAL INDIFFERENCE**

The indifference of the Labour Party to the plight of the unemployed, and the absolute lack of any positive policy on the part of the TUC to combat unemployment, is deplorable. As long-term unemployment becomes a more permanent feature of the economy, and workers see less and less chance of getting a job, they will seek both solutions and explanations about their predicament. If it is not made clear to them that capitalism is responsible for their unemployment and that the system can be fought and defeated, they will turn elsewhere for a way out. The failure of the German labour movement to organise the unemployed in the late twenties and early thirties resulted in a large number of unemployed workers turning in desperation to the Nazis. A big percentage of Hitler's brown-shirted street fighting gangs were recruited from the German unemployed. The extreme right-wing groups in Britain will be only too pleased to explain to unemployed people that their plight is due to the trade unions and the black immigrants.

#### **—THE WELFARE STATE TAKES OFF ITS MAKE-UP AT THE SOCIAL SECURITY OFFICE**

A positive step towards organising unemployed workers has been taken by the Claimants Union. Organised and run by the unemployed workers themselves, the C.U. has taken up the fight at the most basic level. Their first aim is to ensure that every claimant receives his or her full legally entitled benefits. Few claimants know that every time they are interviewed at the Social Security they are entitled to a representative of their choice. This also applies to any appeal they may wish to make. The C.U. provides representation for any claimant who requires it and also by the

production of leaflets and pamphlets explains the rights of the claimants.

The image of the kindly benevolent Welfare State crumbles the moment the unemployed worker enters the Social Security for the first time. Behind all the verbiage of a 'service to help the needy' stands the infamous 'A' Code. This is the secret document whose 900 pages govern the payment of the £500 million to claimants of Supplementary Benefit. Access to this document is denied to all claimants on the spurious grounds that 'it is largely unintelligible to the average lay reader'. Lord Collinson, chairman of the Supplementary Benefits Board, claims that secrecy gives 'flexibility in response to human needs'. In reality this secrecy permits the nature of the code to be widely misrepresented. The 'A' Code gives officials the arbitrary right to classify a claimant as 'work-shy'. If such a person is male, between the age of 18 and 45, single and fit, they can be deprived of all benefit after four weeks. Other claimants may be given three months' grace. Appeals can only be made after the benefit is cut. At present 100,000 people a year are suffering under this Gestapo-like rule. Perhaps the most iniquitous rule is the 'Wage-Stop'. Many people are so badly paid that their earnings at work are less than the supplementary rate of benefit. If they are sacked or made redundant, they cannot be paid more than their previous earnings. As benefits are fixed just above the poverty line this is a deliberate, cold-blooded attempt to force the unemployed into poverty. Code 'A' tells officials when assessing earnings that if the claimant's previous earnings have fluctuated because of overtime earnings, then the National Joint Council scale of wages to labourers must be applied. Section (2) paragraph 3170 of the Code instructs officials that they must 'never add overtime to a NJC rate'. As the NJC rate for an out-of-London labourer is £16.25 even though the claimant may have been earning over £20 a week because of overtime, and his normal legal entitlements on supplementary benefit may total £18, he is 'wage-stopped' at £16.25. In February this year 22,000 families were suffering under the wage-stop, 14,000 of these because their incomes could not be reliably assessed. Code 'A' is a means by which the government stops claimants from getting their rights and imposes a system of discretionary payments to be determined by civil servants.

### **—UNITY OF THE LABOUR MOVEMENT—A PLATITUDE OR A CALL TO ACTION?**

By providing representation for claimants, by making claimants aware of their rights and by conducting a struggle against the above injustices, the C.U. fulfils an essential role. This primitive unionisation of the unemployed is an important factor in combatting

demoralisation and it helps to instil a sense of unity and organisation within their ranks. To talk of the unity of the employed and unemployed is meaningless unless there is an actual organisation of the unemployed that the organised labour movement can unite with. The trades unions can help the work of the C.U. by providing shop stewards to help with representation and by giving financial assistance to maintain its activities. Trades unionists should insist that the C.U. has representation on local Trades Councils and it should be invited to send speakers and contingents to every trade union demonstration against unemployment. The C.U. must not restrict its activities to fighting the cases of individual claimants, important as that may be. Unemployment cannot be defeated without political action and that means that the C.U. must explain not only the causes of unemployment to its members but actively involve them in all the political and industrial struggles against Tory unemployment policies. The TUC have demanded a national minimum wage. This is however only intended to affect people at work. The demand for a national minimum wage must be extended to include all workers—i.e. employed and unemployed, and must contain a clause that any rises in the cost of living will automatically mean a corresponding increase in the national minimum wage. Again, the responsibility for unemployment must be placed on the shoulders of the capitalists.

### —IN THE WEB OF HISTORY

The lengthening dole queues, the cuts in the social services, and the savage resistance of the employers to wage claims, do not arise because the Tories are idiots who are not intelligent enough to choose a more civilised way of solving their crisis. There is no other way out for British capitalism. This is not some passing phase which can be solved by 'common sense' and the working together of 'men of goodwill'. The crisis of British capitalism is built into its very structure and is in fact caused by the cancerous effects arising from the very foundations which once assured its wealth and success. But the privileges of the past now lie like some dead hand over the entire economy. Previously the Empire provided Britain with cheap sources of raw material for her manufacturing industries and gave them protected markets for their products. The wealth gained from this position of privilege ensured Britain's domination over the world banking and insurance systems. As the first of the industrialised countries, Britain was able to establish a pre-eminent position as the chief exporter of capital goods. Sales of investments during the two wars, the emergence of other developed industrial economies no longer dependent on Britain's capital goods, the loss of the Empire—despite Commonwealth preference it no longer monopolises the old colonial markets—have all taken their inevitable

toll. What remains, but in much reduced form, is the income from world banking and insurance—the ‘invisible earnings’. These former advantages created an atmosphere of complacency and imposed their own insular logic on the development of British capitalism. As the first, and only, consideration of capitalism is to get the highest possible return for the lowest possible investment, the result of this privileged position was to give finance capital domination over the economy. Speculation in overseas investment such as money-lending, the financing of foreign governments, insuring and banking became the most remunerative outlets for capital. Money that would normally have been directed to re-equipping British industry found more profitable outlets overseas. Much of the income made in the banking and insurance worlds, even today, remains overseas where it can get a higher rate of interest than in Britain. The centring in the City of London of the world’s banking and insurance created the Sterling Area, the privileged dominion of finance capital. But now the Sterling Area can only be maintained at an enormous cost to industrial development and expansion. The pound and the dollar are the two principal trading currencies. This means that whenever Britain’s imports rise—an almost inevitable result of any expansion—an immediate balance of payments problem arises. A ‘run on the pound’ takes place so the Bank of England uses up its supplies of foreign currencies and gold reserves to buy dollars in order to pay for the imports. As the reserves go down investors begin to worry about the ability of the Bank of England to meet calls for withdrawals and as their confidence ebbs, so they take their money out of London. Every time this happens, the government, be it Tory or Labour, has gone ‘cap in hand’ to the International Monetary Fund for a loan to save the pound. In 1966, Labour negotiated the largest ever loan from the IMF—this despite Harold Wilson’s previous television announcement that ‘you can’t go on borrowing for ever’. Like all previous loans this stipulated heavy reductions in expenditure—i.e. cuts in education and social services, and a credit squeeze aimed at cutting down imports. Overseas exports, particularly in the giant combines like British Leyland, are however dependent on a strong demand in the home market. Reductions in home sales mean lay-offs and machinery not being used to full capacity with the concomitant increase in the cost per unit of exported goods. Unemployment shot up from 330,000 to 600,000 and has never been below that figure since. Nevertheless, Wilson had saved the City and preserved its special role. Labour’s pledges to introduce ‘dynamic measures’ to put an ‘end to stop-go-stop policies’ and its Prime Minister’s pledge that ‘we are not prepared to accept unemployment...’ were revealed as empty rhetoric. Like all governments unable or unwilling to challenge the system, Labour foundered on the hard rock of

capitalist necessity.

The domination of financial interests personified in the City of London has ensured that Britain has remained excluded from the most important developments of post-war capitalism. The feature of modern capitalism is the enormous growth of the giant international combines whose thirst for profit drives them out of the narrow restrictive boundaries of their own domestic markets. This accounts for the creation of the Common Market and the appearance on the European scene of American and Japanese capitalism. Britain's belated entry into Europe is seen as the only salvation of her big combines who have been compelled to wait impatiently on the side-lines whilst their competitors cashed in. The TUC, the Labour Party when out of office, 'progressives' of various hues, and even sections of the capitalist class itself, have recognised the strangulating and parasitic effect of the domination of finance capital. Each in turn has called for economic growth free of the feverish fluctuations and frenetic credit squeezes that are the invariable price paid for maintaining the Sterling Area. If the downturns continue, stagnation is inevitable, profits will slump, unemployment instead of being a controlled weapon will rise to catastrophic proportions. But there is no progressive, dynamic capitalism for the 'radical new thinkers' to ally themselves with. Industrial capitalism and finance capital are not two distinct separate entities but are inseparably bound to the City. British Leyland, Unilever, ICI, Courtaulds, etc. are themselves massive exporters of capital. As the rate of profit falls at home there is an unrelenting pressure to seek profitable investments overseas. Direct overseas investment has risen from around £220 millions per annum in 1959-63 to £531 millions in 1969 (United Kingdom, *Balance of Payments 1970* and *Financial Statistics*, Dec. 1970). Over the last five years, finance firms have increased their income by more than half, whereas the income of industrial firms has stood still. The generals of industrial capital therefore have a vested interest in maintaining the pound and preserving the role of the Sterling Area.

The policy of planned growth under British capitalism as a cure for unemployment is a non-starter. Reform of British capitalism is out. It is based on the illusion that in a miraculous way it can somehow escape its own past and painlessly eradicate its own chronic ills. A too rapid growth would lead to a further crisis which can only be solved by further deflationary measures—this explains the timidity of Barber's mini-budget proposals—or by attacking the interests of the City. But this is not simply a matter of removing the City financiers and replacing them by a more



dynamic group of industrial capitalists. As M. Barrett-Brown showed when writing in *New Left Review*, there are 400 men who by virtue of a tremendous number of interlocking directorships on the boards of the 50 largest firms control industrial capital in this country. Each and every one of these men is based at either the merchant or the commercial banks. The policy of gradual reform and the elevation of so-called national interests above those of classes is doomed. Tigers do not become willing vegetarians, nor do sensible, sane capitalists renounced their profit in order to cure unemployment and make life better for the working class.

### —FOR A CLEAN BREAK WITH LABOUR

It is Labour's integral and unbreakable connections with the system that ensure its dependency on capitalism. From this flows its deep-seated and near-paranoiac hostility to industrial action. Strike action damages and weakens the system on whose healthy well-being the reformist solutions of the Labour Party rest. But the fight against the Tories' and Employers' offensive demands strike action. It is not possible to rely on a series of limited protest actions allied to a general call for a 'Labour Government with a Socialist Programme'. Closures can only be defeated by occupations backed by solidarity strikes, which means an open, unconstitutional defiance of the *Industrial Relations Act*. The right of 'five days' work or five days' pay'; 'union control of hiring and firing'; 'a national minimum wage for the employed and unemployed' will not be achieved without industrial action and the overthrow of the Tory government. The fight for these demands means organising the workers via their trades unions, trades councils and shop stewards committees—where the official organisations refuse to act, then it must be through local action committees. It means linking the unemployed to the movement of the organised workers through the Claimants Unions. Unless that is done the unemployed will remain isolated and divided. The character of such a confrontation with the Tories requires a massive mobilisation of the working class and is dependent on the workers taking control of their own organisations. They must root out of their organisations those careerist officials and representatives who act against their interests. Gunter and Mayhew by their refusal to vote against the *Industrial Relations Bill* in the House of Commons showed that they are unfitted to represent the interests of the trade union movement. But they are not exceptions. There is a whole dreary and sordid catalogue of strike-breaking activity stored in the Labour's Party's files at Transport House. The first post-war Labour government used troops to break dock strikes. In 1951 they used *Regulation 1305* to prosecute workers for 'illegally' striking for higher wages. Wilson's hysterical red-baiting during the official strike of the

National Union of Seamen in 1966 surpassed even that of his Tory counterparts. Mrs. Castle's strike-breaking *'In Place of Strife'* prepared the way for the Tories' *IRA*. The Labour Party has consistently opposed the use of industrial action to defeat *The Bill*. The platonic support given at UCS by Wilson and Wedgwood Benn has always been tempered with the advice to the workers to act 'constitutionally'. To replace Heath and company by Wilson and company, or even a 'left' government headed by Foot, Heffer et al., is no solution. The Tories must be replaced by a government that takes over the control of all investment; which nationalises industry under the control of the workers; which substitutes production based on needs for production based on profit. But such a government must be both representative of, and responsible to, the working class. Only a *Workers' Government Based on the Trade Unions* can carry out such measures. The task of socialists in the present period is not only to assist in the coordination of working class struggles against the Tories, but is to actively encourage militants to take independent political action and to break the movement from the reformist stranglehold of the Labour Party.

**IMG PUBLICATIONS\*IMG PUBLICATIONS\*IMG PUBLICATIONS\*IMG**

*182 Pentonville Road, London N.1. Tel: 01-837 6954*

Inconsistencies of State Capitalism . . . . .	Ernest Mandel	: 25p
The Mystifications of State Capitalism . . . . .	Ernest Mandel	: 10p
The Credibility Gap—The Politics of the SLL . . . . .	Tony Whelan	: 25p
The Fight for Control: Militants in the Trade Unions . . . . .		: 2p
Manifesto of the Revolutionary Socialist Party, Czechoslovakia . . . . .		: 4p
Martyrs of the Third International: Karl Liebknecht, Rosa Luxembourg . . . . .	Leon Trotsky	: 8p
The Industrial Relations Bill: A Declaration of War . . . . .	Peter Hampton	: 5p
The Changing Role of the Bourgeois University . . . . .	Ernest Mandel	: 5p
Class Consciousness & the Leninist Party . . . . .	Ernest Mandel	: 6p
The Leninist Theory of Organisation . . . . .	Ernest Mandel	: 15p
Booklist for Women's Liberation . . . . .	Leonora Lloyd	: 10p
The Irregular Movement of History . . . . .	Warde	: 12½p
The Struggle in Bengal & The Fourth International . . . . .	Tariq Ali et al	: 10p
The Post Office Workers v. The State . . . . .	John Weal	: 8p
The Nightcleaners Campaign . . . . .	London Socialist Woman Group	: 15p
Racism—What It Is: How to Fight It . . . . .		: 2p
Theories of Workers' Control . . . . .	R. Davis	: 8p
Statutes of the Fourth International . . . . .		: 10p

*Please add 15% for p&p. Orders over £3 sent free.*

# The Red Mole



Revolutionary internationalist  
Marxist fortnightly, edited by  
Tariq Ali.

News, discussion and analysis on  
all subjects of importance to the  
revolutionary left in Britain and  
internationally.

For a subscription fill in below:

Please send me the RED MOLE for  
the next 3/6/12 months. I enclose  
\$/£ \_\_\_\_\_

Name .....

Address .....

THE RED MOLE, 182 Pentonville  
Road, London N1, England.  
Tel: 01-837 6954

#### SUB RATES

1 year: Britain £2, Europe £3; airmail—  
USA \$12.00, Canada \$12.50, Australia  
\$11.00; ordinary—USA \$6.80, Canada  
\$7.00, Australia \$6.60

6 months: Britain £1, Europe £1.50;  
airmail—USA \$6.00, Canada \$6.25,  
Australia \$5.25; ordinary—USA \$3.40,  
Canada \$3.50, Australia \$3.30.

3 months: airmail—USA \$3.00, Canada  
\$3.10, Australia \$2.25; ordinary—USA  
\$1.70, Canada \$1.75, Australia \$1.60