

***Marxist
considerations
on the crisis***

Part One

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Workers International

Dedicated to the memory of the pioneer who inspired these Considerations, the outstanding Marxist economist, my comrade and friend Geoff Pilling, who died before his time in August 1997

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Preface

This work was originally planned as an article explaining the great economic crisis which erupted in 2007 from a Marxist point of view.

However, while working on it I quite quickly realised that a deeper understanding of this development would only be possible if I located it within a broader historical and political context than I had anticipated. To put it another way: it would only be possible to grasp the nature and meaning of this current upheaval in and through the development of the economic-political system as a whole. I could not therefore avoid going back – occasionally a long way back – to unearth the roots of the social content and important components of economic life and trace how they came into being historically. All the more so since even if, in the vast field of contemporary writing on economics, there are here and there a few rare examples of a glance backwards, they are inadequate because they are full of inappropriate gaps. In most if not all cases the economic “histories” only deal with partial and quite limited subjects and make no attempt at an historical account of the whole. What is particularly lacking is a great economic-historic depiction of the period since 1945.

This current work, however, can make no claim to fill that gap. Far from it. If I do attempt to present certain problems which I think are central, in the historical route they have followed, to the international capitalist-imperialist system, it is in order better to understand some of the ways in which they have manifested themselves in, for example, the present crisis. I certainly do not intend this to be a substitute for the monographic history of world economy, at least since 1945, which is so badly lacking.

On the other hand, certain readers will discover, perhaps with some surprise, that I devote a not inconsiderable part of this text to an analysis of the class struggle, the changing relationships of forces between the classes, in short, to a presentation of how they are generalised in political events and the way they develop. In fact on many occasions and particularly in their books and economic and philosophical studies, Marx and Engels constantly emphasised the fact that in capitalist society the economic categories (trade, money, capital, etc.) appear to be autonomous things, whereas in fact they contain and express a social relationship between individuals and more generally between classes. My decision to present a Marxist conception of the crisis – and consequently of what led up to it – brings with it the obligation to strip these fetishes (in Marx’s words), the central and only objects of vulgar economists, of their unwarranted pedestals.

In fact, if we are to clarify economic phenomena and provide a Marxist explanation for them, it is essential first to grasp them in their development and then to strip them of their fetishistic envelope.

* * *

If I am able to present this contribution to the Marxist explanation of the present great crisis, it is thanks to my friends and comrades who have sent me a multitude of books and documentation. I thank with gratitude my comrades and friends Bob Archer and Nicholas Bailey in the UK and Didier Desrues and Radoslav Pavlovic in France.

Introduction

Towards the end of 2008 a thunderbolt rent the apparently placid skies of world capitalism. Powerful financial institutions collapsed in the United States. The fatal sequence of events had started more than a year earlier, but the widespread failure of banking giants, home-loan insurers and insurance companies turned into a total domino effect of collapse towards the end of 2008. Almost one thousand million dollars were rushed out immediately by the United States government alone to save moribund capitalism from complete collapse. After a few days of self-congratulation at not being so badly off, the Europeans abruptly followed suit, but “only” with a few hundred million. They hoped people would believe that this was enough to spare them the worst. Since that savage and thunderous start, billions and billions of dollars and euros have been “injected” into the walking corpse.

World capitalism and its many political, economic and media servants, flunkies and lackeys were momentarily struck dumb with terror. What a sight! They hardly had time to recover from the exhausting, considerable and sustained effort of praising the capitalist system, just as they continually laud colonial imperialism as peacekeeping and humanitarian aid. Now they panicked like rats on a sinking ship. Fillon, the French prime minister, moaned something along the lines of: “we are on the edge of the abyss”.

They understood nothing, or seemed not to. They still cannot understand how such a pillar of capitalism as the banks could collapse. They searched high and low for an explanation and are still searching long months later. The best they could come up with was to curse and denounce the people who ran the banks and other respectable financial institutions as rogues and crooks and who had dragged these venerable establishments down into fraud. At the first warning signs, they served up understrappers like Kerviel in France as targets for popular anger. Every single politician of every stripe and the legions of so-called experts and the journalists and commentators try to persuade us that these businesspeople (they like to use the English word “traders” because it sounds more elegant and easier for us mortals to understand) were acting on their own account outside of any direction or control.

Here too they betray their profound contempt for ordinary people by repeating this pitiful fable without drawing breath or indeed blushing. In this system every business ties up and traps its employees in an ever tighter and more intrusive web of surveillance. The idea that some office junior could manipulate billions of dollars or euros all on his own, without any management supervision or detailed monitoring by powerful bosses, is obvious nonsense.

They use pitiful deceptions like this to try to cover up the fact that it was the banks and finance institutions as a whole in this system which inevitably and unavoidably turned to unscrupulous roguery. They carried this blight within themselves like a cancer which became more monstrous the longer it went on. All the managers and manipulators – not to mention the real big shots – had no choice but to behave like the worst rogues and vagabonds.

Of course the first and original big lie is that the capitalist-imperialist system is the only one that can possibly be lived with and that it, as it were, conforms with human nature. Not content with that, they endow it with all that is worthy and beautiful. For behold: the golden calf which the whole world is told to worship is not only totally magnificent, but splendid in every way.

These many and varied – and tireless – propagandists present their adored system in frontal and total opposition to the very idea of socialism. They identify socialism with the Stalinist regime, indeed with more or less all the evils of the world, sneering that it is completely out of date. In their tireless defence of capitalism, the journalists' outrageous lies vie with the experts' ignorance.

One of these lies, indeed the greatest, even now ardently deployed at every opportunity, has been their quasi-religious faith in the omnipotence of the market. According to the initiates and prophets of this religion – in other words all journalists, experts and politicians almost all over the world – the market can regulate the whole economy like a perfect, well-oiled machine .

At the same time they continually condemn, denounce, indeed crucify socialism and Marxism. They never miss an opportunity, appropriate or not – and foremost among them allegedly progressive or left-wing journalists and politicians – to make crude jokes at the expense of Marxism and socialism as so-called relics of a bygone age, uncool and long past their sell-by date. Their hearty laughter at the expense of Marxism always reveals a complete ignorance of the subject.

What little they do know about it they have drawn from the fateful doctrines of Friedrich Hayek and Milton Friedman and their ilk, the “Chicago boys”, the ignorant sworn enemies of Marxism and socialism, unconditional and brain-dead apostles of the unrestricted market with its boundless power. Bibles at the ready, they did not hesitate to get to work behind illustrious patrons such as Ronald Regan or Margaret Thatcher. Following them, they have been busy shamelessly privatising practically everything – so as to “free” the market and, above all, enrich and strengthen capital and, on the other hand, disarm and weaken the workers. They sent their brazen representatives to crack down on the USSR and Eastern Europe,

as Jerry Sachs did in the Soviet Union, to dismantle and destroy a whole planned economic system, while at the same time they set up in Brussels that combative and unscrupulous general staff of an unbridled capitalism that they call Europe.

Today almost every single one of these gentlefolk has suddenly “recognised” the virtues – not, to be sure, of socialism – but of the central role of the state; what they call “dirigism”. Obviously they mean their state, and its massive intervention in the economy, the de facto – and above all temporary – nationalisation of a mass of banks. They are trying to strengthen this intervention and make it international, not to say planet-wide. From one day to the next, without a scrap of shame or self-criticism or willingness to admit it, all the “experts” who used to – and still do – love to hold forth not only cannot at all foresee or predict events, but have been completely overtaken by them. Overnight all the top politicians of whatever stripe, from Bush or Obama to Strauss-Kahn, with all their cohorts, have become militantly in favour of the state playing a significant role in the economy. So much so that unconditional apostles of the market and its self-regulating role, like Sarkozy and co, have changed virtually in the course of a single day into its most vehement critics. Hardly one of them will stand up for his “convictions” of yesterday. They simply threw them overboard.

Against the few scattered, half-ashamed and timid voices still defending such “convictions”, there now rises a broad front of all politicians – from conservatives to alleged socialists – who have quickly mobilised state intervention to save the collapsed capitalist system. Moreover, from America even to China, passing via Europe, they try to act in a concerted and centralised, not to say planned, way. In this immense and ever-expanding field, self-proclaimed leaders arise who want to go further down that road. Thus the French chief, Sarkozy, makes no secret of his ambition not only to save capitalism but to completely reform or to re-found it. No more and no less.

From powerful heads of state right down to “mere” experts and journalists, they all want this with more or less reticence or hesitation. But it undeniably and clearly involves recognising, even admitting that, for all the praise and the promises, the capitalist system is bankrupt and indeed has, partially at least, collapsed. Of course no-one will admit it honestly. They never would. Sarkozy wants to “reform” or “re-found” capitalism, but he absolutely dare not, and nor does the vast field behind him, recognise the major fact of our time, that the capitalist system of economy is openly bankrupt, that it has lamentably collapsed, that the much-maligned Marx was right against his overweening critics. Oddly enough, in all the cacophany pro-

voked by the pitiful collapse of the capitalist system, neither Marx nor socialism ever seem to get mentioned. The great majority avoid the slightest allusion to Marx, or even less Lenin, and they are slandered and defamed. In the same way they keep completely silent on the question of socialism, discredited and decried because it is deliberately and unscrupulously identified with the backward and oppressive Stalinist regime. But Marxism and socialism are the only alternative to all the miserably failed ideologies of capitalism's servants and to its sudden and contemptible catastrophe.

Obviously these commentators have their own good reasons for not admitting this, because it would be tantamount to admitting their own total bankruptcy, something which they cannot accept without renouncing their political power along with all their empty claims to explain the world. That is why Nicholas Sarkozy, the leader in the deepest panic and nevertheless the one most determined to "reform" or refound *capitalism*, talks less and less in the terms used at first, which are dangerous for the system, and more and more about reform of the *monetary* and *financial* system, which is less frightening for them and their various servants.

In the face, however, of their feeble attempts to explain the bankruptcy by this or that dishonest individual, or ill-considered or risky measures, or the "excesses"(!) of capitalism, only Marxism is scientifically able to predict and explain crises. And when the rulers of the whole world seem – as they do today – to be in agreement about changing the world financial system to overcome and avoid present and future crises, we Marxists say:

First, that if the banks and the financial institutions really are crawling with dishonest crooks – starting with their responsible officials – it is because of and thanks to the very system, structures and methods put in place and developed by capitalism itself.

Secondly it follows that, despite the whole knockabout farce put on by the world's leaders, and despite the trickery and deceit of their countless propagandists, they are by their very nature organically incapable of changing or even reforming capitalism.

They can at most tinker with this or that aspect of the *technical* functioning of their financial and monetary system without affecting the *modus operandi* or indeed the vital mechanisms of capitalism as a system. Even the anticipated suppression of the much-maligned tax havens is beyond their grasp.

In fact, only Marxism teaches us that the world capitalist system is a system of crises which it carries within itself, and that the more it evolves in time, the more

it is shaken by increasingly frequent and devastating crises embracing the entire globe.

Without going into excessive detail, let us recall some of the lessons of previous crises which are directly linked to the present one.

A century of socialist critics exposing imperialism as the world system of finance capital

Marx spent a great deal of time and effort explaining how, in the functioning of capital, part of it is constituted as money capital and a growing part of that becomes in fact fictitious, since it is more and more detached from actual production. It found a natural use in the burgeoning and increasingly dominant credit system. Marx himself clearly noted that even in the eighteenth century Adam Smith – acknowledged father of all propagandists of the self-regulating market – demonstrated the dangers of a disproportionate growth of credit. Of course Adam Smith is separated from innumerable so-called liberal economists of today not only by a considerable lapse of time but also by his clear-sighted perspicacity, not to mention the slight matter of talent.

But while even he could see the dangers inherent in the credit system, his fervent epigones today see nothing but real and imagined advantages. Marx never fell into the trap of such a shallow one-sided view. He pointed out and demonstrated the importance of credit in the development of capitalism, of the productive forces, but at the same time he showed its intrinsic dangers. He denounced the credit system as a world turned upside-down. In volume III of *Capital* in particular he subjects it to a long, deep and many-layered analysis, presenting it as the accelerator of crises. He shows how credit develops “enrichment through exploitation of the labour of others, to the purest and most colossal form of gambling and swindling.” (Marx 1984, p.441).

Whereas Marx was not to know the later evolution of capitalism, a whole legion of more or less talented economists has, since the end of the 19th century, attempted to examine and explain the monster to which it gave birth – imperialism. At the very beginning of the 20th century a veritable battalion of economists such as the German Schulze-Gävernitz, the Englishman Hobson and the Austrian Hilferding showed finance capital to be the unchallenged and unchallengeable master of capitalism. In the ranks of the Second International and its critics, a great discussion developed aimed at explaining this and drawing out the consequences. It is impossible to reproduce it here in its rich totality. I shall merely point to Lenin’s analysis. Imperialism’s main characteristics as a world system, as he essentially described

them, based on a galaxy of other authors, have now become the well-known features of present day capitalism. As early as 1916 Lenin wrote, among other things:

“It is characteristic of capitalism ... that money capital is separated from industrial or productive capital, and that the rentier who lives entirely on income obtained from money capital, is separated from the entrepreneur and from all who are directly concerned in the management of capital. Imperialism, or the domination of finance capital, is that highest stage of capitalism in which this separation reaches vast proportions. The supremacy of finance capital over all other forms of capital means the predominance of the rentier and of the financial oligarchy; it means that a small number of financially ‘powerful’ states stand out among all the rest.”
(Lenin 1970, p.714)

But neither Lenin nor any of the other socialists who at the time took on the work of analysing and criticising imperialism (I mention here only Rosa Luxemburg and Nikolai Bukharin) could have imagined that it would reach the level of fraud, abnormality and parasitism that we see today. They hoped and indeed were convinced that the working masses and peoples of the world would overturn this inhuman system, which is contrary to every normally-constituted mind. There were others who lucidly analysed the system coming from other horizons and who hoped, in turn, that it would be able to correct itself and by itself eliminate the “excesses” and “distortions”. Their distant successors today still live in hope.

In reality the separation between finance capital and production has become incommensurable, not to say two opposed entities. And the colossal quantity of this capital – which Marx already called fictitious – has risen astronomically to billions of billions of dollars. And this despite the cyclical crises which have shaken capitalism from top to bottom over the last century and indeed decades. But in the absence of a great socialist political force able to overturn it and replace it, these crises have only contributed – internal tensions once purged – to consolidating and developing this more and more aberrant system in its own destructive way.

Because all the different propagandists for capitalism offer up all sorts of fairy-stories, it is necessary to look at some really elementary matters. But first, it would be good to answer a simple question: Why has there been this runaway growth of fictitious capital? None of the miserable “experts” or economists or the crowd of commentators has asked this simple question, never mind tried to answer it (apart from an infinitesimal minority of clear-sighted economists who do try). The overwhelming majority are happy at most to note that the separation of finance capital from productive capital has kept growing until it is today a limitless and bottomless abyss.

Here, too, it was Marx who by subjecting capital to a more profound analysis discovered the determining role and function of profit and thus of the efforts and constant struggle to increase it endlessly. Marx roundly identified profit, especially the part of it destined for accumulation, as the main stimulant of the capitalist economy. He was not alone in this. Numerous economists had recognised the fact before him, and others still recognise it today shame-facedly as the desired goal. But very few or none at all are willing to point to the fundamental, determining reason for the fall in profits in relation to the capital invested. It was Marx who discovered that the rate of profit has a tendency which is not only catastrophic but fatal for the capitalists in the long run, a tendency to fall which, despite ever-present compensatory tendencies, irresistibly return as the decisive tendency in capitalist economics.

This inherent tendency impells the system to adopt all manner of pragmatic measures and movements to compensate for it. Historically, one of these compensatory movements has been (and still is, more and more excessively) the increasingly forced concentration of the means of production in order to increase the rate of profit – or to be precise the rate of accumulation – to allow ever-greater expanded reproduction. There is no room here to track the history of this movement in detail. The formation of monopolies and the parallel movement of money-capital in the form of a whole elaborate system of credit necessarily culminated in the appearance and development of largely autonomous finance capitalism, to sum up, in the imperialist system. I can only again point to the works of Lenin, Rosa Luxemburg or even Rudolf Hilferding and so many others on imperialism. To know more, one could usefully consult the magisterial study by the late Tom Kemp: *Theories of Imperialism*, first published in 1967. It is therefore no longer enough simply to repeat the basic works of Marx. Capitalism itself has evolved since then, although on the same basis and according to the same laws which Marx discovered and analysed a century and a half ago.

Now imperialism as an economic system, the “highest stage of capitalism” as Lenn called it, itself has a long history. It would be very interesting, useful and even necessary to describe and analyse it in detail – even if only since 1945. This long and instructive evolution has been punctuated by immense sacrifice and suffering on the part of humanity as a whole. It is a terrible history of bloody sacrifice on the altar of the money-god by millions of people, to pay for its defence and upkeep. We sorely feel the lack of such a work.

Let us just say that it has been a history of the generalisation and multiplication of the principal characteristics of imperialism, with its flaws becoming markedly

worse and worse. Its development at any given moment has been more and more marked by colossal inequalities between countries and entire continents and within each country. This road has been punctuated by shocks and devastating crises, not to mention the frequent, extensive and murderous wars, and it deserves to be known in detail. It is important to know the sudden and innumerable spasms and convulsions marking its tortuous path and translated into millions and millions of massacred victims, legions of all kinds of refugees and entire displaced populations. Its parasitism, already gigantic in the beginning, has since grown unimaginably.

It would take too long to go through the many organic ills which have scarred humanity since the appearance of imperialism, or even just since world War II. Also it seems pointless to describe here all the characteristics which, since the end of the 19th century and the start of the 20th have distinguished it from so-called "classical" capitalism. I cannot repeat often enough that a series of authors of several nationalities have already taken this task on. The socialist Rudolf Hilferding published his eloquently-titled *Finance Capital* as early as 1908 and the Frenchman Lysis published his own *Against the Financial Oligarchy in France* the same year. It was on the basis of their work and that of a multitude of other authors that the German revolutionary Rosa Luxemburg in 1912 or the Russian N. Bukharin in 1915, or Lenin himself a year later summarised their analysis of this system and its characteristics.

It therefore seems unnecessary to repeat here that all the resounding and deafening gossip over recent decades about the so-called "globalisation" of the economy are out of date by at least 100 or 150 years. As long ago as 1848 Marx and Engels devoted various fundamental comments in the famous *Manifesto of the Communist Party* to the eminently international, not to say global, nature of bourgeois economy:

"The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country ... it has drawn from under the feet of industry the national ground on which it stood".
(1976b p.488)

One could go on to give countless quotations which in a certain way culminate in the affirmation in *Capital*, illuminated from a number of different angles, precisely that the nature of capitalist economy, the very way it functions, is profoundly world-wide. Moreover, this economy simply could not exist other than as a world-wide system. For Marx, it is capitalism which gave birth to and in its very essence

represents the international division of labour and thus the world market.

What, then, can be said about the capitalist economy that has evolved yet further into its highest, imperialist phase? Let us remember here its essential characteristic as a “financialised” economy, recognised and analysed as such since the beginnings of the system at the start of the 20th century. Among the many works devoted to this subject, let me recall only Lenin’s here, since he paints in broad strokes a complete picture with all its economic – but also social and political – characteristics and implications. Lenin rests on and synthesises earlier works, affirming that the marriage of productive capital with money-capital, or to put it another way, production intimately bound up with the banks, is what makes finance capital, and that capital configured in this way becomes predominant. Lenin quotes Hilferding as saying:

*“A **steadily** increasing proportion of capital in industry ceases to belong to the industrialists who employ it. They obtain the use of it only through the medium of the banks which, in relation to them, represent the owners of the capital. On the other hand, the bank is forced to sink an **increasing** share of its funds in industry. Thus to **an ever greater degree** the banker is being transformed into an industrial capitalist. This bank capital, i.e. capital in money form, which is actually transformed into industrial capital, I call ‘finance capital’.”* (Quoted in 1970 pp. 703-704. – My emphasis –BN).

Alongside these fundamental works of the 19th and 20th centuries, especially by Marx and Lenin, the present learned lucubrations which treat globalisation and the financialisation of the economy as something new merely look like more or less successful attempts to present these peculiarities of imperialism as recent features, no more and no less. They have “invented hot water”, as the French say, and all the pompous politicians, economic charlatans and pretentious journalists have followed like sheep. And not a single voice is raised against this real fraud.

What marks these claims is above all their almost total detachment on the one hand from the history of the development of world capital and on the other from the movement of capital inside its own cycle. Obviously they present and describe – sometimes quite well – how the “globalised” economy functions as a system, but in relation to the original works on imperialism no *fundamental* change emerges. They do not even try to locate these “novelties” within a historical context either as a development or as its negation. In that spirit of sleight of hand you could re-invent capitalism itself.

Let me take here a book which came out in 1994 under the promising but at the same time disappointing title *La mondialisation du capital* by François Chesnais. It sort of concentrates within itself all the works and analyses dealing with this subject, which he quotes at length. I place immediately alongside it a collection of studies, also published under Chesnais' direction, under a title which also rings like a veritable challenge to real economic history, indeed, to simple common sense: *La mondialisation financière*. I take these books as a (bad) example for another reason: Chesnais is not just anybody, and certainly not someone who can claim ignorance of Marx and Lenin and their works. A few years earlier, he was one of the high-profile economists of a far-left organisation which called itself Trotskyist and was well-known for its sectarianism. But his book deserves a special mention too because of the extremely thorough picture he presents of what he calls "mondialisation" and because he tries to sketch its possible outcome.

And yet this same Chesnais denies his previous Marxist convictions and drops one of the essential pillars of Marxist analysis, which consists of grasping, penetrating and understanding each phenomenon (even more so in a subject as vast and important as economy) in its development. In this way (not unlike a whole galaxy of renowned economist before and after him) he turns his back on Marx and his fundamental explanations of the world market and its cycles, the inherent movements of capital. The rare appearances of so much as the bare name of Marx come in connection with this or that more or less secondary mention or quotation which supports the author's own assertions. No surprise then that one looks in vain for the names of Lenin, or that Bukharin, Rosa Luxemburg, or even Hilferding or Hobson appear only accidentally. Thus the author's description of so-called "economic mondialisation" consists in enumerating fact after fact as if they were all completely new. But these facts or phenomena arise suddenly out of nothing. They pop up suddenly in the text alongside other apparitions tied together only by the arbitrary decision of the description, but in no way by their interior dynamics, just like that famous financialisation, another tardy new-birth similarly stripped of its own history.

It goes without saying that this ahistorical conception of the whole is not innocent. By this sleight of hand, Chesnais and the great mass of bourgeois propagandists of every stripe – politicians, economists, journalists, experts and commentators – badly mutilate economic history by depriving it of its phase of passage to imperialism, using this expression either not at all or very rarely, just in relation to colonial policy or conquest. This sort of economic analysis also makes it possible to present economy – above all current economy – by and through the immediate appearance

of economic terms and facts without their eminently social content, more precisely without class relations. Such behaviour, which Marx already described as fetishism, is stuck at the immediate surface of phenomena such as production, capital or finance, or even more at technical terms or economic facts or operations, giving them their own authentic life without going on to discover their essence as social relations. And so it is that, in this whole immense literature devoted to “mondialisation” or its various aspects, what is most cruelly missing is any life, and the description as a whole remains just a carcass, a collection of bones, deprived of the circulation of blood, a nervous system and all the attributes which taken together make the body move and more and more help us to understand life.

Concretely, Chesnais for example – and a whole diverse choir (but all singing from the same hymn-sheet) along with him – does not even ask why and how what they call “mondialisation” or “globalisation” came to be born around the 80s and 90s of the 20th century. Here and there some authors do mention that this famous “mondialisation” – whose real name is imperialism dressed up in new but strangely familiar clothes – was born all of a sudden. At most they indicate that it was born as a more-or-less pragmatic alternative (albeit one that had already been advocated for a long time, but was abruptly erected into a powerful and even exclusive doctrine of the leading circles of the bourgeois and of the left) to a certain practise and policy pursued previously by the bourgeoisie, expressed and advocated by and through the theories of John Maynard Keynes.

Keynesianism and its limits

This economic practice and policy, which for simplicity's sake I too shall call Keynesianism, became widespread at the end of World War II. I should just briefly indicate, without going into too much detail, that the measures taken were an attempt to respond to or rather prevent the emergence of crises such as the one which had shaken the world between 1929 and 1933 and whose continuation plunged it into World War II, with all its barbarity.

The bourgeoisie had a second, parallel, reason. It needed to avoid a social explosion, a world revolution fed by the terrible experiences of the war and which threatened the whole bourgeois world order.

I must say straight away that the traditional “workers” and left parties as a whole were converted en masse to Keynes' doctrines, alloyed here and there with the odd remnant of their Marxist traditions, and collaborated totally and unreservedly in this.

Put simply: to achieve his aim, Keynes advocated massive state intervention in the economy through measures including stimulating it with massive investments and a significant increase in public expenditure. Moreover, Keynesianism proposes a heightened role for the state in regulating the market and employment. Keynes also shared the illusion held by many economists (and leading Social Democrats and Stalinists) that the the overweening role of money-capital and its powerful tendencies to speculation are not fundamental attributes of 20th century capitalism. He thought they were dangerous, even fatal “excesses” which caused economic instability. At the same time he believed that the practises contained in his doctrines formed a dam, an impenetrable barrier, to Marxism, to socialism. (I note in passing that in fact all of Social Democracy and all the pseudo-Marxists found it all the easier to adopt policies based on these doctrines because some of his teachings, such as the enhanced role of the state, and the attention paid to employment levels and consumption, etc., seemed to correspond to certain propositions of Marxism – although only superficially, formally and severed from their context and contents).

Be that as it may, the boom in the capitalist economy, or rather the sustained economic growth after World War II and the policies bound up with it, summed up in the totality of measures making up the welfare state (“état-providence” in France) seemed to confirm that Keynes was right. In reality this relative economic success, often (and fraudulently) called the “thirty glorious years”, merely masked the fairly narrow limits of this economic policy and the fact that Keynes' doctrines lacked

clothes. They put off its bankruptcy with explanation and regulation. In fact the real reason for the post-war capitalist boom was the immense reconstruction after the unprecedented destruction of the world war. This reconstruction, which has no parallel, furnished the unprecedented level of demand which was the basis for prosperity. Ever-widening accumulation in the countries of the capitalist west, stoked by the famous Marshall Plan, enabled the bourgeoisie to allow full employment and continuously rising wages based on continually renewed and growing investment. Through these concessions, which were far from negligible, and through the unflinching support of the “workers” parties, the bourgeoisie was able to bar the way to revolution.

At first sight – which is necessarily superficial – it looked as if it was capitalism itself which was able as an economic and political system to produce a renewal of strength like this out of its own resources; as if Keynesianism, which reflected in and through its doctrine the particular and ephemeral situation the bourgeoisie found itself in, represented the triumphant last word in economic science in the face of Marxism. It was this false view which provided the roots and the foundation of the Social Democratic argument that capitalism is able, out of its own resources, to overcome its blemishes and contradictions. And it is the same basis on which all the pseudo-Marxists build their doctrines of “neo-capitalism”, the wholesale revision of Marxism.

Nevertheless, it is true that the bourgeoisie in the west was forced to give up a not inconsiderable portion of the surplus value it extorted from the workers. Faced with the threat of imminent revolutionary overthrow, it had to buy salvation at the cost of continuously rising wages, partial nationalisations and a whole series of significant social reforms. It was both obliged to and able to pay this price at the same time. So in that period the general and international relationship of forces between the classes was such that the working class made advances, however faltering, and found itself in a favourable situation – despite the fact that the world revolution had been aborted.

But of course, in the absence of that victorious revolution, this situation could not last for ever, for all the pseudo-Marxists’ chatter (to say nothing of open propagandists of the bourgeoisie) about great qualitative and positive change in the capitalist system. The very relative prosperity of the post-war period ended once its source was exhausted, i.e. broadly speaking once reconstruction ended. To describe here the bumpy ride to its final end, reflected in the advances made by certain conservative and retrograde forces – who have got back into power as well at the same

time as the systematic exclusion of left-wing parties, would take up far too much time. Suffice it to quote the German dramatist Schiller: "The Moor has done his duty. The Moor can go" – particularly in France and Italy, where the strength of the Communist Parties had especially scared the capitalist system and its parties.

Of course the Keynesian economic policies adopted and followed in all the advanced capitalist countries made it possible to extend the relative but undeniable prosperity even beyond reconstruction properly speaking. Analysis of Keynesian policy as a whole is enriched by the study of the remarkable work of a British economist, the late Geoff Pilling, *The Crisis of Keynesian Economics: A Marxist View*, published in 1986. What also emerges very clearly from this is of course the fundamental inherent flaw in capitalism, its financial problems, which in the long run put an end to this period and also in parallel struck a grievous blow at Keynesianism, which until then had seemed invincible. This brilliant study by Pilling remains to this day recommended reading for all those who, faced with the complete bankruptcy of so-called neo-liberal economics – a few old Keynesians and many new ones – turn to old Keynes' well-thumbed, shopsoiled and threadbare doctrines in search of a safe haven .

After all the age of prosperity and with it the victory of Keynesianism did not put an end to capitalism. Nor was there any shortage of crises. Despite the application of Keynes' doctrines, that age ended in and through multiple crises.

The fundamental contradiction which built up and became acute between the development of the productive forces – increasingly social production – and private capitalist ownership of the means of production unleashed a new and highly important phase of crises in their imperialist stage. Marxist writers showed that from its very inception – because of this contradiction – imperialism meant that the productive forces had collided with the flimsy barrier of private property and ceased to grow: that this system brought about their decline, and that imperialism therefore meant their decadence.

It goes without saying that this decline is not something absolute as Stalinist doctrine claimed. In this or that region of the world and in a given historical phase the productive forces could chalk up advances, often quite significant ones. On several occasions in the early 1920s Trotsky convincingly demonstrated the truth of this. In the epoch of the rise of capitalism, despite severe crises, the productive forces nevertheless continued their progress. If you project the whole of this history as a graph, all the crises and falls – as well, of course, as the recoveries – show a *rising* curve of the economy as a whole, whereas in the imperialist epoch even

the most vigorous recoveries show themselves on a *falling* curve of the economic system. None of the recoveries is enough to restore its former vigour. The economic graph of capitalist economy and thus of the productive forces is already on a downward slope. Trotsky said: "In the epoch of decline the reverses are stronger than the renewals; the crises are greater than the advances". To put it another way, "capitalism is plunging downhill".

* * *

On the basis of this overall decline in the productive forces, a serious imbalance has arisen across the world. In 1920-1922 a severe cyclical crisis followed the terrible devastation caused by World War I (1914-1918). It highlighted the capital fact that the October Revolution and its consequences had shaken the world capitalist system from head to foot and left it badly bruised. One sixth of the entire world had broken the cycle of the international movement of capital, rendering it infinitely more vulnerable. "Normal" cyclical crises became more frequent, deeper and longer as well as more diverse and complex.

For long decades we Marxists correctly explained and followed Trotsky in emphasising – against the pretensions of Stalinism – that the break with the world system of capitalism, which is what the Russian Revolution represented, could not achieve socialism if it remained isolated on the basis of a backward economy and level of technique. Moreover, in such a strait-jacket, the new system brought to power a monstrous bureaucracy through which the whole of this work degenerated and finished up in a setback. And that is what in fact happened.

But we did not emphasise enough a major fact about the 20th century, that the revolutionary leap in Russia – and its many, many effects – created serious commotion within the world capitalist system and deepened its traumas and convulsions. While refuting the Stalinist delirium about the possibility of catching up with capitalist economy or even overtaking it (no less!), we neglected at the same time to integrate into our analysis of the decline of world capitalism and its crises the part played by existence of the Soviet Union, and its wider influence, in the successive occasions on which world capitalism stumbled and lost its balance.

There is not enough space here to describe the bumpy ride capitalism had, coming to a climax in the terrible crisis of 1929-1933 and the fascism and World War II which followed it. That makes it all the more important to emphasise, still in a straight line from the Revolution of October 1917, that at the end and in the immediate aftermath of World War II a whole series of East European countries and then mighty China broke out of world capitalism, thus breaching again and even

more seriously the international cycle in which it functioned. For all the "thirty glorious years" it was never again able to get its head back up.

Even during the period of post-war reconstruction it was forced to build up the armaments industry in order to meet the "communist threat", but above all in large part to stimulate a shaky economy. Within the increased role of the state in the economy anticipated by Keynes, the arms economy occupied a growing place. Thus in parallel with reconstruction, an ever-growing state subsidy to the arms industry was to sustain the long post-war growth.

However, from the outset this prosperity was also severely handicapped by the loss of a huge market represented by the countries which had broken with world capitalism. The latter had to accommodate to shrinking outlets for the export of goods and capital. That is also in large part the explanation of the strong growth in investment in the so-called under-developed countries, particularly between 1955 and 1975, and of the substantial "aid" allocated to these countries.

Besides the loss of, and soon competition from, the USSR, China and a whole series of smaller countries, another long-term and even uninterrupted crisis gnawed away at international capitalism, based on the general decline of imperialism, which was both the ground for permanent crisis and the form in which it manifested itself. This was the ever-deepening agrarian crisis, internationally and in each country, which was and is an integral part of the general crisis.

* * *

The hidden face of the “thirty glorious years”

Following the gruelling hardships of World War II, with the many constraints they had suffered such as state-imposed price limits, requisitions, etc., small farmers, too, benefitted from the relative prosperity. But this lasted for a considerably shorter time than it did for industry. A chronic agrarian crisis had long been the scourge of capitalist economy, and it now hit the middle and especially the poorest layers of the peasantry brutally. The notorious “scissors” between continually-rising industrial prices and ever-lower agricultural prices continued to operate and gaped wider each year. It meant the rural economy could not be sure of even simply reproducing its production.

In the great world crisis of 1929-1933, the severe and worsening agrarian crisis had already greatly accentuated the general crisis and considerably extended its scope. During this crisis and particularly in its later stages, millions of acres of cotton were ploughed under. Roosevelt’s New Deal in 1933 envisaged an artificial rise in agricultural prices through a voluntary cut in agrarian production compensated by state subsidies. This is in the bastion of world capitalism-imperialism, the country whose rural poverty was immortalised in John Steinbeck’s famous novel *The Grapes of Wrath*. And I should not leave out here the well-known fact that in those crisis years millions of sacks of unsold coffee in Brazil were burnt, often in the furnaces of railway locomotives.

And it was at that time, 1934 to be exact, that Eugene Varga (a talented Soviet economist who became a servile follower of Stalin) wrote in *The Great Crisis And its Political Consequences*:

“... the only solution (temporary though it may be) of the agrarian crisis at all conceivable within the framework of capitalism – ruining all the ‘inefficient’ (i.e. the poor and middle) peasants, and driving them off the land ... (and) letting the ‘superfluous’ land lie fallow” (p.56. –my emphasis BN).

But Varga made the mistake of adding that the bourgeoisie would not be able to impose this solution because of the irresistible rise of the working class.

In fact, in the so-called “thirty glorious years” after World War II, these were precisely the “solutions” to which the bourgeoisie turned in order to retard the devastating agrarian crisis. These were the very years when bourgeois states introduced

a regular and widespread system of farm subsidies to keep agriculture turning over and avoid social upheaval. Despite that, an ever-increasing mass of farmers was obliged to abandon the land as it was forcibly concentrated in the hands of capitalist entrepreneurs, sometimes themselves prosperous farmers. Within a few years, by the 1980s, countries with a traditionally strong and numerous agricultural sector, such as France, Germany, Benelux and even the USA, had seen the number of independent farmers fall far below 10% of the working population. And all that took place under conditions ruinous and devastating for the mass of farmers, who were violently and cruelly proletarianised. Nothing could be done to stop or even delay this rapid decay in the capitalist countries or hold off the chronic crisis. The decay inflicted on the peasantry, with a few independent farmers left here and there scratching a living in the shade of the powerful agricultural businesses themselves employing semi-pauperised agricultural workers, is indeed a worthy counterpart to the ferocious forced collectivisations in the Stalinist-ruled countries.

After some initial discussion and experimentation, the first important steps were taken towards the European Union. It is difficult to disentangle political motives in the face of the "spectre of communism" from economic ones, but the latter weighed perhaps more heavily in the decisions of the states involved. The powerful United States, who were in the process of supplanting the exhausted Europeans as economic and political world leaders, urged them on down this road. The Americans wanted to curb and circumscribe European production so that they could sell off their own immense surpluses.

Germany, France, Italy and the Benelux states formed a union to produce and sell their coal and steel output. The British government – strangely absent from this enterprise – had already hastily nationalised the coal mines following World War II, but this act was more a propaganda gesture, and particularly a real gift to the mine owners, than a real socialist policy. The British coal industry had been in decline for decades, a decay which was merely slowed by strong wartime demand. In his famous *Lady Chatterley's Lover*, completed on the eve of the great crisis of 1929-1933, D.H. Lawrence paints an arresting picture of the long death-agony of a considerable part of this industry, along with the sinister effects it had on all those who lived by it. The bankruptcy which forms the back-cloth to the novel lends the whole work a peculiarly melancholy atmosphere and underlines the moral decay of some of the characters.

Indeed, the foundation of the European Coal and Steel Community (ECSC) was intended to spearhead a large-scale movement to meet a great impending crisis.

Responding both to a noticeable shrinkage in the export market and a reinforcement of the resulting tendency – or rather already tangible reality – of a falling rate of profit, Europe’s economic and political leaders undertook a huge movement of so-called “rationalisation” which was in fact a concentration of European coal and steel production. An unprecedented act with massive ramifications, this concentration was the prelude to a whole avalanche of great mergers in Europe which soon extended to other spheres of production and sales.

As ever, this whole movement of huge concentration – accompanied by the usual series of bankruptcies of smaller and less profitable enterprises – brought vast numbers of victims in its train. A mass of the unemployed was forced to seek new jobs and radically change their habits. This bourgeois initiative fanned the flames of class struggle as a consequence of the gains working people had made in Europe between 1945 and 1960. The suffering brought by rationalisation, the material and moral losses it caused, provoked massive and angry protests and an organised response on the part of working people. Thus the first steps in the “European project” meant a considerable intensification of the class struggle. It led in 1961 to the Belgian general strike, sparked by a miners’ strike, followed a little later in 1963 by a national miners’ strike in France.

It is impossible within the framework of this text to analyse these movements in detail in their close symbiosis with the forward march of the (bourgeois) European project. It is enough to recall that the latter came off best in the encounters. In the long term, the construction of a united Europe was stigmatised by the devastation of entire industrial regions. After a few years, all that was left of the mines and factories of the Borinage in Belgium, and of a whole heavy industrial belt along the Meuse below Liege, and between Namur and Charleroi, was deserted ruins. In France, the industrial and mining regions of the north and Lorraine were in large part dismantled. Even the famous Ruhr region in Germany was severely affected. England was also affected by this massive destruction of the productive forces, often under “socialist” governments. Birmingham and the Black Country, Sheffield and Manchester also became huge lost battlefields with their abandoned and demolished mines and factories.

Post-war prosperity allowed many of these unemployed millions to be redeployed quite quickly, but even now it would be worth asking these shipwreck survivors what they think of the “thirty glorious years”. We must conclude quite simply, correcting the chatter from bourgeois propagandists, including economists, that the “glory” of those decades was pretty relative.

Nor should we leave out the highly significant fact that it was during those supposedly "prosperous" years (and from the point of view of the increasing wealth of the capitalists they undoubtedly were) that structural unemployment of an ever-growing part of the workforce emerged. I shall have occasion to return to this very important and characteristic point later.

Meanwhile, let us not forget that this picture of post war capitalism is darkly scarred by colonial wars, nor that the colonial powers such as Great Britain who granted "independence" to India and their other colonies did their level best to maintain economic supremacy over them. In this they hardly differed from France, Belgium, Portugal and others who only granted "independence" to Indochina, Vietnam, Algeria and the Congo under duress after cruel wars which marred the "thirty glorious years".

I intend to return to this subject later, so instead of going into detail here, I want to turn now to the main crisis, which has deepened and undermined the very foundations of prosperity, causing its loss and the end of the "thirty glorious years".

* * *

The post-war dominance of the USA was codified and cemented by the the international monetary agreement reached at the Bretton Woods conference in 1944 which established the pre-eminence of the dollar through its role as a general means of payment. The conference sought to guarantee this by fixing its relationship to gold, valuing the American currency unit at 35 to the ounce of gold. To put it another way, the US was obliged to exchange each dollar presented to it for gold and the value of every national currency was fixed through its parity with the dollar.

This monetary system was presented as a miracle cure – discovered under the wise guidance of Keynes – for the permanent financial instability which is at the same time both the crucible of the crises and the form which they take. However, this cure was fundamentally mongrel in nature. From the very start its austere rigidity contrasted violently with the moving and changing world economy, full of sudden leaps and abrupt reversals. That is precisely the contradiction which developed over the years leading to its death-agony and put an inglorious end to that bastard child of declining capitalism.

From the outset it underwent great tension due precisely to the undeniable service it rendered for some time to the (inconsistent and unstable) equilibrium of world capitalism. The system's enormous domestic and foreign expenditure, partly

unanticipated, exerted a colossal pressure on each national currency and on the dollar in particular. However rapid the growth in surplus values, they were largely swallowed by the colossal charges that the capitalists and their states were forced to meet. There was now a remarkable change in Marx's famous equation showing the cyclical movement of capital and how part of accumulation is destined for re-investment in either constant or variable capital. The latter – and this is a new historical fact – grew considerably after 1945. Besides regular wage increases, the sums allocated to a well-developed system of establishments and networks satisfying social rights (in health, pensions, education, etc.) – the famous “social blanket” which some call a “social wage” – put currencies under extraordinary pressure. Not to mention the cost of maintaining, operating and managing nationalised industries which very often yielded little in the way of profit. All this rapidly fed a growing inflation, the characteristic feature of post war economy (otherwise called applied Keynesianism).

This simple fact, the increasingly ineradicable hallmark of economy right through those long years, expresses a simple but very important truth: capitalism found itself to be and indeed is completely unable by its very nature to secure and maintain a decent and honorable standard of living for the populations which live under it.

To these constraints imposed on capitalism by the relationship of forces which generally favoured the workers after World War II must be added other excessive and constantly increasing burdens which weighed particularly on the dollar. Besides its ever-more extended role as a reserve currency and as a general equivalent i.e. as a means of payment on a world scale, the need to maintain an immense and constantly growing economic, diplomatic and above all military apparatus created a special and increasingly heavy pressure. It placed the dollar under a tension which was particularly difficult to withstand since currency was issued with scarcely any backing – or none at all – by the creation of new value.

Indeed the greatest inflationary pressure came from the extraordinary and unprecedented level of expenditure on armaments. These costs spiralled perpetually upwards. But one feature in particular fundamentally distinguished them from, for example, capital devoted to reproduction: they were invested outside of the natural cycle of expanded reproduction which generated surplus value. This money-capital was and still is withdrawn from the process of expanded reproduction. It is simply swallowed up. Thus instead of producing new value, all it has produced is government bonds, i.e. paper, leaving aside the “use value” of wars and armed conflicts.

This fictitious capital, "Monopoly" money, lived and grew as a parasite upon production and exerted a growing pressure on the economy as a whole, thus reinforcing the tendency of the rate of profit to fall. Here we must immediately emphasise that since that specific moment in the history of world economy, the actual period of the so-called "thirty glorious years", this pressure has not ceased to grow consistently. This "Monopoly" money has grown exponentially and weighs heavily on the monetary system, perpetually stoking galloping inflation.

One important source of that inflation lay within the dollar itself, or rather in the role which fell to the American currency. By virtue of the USA's leading role, codified in the Bretton Woods agreements, the dollar represented gold and became the main and central reserve currency. It was therefore subjected to an astronomical additional burden. As the other advanced capitalist countries, thanks to reconstruction, however incomplete, became able to compete seriously with the USA, particularly West Germany and Japan, they accumulated dollars in their currency reserves. In fact, while keeping its function as a reserve currency, the dollar at the same time turned into a debt owed by the US, which was obliged to guarantee to exchange them for gold at the fixed rate. By 1967 this debt had reached \$36bn, a huge sum for the time and one which rose to \$200bn by the early 1980s. Finally, the way this reserve currency turned into debt lay at the root of the monetary crisis at that time. The enormous and continually rising pressure on the US dollar brought the massive outflow, a veritable exodus, of US gold holdings. Whereas in 1949 the USA held 22,000 tonnes of gold, by 1972 constant massive losses had drained this to a mere 9,000 tonnes. Behind this fall, this depreciation of the dollar, lay the decline of the American economy, expressed in the continuous decline in its balance of trade and balance of payments.

One of the forms and measures of US indebtedness was in the creation and existence of so-called Euro-dollars. (A little later the petro-dollars of petroleum exporters had the same function). Starting towards the end of the 1950s, this system expressed the dollar holdings of the European countries. They amounted to \$2,000m in 1960, but ten years later they had spiralled to \$60,000m. This whole system reflected the level of American indebtedness and thus of the corresponding depreciation of the dollar.

Without going into detail about this development – I refer the reader to among others the excellent work of Geoffrey Pilling mentioned above – it was this incessant downward movement of the dollar which mainly fed and embodied inflation and the so-called liquidity crisis. Over many years the western world's main bank-

ers and finance specialists would meet ritually in Switzerland to adjust the price of gold (originally fixed at \$35 the ounce at Bretton Woods). But despite their efforts the dollar continued to depreciate constantly and inexorably. These meetings where they “adjusted” the price of gold each time did not achieve much. Even the famous “gnomes of Zurich” – the participants in these meetings – were unable to stop or even slow down the fundamental downward trend of capitalism, particularly in the USA, of which the dollar was the distorting, but faithful, reflection.

And yet! The Bretton Woods conference had set up an international financial body, the sadly famous International Monetary Fund (IMF) to maintain international financial stability. One of its functions was precisely to guarantee international liquidity through loans to capitalist countries in order to restore the constantly failing equilibrium of their balance of payments. Some economists (such as Michel Aglietta in France) calculated that between 1947 and 1972, the IMF loaned the colossal sum of \$24.666bn, the overwhelming majority of which (a no less colossal sum of \$16.992bn) was loaned to the advanced capitalist countries.

Here we must clearly emphasise the particular role which the bureaucracy in the USSR played in stabilising imperialist economy through its massive gold sales at the end of the 1950s and the beginning of the 1960s. The ruling layer in the Soviet Union paid for its imports – mainly machines bought from capitalist countries, mainly in Europe – cash on the nail in jingling, glittering gold. I had occasion to analyse this phenomenon in a study I wrote in 1963. In it I quoted the report of the Bank of International Settlements (BIS) which stated the amount of Soviet gold received as \$250m in 1959, \$200m in 1960 and \$260m in 1961. *Staff Papers*, the IMF organ, judiciously commented: “The development of gold sales would reinforce the financial system of the non-Soviet world and would facilitate the maintenance of the price of gold at \$35 the ounce”.

But there was no way out. Even the contribution of Soviet gold kindly placed at the disposal of imperialist economy by the ruling layer in the Soviet Union could only slow the dollar’s downward trajectory.

On the other hand, it underlined and emphasised in a grotesque and absurd way the collaboration and mutual interdependence between the Soviet bureaucracy and world imperialism. The tragic content of this correlation, this peaceful co-existence, was put into sinister relief by the fact that a far from negligible part of this gold was extracted by an immense mass of political prisoners which included the best of every tendency of the revolutionary movement. The Soviet writer V. Chalamov, a former prisoner, provides Dantésque visions of their indescribable suffering, worse

than classical slavery, in the Magadan mountains or lost in the glacial arctic mists along the Kolyma river. It was with gold dug up in tears and blood by these slaves that the bureaucracy rushed to save imperialism from its crises, and itself from bankruptcy.

But there was no holding off the inevitable, whatever the IMF did to prevent it. In 1971 the USA, in agreement with the other advanced capitalist countries, so-called "demonetised" gold. In other words, they suppressed dollar convertibility into gold. Like the chiefs of ancient primitive peoples who would put to death the messenger who brought bad news, these monetary surgeons amputated one of the legs that kept the system upright.

Marx himself, severely criticising the proposal of Proudhon's supporters to replace money, wrote in his famous *Grundrisse*:

"The various forms of money may correspond better to social production at various stages of its development; one form may remove certain shortcomings with which the other cannot cope. But none of them, so long as they remain forms of money, and so long as money remains an essential relation of production, can resolve the contradictions inherent in the money relationship, they can all only express these contradictions in one form or another." (1986 p.61).

For all the incense it burnt at the altar of the monetary system, however, it should be noted that the IMF was really keen to keep a not inconsiderable portion of the gold reserves cosily tucked up in its own funds and in national banks. You never know ...!

In place of the shapeless runt that was Bretton Woods they introduced something that was itself rather a miscarriage, a system of floating currencies intended to maintain continuous mutual equilibrium between themselves and the dollar, which remained the main if not only reserve currency. I should point out that in the free market the price of gold immediately and notoriously went up by several hundred dollars the ounce and remained more or less steady around that price for years.

One fact is highly significant: although it was meant to be the devoted guardian of a monetary system definitively based on gold, the IMF had by then already powerfully contributed to the "demonetisation" of gold. It had manufactured a special "currency" called "special drawing rights" (SDRs), a specific account for member countries expressed in dollars. These SDRs were frequently calculated in terms of dollars, pounds sterling, yen – and later euros. In thus anticipating the

system of floating currencies, the IMF took a significant step forward in replacing paper money with – more paper money. While national currencies, or rather their fluctuations, actually expressed real production in the member countries, however imperfectly, the IMF's SDRs were only a very distant reflection of any production at all. In this, they were the true precursors of the unrestricted hare-brained free-for-all in securities and other financial “derivatives” which has developed since and with which we are now familiar.

By the very act of manufacturing SDRs and injecting them into the economy, the IMF, whatever its official purpose and function, fanned the flames of inflation instead of extinguishing them. Desperately, and to perfection, it played the proverbially thankless role of the pyromaniac firefighter.

Uneven development and the start of the bourgeoisie's European adventure

It would be a serious mistake to blame the “demonetisation” of gold for the way world capitalism’s contradictions clearly grew after 1970 and its various crises emerged or deepened. Nevertheless, freeing the dollar and the international monetary system in general from the crushing and at the same time perversely and ambiguously reassuring weight of gold seriously contributed to the growing and visible manifestation – and deepening – of the crises they were in. They cast off their moorings and the ship set sail on a stormy sea without a key navigational instrument. One of the profound and unbridgable contradictions of world capitalism is that its economy is and remains so to speak organically tied to gold, but must shake itself free if it is to have any hope of surviving.

During the 1970s, growth in gross domestic product (GDP) clearly slowed in the advanced capitalist countries. Whereas the annual growth rate between 1960 and 1969 was still 4.1% (itself already less than the wider expanded reproduction that capitalists required) it fell back to 2.5% in the years 1970-1979. Even that level was only achieved with enormous and increasing help from the armaments industry.

In the western countries affected, the capitalists did all they could, using a variety of measures to slow down the fall in the rate of profit, even if they could not entirely halt it. One of the classical weapons to achieve this, which they continually use, is to intensify the concentration and centralisation of capital considerably and on a large scale. The number of mergers and takeovers already stood at an astonishing 3,360 between 1955 and 1969, but ten years later it had more than doubled, rising to 8,200! Their unprecedented growth in western Europe was additionally encouraged and amplified by international state policies that were more or less concerted, codified, prescribed and supported in the rules and institutions of the Common Market. Even a brief history and analysis of the vicissitudes that body has undergone would far exceed the scope of this text, so I shall try to focus briefly on just a few problems and significant aspects which I think must be known in order to understand what follows.

First of all, its eminently politico-economic character is a matter of great interest. To be more precise, we are greatly interested in its central role, more and more buttressed and regulated, as a supreme organ for defining and controlling production,

trade and all of capitalism's economic life on a European level. This on its own is a fact of capital importance. It "took" two world wars with all their attendant horrors and destruction for the bourgeoisie to "recognise" – in its own hamfisted, empirical, stumbling way – the obvious truth that the productive forces have long since developed beyond narrow national frameworks and that, unless there is an international economic and political unification which goes far beyond national frontiers, butchery of that kind becomes "inevitable", and more frequent and destructive than ever on a world scale .

And what of the "official" political and trade union representatives of the working class? The socialist and communist parties, jointly and separately, as well as the trade unions they control, were first of all resolutely opposed to European unification. Initially they were not even content with moderate criticism – often with a nationalist tinge – of the bourgeoisie's "unification" plans. For decades they had adapted to the shallow nationalism of their "own" respective countries' governments, to the extent that that they were in the front rank in every military adventure the bourgeoisie undertook. It would be tedious and to tell the truth pointless to repeat here how social democrats, from the Millerand government in 1914 to Guy Mollet over Algeria, acted as recruiting sergeants for their "own" bourgeoisie – by way of Leon Blum helping out the assassin Franco. Their "communist" fraternal enemies joined in to pour out the vials of their nationalist hatred of the "Huns" well after 1945 ... all a long, long way from the internationalism of the pre-1914 socialists. The socialists in the British Labour Party, Ramsey McDonald, Henderson and co., were quick to turn their coats, not to mention the Germans, Noske, Scheidemann and Ebert, who fired on insurgent workers. As for the Stalin's "Communists", they completely repudiated the words and deeds of the early days of the Third International, which was the first to call for a United Socialist States of Europe. Only Trotsky and his comrades and companions in arms keep that alive and updated it at every historical stage.

There is therefore little point in sketching here the sorry tale of the so-called socialists' and communists' policy on Europe. The main point is that after briefly shilly-shallying, the social-democrats or socialists lined up with bourgeois ideas and practise on Europe. At most, some of the more prudent quietly copied attitudes and actions from that source. Mostly, however, their leaders were among the loudest in the pro-European cacophany. As for the so-called communists, after a first phase marked by entirely negative and sterile criticism, they soon got back into line, with their usual mental reservations.

What is most remarkable is not that all these fine gentlemen were (and are) incapable of working out, defining and putting forward an independent policy for European unification, but that they didn't even try. It simply is not their type of politics; they never did have a global orientation, a European-wide conception and still less any sort of programme of their own. In this field, perhaps more obviously than elsewhere, they simply adapt to the the cannibal politics of the bourgeoisie and very often they are the first to initiate and propagate them, and the main ones to implement them.

Instead of resolving or at least moderating the cluster of crises undermining capitalism – a completely hopeless undertaking – the “demonetisation” of gold made them even more convulsive and spasmodic. In many cases the sudden lack of a universal measure of value, a general equivalent such as gold, autonomous and in a certain sense outside of the normal reproduction cycle of capital, merely served to spread them.

Here I can no more than outline the main problems capitalism-imperialism faced in staggering through the period of its decline, and I must concentrate mainly on Europe.

The threat of over-production, already evident during the 1950s (and well before that in certain sectors) has weighed heavily on the rate of profit, whose general downward tendency has emerged as an actual fall in many areas. A whole series of dangerous imbalances, often pushed to a point of crisis, has broken a relative and already dubious economic stability.

These growing imbalances were at the same time the particular form and the inevitable consequence of the uneven development of different sectors of the economy. They emphasised and reinforced that sign indelibly branded on the brow of imperialist economy, the growing unevenness of development. Growing unevenness between different sectors of industry, between technically advanced industries such as the car industry and backward ones like mining; the complete list would be very long and the gap between them yawns ever wider. Growing unevenness between different countries and even between regions within countries; to list them in detail would be to paint an arresting picture of discrepancies between them rapidly assuming immoderate proportions and growing into real gulfs. In this respect it is enough to point to the ever-growing disparity between the countries in northern and southern Europe, or within countries, for example in Italy between the industrialised north and the Mezzogiorno, notoriously languishing in under-development in an inextricable net of huge feudal leftovers. The so-called neo-realist Italian films of the 1950s show that in very striking ways.

One particularly crushing burden arose from the grating inequality between industry in general and agriculture. This great scourge of capitalism, a disparity which has grown tragically in the imperialist epoch, has spread since the great crisis of 1929-1933 into a permanent agrarian crisis. Since 1945, after a very short and very relative pseudo-prosperity, the prolonged and deepening crisis of agriculture – a constant source of major concern for Europe's leaders – has become a veritable parasite on the back of industry, regularly siphoning off the latter's already slender profits.

Uneven economic development, growing disparity, that characteristic and incurable flaw of imperialism, has taken on colossal and disturbing proportions, above all on a world scale, where imbalances and disproportions of every kind assume gigantic dimensions. I should just briefly mention here the bottomless abyss created by the extraordinary and historically-inherited imbalance between the advanced capitalist countries and the mass of backward, so-called underdeveloped countries.

A new manifestation, as it were within this imbalance, has surfaced and developed in the most striking way. A new but barren shoot has been grafted onto the diseased trunk of imperialism. It has taken the form of impetuous industrial development in a few countries like Japan and the so-called four Far Eastern dragons on the one hand, while the immense majority of countries in Africa, Asia and Latin America waste away and decline markedly on the other. Another expression of unequal development has emerged, in the shadow of that one as it were, in the petroleum-producing countries which – their possessing classes at least – have to varying degrees got their hands on a far from negligible share of fabulous super-profits as the main oil providers.

Underlying and preceding this genuine upheaval has been the “morbidly normal” (or rather normally morbid) functioning of imperialist economy, constantly faced with a cluster of growing disruptions in the cyclical circuit of capital. To put it another way, the path from the extortion of surplus value in production to its realisation in and through sale has become abnormally long and tortuous. As intractable a problem as growing over-production has constantly reproduced this contradiction at an even higher level. Before the war, the capitalists generally had recourse to the remedy which seemed most natural to them: they simply reduced production far below the potential of their productive apparatus. Thus one of the repulsive vices of pre-war capitalism, when the decline and regression of the productive forces showed itself in unblushing brutality, was the constant non-use of a significant part of productive capacity.

Applying the same methods but having learnt from harsh experience to adopt a herd response to its problems, the post-war bourgeoisie chose a collective therapy. As I have indicated, it saw its solution within a wider and increasingly elaborate framework: the Council of Europe, the Common Market and then the European Union. The tortuous history of the bourgeoisie's runt Europe, with its many meanders and bywaters, reflects quite well the fundamental fact that capitalists rarely apply a logical and coherent plan worked out in advance where economic development is concerned. Far from it, they react in a slavishly empirically and basely pragmatic fashion to the social and economic facts and phenomena as they emerge and appear independently of their will, and very often contrary to their expectations. All the more so since the vicissitudes of the class struggle constantly modify and correct the conditions and configurations of economic and social development. Another cruel and instructive light is thrown on this tortuous history by the close attachment of each faction of the bourgeoisie to that which frames its happy childhood and adolescence, i.e. its own nation. How hard they find it, for all their cosmopolitan statelessness, finally to cut the umbilical cord, as the newborn babe must in order to free itself.

Rather than become mired in all the labyrinthine twists and tangled history of the bourgeoisie's European tribulations, I shall concentrate on certain aspects of the enterprise, particularly in the 1970s and 1980s.

The movement on the part of capital towards a Europe-wide regroupment meant, as I have already said, in the first place the concentration and centralisation of production in favour of the best-placed firms – or more accurately already, immense monopolies, trusts and holding companies – eliminating the weakest. This continuous movement, often renewed and perpetuated on the widest scale, was closely intertwined with another one – the destruction of capital, often in sectors previously considered flagship industries, such as coal or textiles, or even railways.

Such an outcome of the crisis as a whole, this movement of self-defence and renewal of capital, caused a considerable increase in unemployment, with the massive appearance of the long-term “structurally” unemployed, so-called because they were sacrificed at the altar of economic re-structuring. Thus, from the very start, the bourgeoisie's search for salvation in the European escapade could not but express an intensification in the class struggle. I have already mentioned the big strikes in Belgium and France in 1961 and 1963, inspired above all by resistance to “rationalisation”. The history of just about every country in Europe is studded with more or less partial and serious strikes. Marx's famous “reserve army of labour” of the

unemployed underwent a silent but highly-revealing modification, and one which was very much to the detriment of workers as a whole. A part of this “army”, and one which was henceforth to grow constantly, was no longer merely a “reserve” because it was made up of those who had lost their jobs for good, who had been irrevocably and forever ejected from and rejected by production, the vast majority of them with no hope at all of getting back to work.

The massive and constantly growing presence of these present-day victims of capitalism is well-documented but it is regarded by all of capital’s propagandists, from the politicians to the journalists via “experts” of every stripe, as a social phenomenon dictated by fate, something natural as it were. They talk about “the excluded”, a pejorative term promoted to the rank of an acceptable and justifiable social category. Caring souls such as nowadays abound in the general atmosphere of benevolence inspired by the church – and by left intellectuals – exude philanthropic sentiments on their behalf.

The legion of the morally upright accept the monstrous phenomenon of a growing mass of human beings thrown out of social production, and their tearful charity justifies and whitewashes a level of destruction unparalleled in peacetime of the most important component of the productive forces, human labour. For a far from negligible part of the labour force, this destruction is final and definitive, since a considerable proportion of the unemployed go to swell the already abnormally inflated ranks of the “Lumpenproletariat”. A very significant number of young people who have never been able to have a job and thus have very little prospect of ever getting one are forced into destitution in this way.

This phenomenon only really took off later in the era of so-called “globalisation”, when it was added to and combined with the colossal impoverished masses of the under-developed and backward countries of several continents, but its origins must be located in capitalism’s mechanisms of self-defence in the advanced capitalist countries in the “thirty glorious years”.

Let me mention here in passing, without going into detail, that of course one of the essential motives for the Europe-wide regroupment was to facilitate the circulation of capital, above all of goods. From the very outset therefore, those who crafted a capitalist Europe did all they could to simplify and then unify the customs system, leading to a customs union of the countries involved. I shall not venture into the tangled and often contradictory details of how this whole movement was negotiated, or of the occasional alliances – temporary, but oh how revealing!

Agriculture's permanent crisis, the blot on the face of the "thirty glorious years"

There is, though, one sizeable exception: agriculture. Because it occupies a special position and suffers a very particular but characteristic fate in this period of capitalist drift and slide, it requires a little more special attention.

At the risk of sounding long-winded and repetitive, let me just note some outstanding features which economists are only too familiar with in any case, although few care to admit it.

The first and most important is chronic agricultural over-production, aggravated by low prices for agricultural products emphasised by the notorious "scissors" (falling agricultural prices associated with rising industrial prices) yawning ever wider, an old problem which was never resolved and so simply got much worse. From the outset, therefore, agriculture has been the main and constant preoccupation for all, but for the European re-groupment in particular. However, none of the leaders even thought of attacking the root of the problem to provide even the semblance of a solution. They have long since abandoned any such hope. So now they followed their American masters who set up a whole system of agricultural subsidies with the New Deal, in 1933. Another reason they did this was to strengthen themselves against formidable American competition. And so they, too, began to subsidise their agriculture regularly and systematically.

The presence and volume of these subsidies weighed heavily and their mere existence reflected and expressed a permanent agrarian crisis, an incurable disease of imperialist economy. These subsidies were against nature, a kind of "aid" whose main purpose was to avert social upheavals and which was a heavy burden on the whole economy, especially on budgets and on currencies in general.

One of the Common Market's main preoccupations was (and remains) to regulate the production and sale of agricultural goods. The system of subsidies is only part of this. At the same time they limited production in order to prevent over-production and maintain an "acceptable" level of competition. Since quite early on, the self-proclaimed and largely anonymous bosses governing Europe's bourgeois economy have decreed considerable restrictions on the production of a number of commodities. The fallout has often been dramatic. In the South of France, for example, great stretches of the countryside offer the sinister spectacle of grubbed-up vines and deserted and abandoned villages. This became general across Europe,

and was soon “enriched” by the practice of allowing massive amounts of arable land to – lie fallow. The peasants followed this path with bitter feelings but readily enough, since in return for products they either could not sell or had to sell below cost, they received guaranteed and generous sums from “Europe” as payment for their act of suicide.

The inevitable result was on the one hand an accelerated growth and strengthening of the powerful agricultural monopolies – concentrations and centralisations of immense land-holdings, partnerships and combines, very often wholly owned by trusts and multinational agri-food holding companies – and on the other the spread of abandoned fallow land, turned here and there into golf courses for the delectation of the tourists and money old and new. As well, of course, as impoverished small farmers and a largely marginalised surplus rural population.

This was, of course, in the nature of things. This long sustained movement in agriculture was inescapable because it arose from the imperious all-round requirements of capital accumulation, under conditions of a general slump in sales and an accentuated tendency of the rate of profit to fall. For the mass of farmers it meant long-drawn out suffering, a vegetative existence and/or simply destruction as independent producers. The way they were cast into the “underclass” or “Lumpenproletariat” complemented what had been done to the so-called “excluded” workers. What little battered and diminished remnant of the farmers remained was handed over to the tender mercies of the sharks in the big distribution monopolies, who plunder them by paying amorally low prices while charging consumers through the roof.

At the same time the food reserves of the Common Market and the member countries swelled almost beyond capacity. Mountains of butter and meat, lakes of milk and an immense quantity of other products were piled up in storage as unsellable. This crisis of agrarian “overabundance” in the advanced capitalist countries was intimately bound up with the dizzying growth of extreme poverty and famine in the so-called under-developed countries. Overall development’s growing unevenness is one of capitalist economy’s chief characteristics. It has become particularly discordant nowadays in its imperialist phase. Among other things, it shows itself in the repeated tragic divergence between overwhelming piles of unsaleable agricultural products with the consequent widespread destruction of agriculture on the one hand and malnourishment and famine affecting hundreds of millions of human beings on the other. According to United Nations statistics (quoted in G. Pilling), towards the end of the 1980s, 35% of the population of sub-Saharan Africa

– 175 million inhabitants of this vast region – lived in a state of “chronic undernourishment”. The number of such people across the world at that time was a barely imaginable 786 million. Even some bourgeois politicians found it hard to handle the truth about this contradiction in their own system. One tragi-comic anecdote doing the rounds in Paris at the time has the Gaulliste minister of agriculture François Guillaume – no friend of the people, by the way – timidly suggesting that the stocks of unsalable food should simply be written off and handed over to the starving. His horrified colleagues quickly persuaded him to stop talking such naïve, incongruous and even dangerous nonsense. The adventure finished before it started. Capitalist Europe could not act against her own nature: she would rather destroy the surplus “at the right price” than “waste” it on solidarity.

Thus even a brief glance at certain problems in the years between 1945 and 1970 allows us to put the famous “thirty glorious years” alongside all the other self-glorifying legends of capitalism, emphasising their resolutely one-sided character so convenient for capitalist propagandists. That is not to deny, of course, that the period actually did see economic expansion, with the growth of wages and the establishment of a whole system of social protections. But the rot had already set in. Even before reconstruction was over, a whole series of difficulties and crises showed the ever-narrower limits of the system. The “thirty glorious years” were marred from the start by the deathly lividities of capitalism-imperialism.

The origins of generalised debt

The “demonetisation” of gold came during a full-blown crisis of the system. Indeed, it deepened and prolonged that crisis. Nevertheless, the inventors of this lame compromise between a US on the downside and Europeans with little taste for playing the role of good Samaritan thought it might solve the dollar crisis at the centre of the monetary crisis, which itself was a reflection of the general crisis. However, the good doctors of a sick economy could only treat the symptoms, and not very well at that.

As we have seen, this was neither the first nor by any means the only crisis during those “thirty glorious years”. But it was the first time the famous “indicators” – purely mechanical and statistical signals invented by bourgeois economists to keep track of the economy – went into the red.

In the first place, industrial production in the US and in the other advanced capitalist countries fell abruptly. The “demonetisation” of gold itself confirmed a significant shift in favour of the European (and Japanese) economies as against the US. But as a whole, even allowing for the more than satisfactory results in West Germany and Japan, a fall in the rate of production growth was quite noticeable. With good reason, some economists spoke of an actual recession. They justified this in terms of the growing difficulty in finding adequate market outlets for the increased goods produced, as well as a sustained fall in profit rates.

On its own, the Common Market could not counteract growing problems that were an organic part of the system. At most it brought certain ephemeral and transitory improvements. However, rather than tending to resolve the contradictions, including the struggle to compete, they merely put them off and thus let them worsen, aggravating the crisis. Although the advanced countries of Europe had been forced to march together, they achieved each measure as a compromise reached in a bitter and relentless mutual struggle.

* * *

The decline in production and the associated fall in exports opened the way even wider to a “field of artificial accumulation” which particularly weakened currencies and the whole, already mortally sick, international monetary system. The “demonetisation” of gold had been imposed by necessity, but it was meant to act as a universal panacea for the ills engendered by the system (under the baton of Keynes-

ianism). What it actually did was to free the dollar, international money credit, of the only measure that could in the slightest degree objectively moderate it. Freeing it thus from its native and natural regulator without even touching the real source of the problem could only make that problem even worse. And so the dollar pranced and curvetted off like a runaway horse.

The nub of the problem still lay in the original basic contradiction in capitalist-imperialist economy between the essentially ever more social character of production on the one hand and private ownership of the means of production on the other. In the post-war period, even before reconstruction ended, this contradiction was expressed in ever more abundant overproduction, itself a consequence of the fact that the sole aim of production was profit, or to be more exact, capitalist accumulation.

I have already mentioned the very important role played by the armaments industry in curbing crises and simply enabling capitalist economy to function. Now this was not and is not some auxiliary or secondary role simply added on. As early as 1913, Rosa Luxemburg devoted a special chapter in her pioneer work *The Accumulation of Capital* to analysing its singular importance as an indispensable pillar of expanded capitalist reproduction in its imperialist phase.

“Militarism”, she wrote, “...is a pre-eminent means for the realisation of surplus value; it is in itself a province of accumulation.” (2003 p. 434.) She also describes it as a *“particular province of capitalist accumulation” which “seems capable of infinite expansion.”* (2003 p. 446).

This observation was true not just of the period before and during World War I (1914-1918). Luxemburg identified it as a substantial element in imperialist economy, and analysed it as a decisive cog in the reproduction of capital at this stage in its history. History has fully confirmed her clear-sightedness. The armaments industry has entirely fulfilled that function ever since and particularly after 1945 (or rather, to be precise, it has striven to do so). It has indeed been pre-eminent and was even at the root of the so-called financial crisis which culminated in the attempted solution through the “demonetisation” of gold.

But since that act could not, on pain of committing collective suicide, touch the underlying reasons for the crisis, or even its more or less secondary effects, it gave fresh impetus to its component parts, above all the turbulence of money-capital which took centre stage both as its faithful mirror and its premature detonator.

Governments of advanced capitalist countries have devoted steadily growing amounts to their arms budgets. One of the few economists to take Rosa Luxemburg's penetrating analysis of the special role of armaments seriously, the late Gérard Bloch, passed on some figures which are truly astonishing in their scope in *La Vérité*, the magazine published by his organisation, the Trotskyist Organisation Communiste Internationaliste (OCI). In his view, US annual budget expenditure on armaments rose from \$50bn to \$80bn between 1965 and 1968 and reached \$113bn in the first six months of 1970 alone. In 1968, this expenditure amounted to 60% of the US budget!

Everybody knows that these costs and their astonishing, impressive and extremely rapid growth have been a prominent feature in budgets of every capitalist state, particularly advanced ones. The same author tells us that France set aside NF82.4bn for its military plans for the years 1971-1975.

To meet these immense sums, governments' first recourse was to indirect taxes, the traditional source of finance for military expenditure. Their sustained rise throughout this period hit workers hard. High rates of Value Added Tax (VAT), a generalised form of indirect tax, appeared in Europe at this time. Its introduction masked – badly and clumsily it is true – a brutal and particularly significant increase in “normal” indirect taxation. Governments crudely syphoned off workers' money, thus recuperating, at the same time, some of the money they had invested as variable capital. But even with their hands on this VAT treasure trove, they could not cover their many and varied expenditures, above all on armaments.

Therefore they had massive recourse to issuing state loans and all sorts of other bonds, obligations and state paper. To put it another way, they increased the public debt. They were helped along this road by the notoriously negative balance of payments, especially in the US but also in European countries, a consequence of persistent over-production which international markets could not adequately absorb. The supposed prosperity of the 1960s thus had its roots and its explanation in the considerable growth in the arms industry and its inevitable corollary, public debt. By 1970, this had reached the dizzying sum of \$588bn in the US alone.

It is essential to state here how entirely harmful in character these state loans or bonds are. To the extent that they are merely symbolic signs of value, they represent nothing but their own paper existence. Their value, as Marx had already established, “depends solely on” their “own quantity” (Marx Engels 1987 p.353). Consequently their own unbridled nature impells them to multiply through unlimited sales and purchases. Speculation is part of their very temperament, it is the medium in which

they live. And so it is that the attempt to convert them into real money-capital provokes a crisis. And it is only in and through crisis that the fictitious nature of this “capital” is revealed, as *Monopoly* play money.

Side by side with state indebtedness, business too got into debt as it was forced to borrow massively in order to galvanise a niggardly and inadequate level of accumulation. Still in the US, in that same year 1970, the total debt owed by business actually outstripped that owed by the state, reaching a level of \$929bn. In another calculation, 106 of the 500 biggest businesses owed debts of up to 40% of their own capital in value.

It was at that time also that private households in the US started literally to drown in credit. This was facilitated to an outrageous degree by haughty disregard for the rules of solvency, and above all largely by blind and limitless confidence in the omnipotence of the US economy. But first and foremost it was a desperate “flight forward” by capital threatened with collapse. A great mass of households thus quickly joined state and business in the list of debtors. Still in 1970, American personal debt already amounted to the extremely high sum of \$582bn.

This phenomenon is particularly revealing, as it was just the start of an expanding spiral of personal debt which subsequently spread from the US to capitalist economy as a whole. As the years passed it really took off, reaching levels which set their mark on economy as a whole, particularly in the US, the most powerful economy in the world. In reality, US capital (and to a lesser degree European capital in turn) used the credit system to create – confronted with the noticeable shrinkage in markets – a special internal market, with demand constantly growing “ex nihilo”, i.e. from nothing. The whole of this edifice rested only on the rotten worm-eaten basis of credit expanded without any real basis or surety. Indeed, it was common for economists to describe the US economy as being sustained and made fruitful thanks to endlessly expanded household demand, or, to put it more crudely, personal debt. The most clear-sighted added in astonishment the agonising question: How long could such an artificial construct last?

In fact the whole of this seductive yet deceptive artificial construct was not (and is not) anything other than one of the forms, among many others, not “simply” of the inability of capitalism-imperialism to develop the productive forces, not “just” the decline of this system, but of the actual putrefaction that Lenin talks about in *Imperialism*.

Remarkably, as early as 1971 the Marxist Gérard Bloch reported the figures relating to indebtedness and, more than 30 years before the current crisis, asked

the both utterly justified and oh, how memorable question: “How far will the evermore fragile scaffolding of credit on which the American economy rests last?”

But it had only really started. This general indebtedness did not merely persist, and quickly emerge in Europe, but it developed exponentially all over, reaching astronomical levels. According to some calculations, total US government, business and household debt reached \$1900bn in 1970, but \$4000bn in 1978. As for the other advanced capitalist countries, in 1970 borrowing by the public industrial sector was \$2000m, but nine years later, it had reached \$10,000m. Whereas the public debt was \$34 000m in 1972, it was already over \$106bn in 1979.

Capitalist-imperialist economy was never again able to shake this off; it was hopelessly mired in it. So much so that some economists made no bones about calling world economy a “debt economy”, which was correct, as long as you bear in mind that the description covers only the symptom and not the essence.

In the period under examination, the end of the 1960s and the whole of the 1970s, the continuous fall in the rate of profit more and more urgently compelled business to opt for massive loans. They had noticed, as François Chesnais commented in the work already quoted “...the degradation in the profitability of capital engaged in production.” Nevertheless, however correct and significant this statement was and however serious the change that the author did note, he did not realise that what he was dealing with was an absolutely fundamental change in the habitual or normal cycle of capital. But it was during this very period that capital, having long since put production under the domination of finance capital, started to devote itself massively and directly to financial operations and speculations, which appeared to be more profitable than production. And a new phenomenon arose, something not mentioned previously: businesses themselves turned not merely to stock markets but above all to finance markets to speculate on their own account and more and more in order regularly to supplement the meagre profits they drew from production.

Sustained indebtedness and financial requirements often expanding thanks to the same financial elements quickly outstripped the limited capacities of national banks and regulatory systems which had grown up within historical national limitations. So they set up a system, an international finance market, which was independent of states and of their regulatory arrangements. This was the Euro-dollar market. This is how Chesnais explains its significance:

“...the powers of central banks to intervene were weakened ... by the establishment of a private interbank market which totally escaped these rules

(i.e. national regulatory arrangements – BN), *where there was no requirement to hold reserves and where credit could be multiplied to a ‘miraculous’ degree*”.

This market has considerable specific importance for the capitalist-imperialist system at this stage in its life. Rapid and unparalleled growth in the mass of these dollars expresses an increasing inability of capitalist production to finance itself. It clearly marks the ending of the growth of the productive forces in and through this system. According to Bloch, between 1964 and 1967, this special market expanded at a rate of 25% per annum. By 1968, the mass of euro-dollars had increased by 43% and by 1969 by 50%. According to another source quoted by Pilling in his study “Globalisation and the British Working Class”, between 1985 and 1986 \$300bn were being traded each working day on the London eurodollar market, in other words, \$75,000bn in a year. The author concludes that the total of all these transactions was more than 12 times the whole of world trade in goods and services (Brotherstone and Pilling 1996 p.19).

It is necessary to know precisely when (the 1960s and 1970s) the system of euro-dollars and other financial institutions was deployed, as well as the problem which induced the economy as a whole (and all countries involved) to engender it. For one thing this will clear up the fables, not to say downright lies, spread by all propagandists for capitalism-imperialism, that a few “rogue traders” set up (quite recently at that) an “irresponsible” credit system behind the backs of all honest capitalists. For another, it will show and make obvious that the whole thing emerged straight out of the normal functioning of capitalist-imperialism and indeed remains an integral and indispensable part of it. It is its natural child, even if its appearance is as repulsive (to many of its own devotees too) as you would expect with that parentage.

Poverty, colossal debts and ruined agriculture in the under-developed countries

It should be emphasised, more particularly, that the under-developed countries in turn are completely indebted to a previously unheard level. They have literally collapsed under the weight of these debts, incomparably more than and in a different way from the advanced capitalist countries. The shattering growth of inequality manifests itself in a particularly brutal way in this area, on the one hand in their unjust and disproportionate international trade with the advanced capitalist countries, including the latter's so-called "aid", and on the other in the loans granted on extremely onerous terms and unfavourable and often disastrous conditions by the IMF. In the study quoted above, published in the 1996 collection of essays in memory of Tom Kemp, Geoff Pilling gives some very eloquent figures. In 1988, just the service (the interest paid by all the African countries on IMF loans) represented an astonishing 60% of the whole of their income from exports. In this way the states of sub-Saharan Africa paid back to the IMF £1bn more than they received in "aid" or in other "favours" (Brotherstone and Pilling 1996 p. 15.).

By the 1980s the debt levels of under-developed Asian, Latin American and above all African countries completely enslaved them to the advanced capitalist countries. Their subjugation was even worse than in the colonial era, since they were now organically and therefore more profoundly tied in a variety of ways to the advanced capitalist countries. The latter, or to be more accurate those of their citizens whose holdings of money-capital were grossly swollen by the overabundant flood of fictitious capital, easily exchanged their former role of coloniser for the clearly more agreeable – and much more profitable – one of usurer-rentier.

I will not go into detail here about how this utterly revolting relationship evolved, but merely mention the widespread poverty in those states, several of which were only able to avoid complete bankruptcy by new loans and/or periodically "re-scheduling" the old ones. In his book on Keynesianism, Pilling informs us that the debts of under-developed countries in 1975 amounted to \$180bn, but by 1982 had already reached \$600bn, and that according to the World Bank, 80 cents were spent servicing every dollar loaned.

And it must be said moreover that this astonishing and constantly growing international inequality fostered the growth of inequality within each of these countries like a hothouse. Everywhere a relatively broad layer of local leaders emerged

to monopolize an immense share of the “donations” and aid. This layer was constantly renewed in bloody struggles over who was going to pocket the manna from heaven, involving bloodthirsty comic opera figures like Bokassa or Idi Amin, not to mention other sublime guides and “eternal friends” of the west such as Mobutu or Omar Bongo. Imperialist countries and international corporations, ferociously feuding between themselves, eagerly encouraged and fomented such internal conflicts because they made it easier for them to get their hands on these countries’ considerable resources on the most favourable terms. The post-Mobutu Congo offers a particularly distressing picture of this.

One of the main issues at stake in these imperialist machinations was and is to get hold of these immense raw material resources. The image of Total’s unlimited, almost imperial grip on Nigeria’s oil and the way it defends its booty like a feudal overlord, even using its vassals in Lagos as hangmen, is quite haunting. The problem gets bigger when one considers agriculture in these countries. For most of them it is the main economic activity. Imperialist corporations do all they can to keep raw material prices artificially low there, and at the same time to keep the prices of industrial goods at a level well out of the reach of the impoverished masses of farmers. At the same time their dominant position in the world market in raw materials enables them to keep prices artificially low. Moreover the terrible scissors allows them to engage more and more frequently in large-scale speculation, for example in staple foodstuffs (as they did recently with rice), condemning whole populations to hunger.

Generally speaking, prices for the raw materials and agricultural produce which make up a large proportion of these countries’ exports are very low and arbitrarily kept so by international trusts, while the prices of the industrial products the growers need are exaggeratedly raised, creating the terrible scissors which still condemn agriculture in these countries to ruin. Tens of millions of small farmers have deserted agriculture and the countryside, fleeing above all to the capital cities in search of work.

Within the space of a few years, gigantic metropolitan centres have sprung up like festering sores in the majority of these countries. Mexico City with her 18 million inhabitants and Sao Paulo with her 16 million hardly stand out. From Addis-Ababa to Djakarta, Bangkok to Cairo, or Mumbai to Kolkata, everywhere in these countries, tens of millions of unexpected victims, the distorted mirror-image of the “thirty glorious years”, have piled up in the awful conditions of the shanty-towns, condemned to poverty and extinction. There is really little to choose between these

monstrous shanty-towns and inhuman favelas with their inhabitants definitively cast out of the collapsed economy and out of society itself, with proliferating and flourishing gangs of abandoned young people, on the one hand, and the beaten and terrorised populations of the old colonial towns on the other. However, there is perhaps one difference: what is happening today is rapid and incessant deterioration and destruction on a grand scale of the whole life of these millions. Under conditions of capitalism-imperialism, great masses of people in the under-developed world are plunged into barbarism.

On the other hand, a great contingent of the rural masses who have stayed on their land in the countryside have been and are mired in a quite different form of barbarism. Colombia in Latin America presents a disastrous example of this. Thousands and thousands of small coffee growers have been ruined as a result of the successive falls in coffee prices on the world market, manipulated by the big agri-food companies. There is no viable alternative to this traditional activity which could offer an acceptable outlet. Nobody, and certainly no government, has given it a thought; there is no chance of that in a capitalist-imperialist economy. And so, faced with the collapse of the very framework of their lives, small farmers condemned to death by strangulation turned massively to the cultivation of another natural product, previously only grown on a small scale – coca.

There were plenty of “advisors” interested in training and organising farmers to do this. The drug cartels quickly adapted to this new branch of “production”, if, indeed, they didn’t start it themselves. And so the mass of small farmers in certain Latin American countries – besides Colombia, there were Ecuador, Bolivia, etc. – took their place in the new drug “industry”. This novel form of barbarism (and deceptive because it appeared as a solution), where the power of human labour is used to manufacture the means for its abasement, is an immense tragedy.

In Colombia, for example, the country’s own armed forces join those of the US in endless and large-scale campaigns with loud fanfares in the “war against drugs”. In fact the only raids they do plan and carry out are – on the small farmers! “Bravely” they grub up their plantations and “valliantly” they drag the peons off to prison. But these heroes of the war on drugs never propose any alternative whatsoever to the small farmers they attack and punish. And certainly at no point do they raid the local or foreign bosses and under-bosses who run the distribution networks. To this day there has never been a single trial of even one of the big drug godfathers. They walk around in broad daylight in complete immunity. So the way things are, one would be entirely justified in regarding the anti-drug squads as allies – however

temporary and embarrassed – of the cartels against the guerillas – yet another alternative (although sadly also a dead end) for the ruined small farmers.

Elsewhere, such as Burma or Afghanistan, the cultivation of poppies at least partly sustains the struggling small farmers. Here, too, local or foreign armies vandalise the “criminal” small farmers’ crops wherever they can and in a blaze of publicity.

This whole situation is marked by monumental hypocrisy, one of capitalist-imperialism’s most distinctive traits. The “war on drugs” serves to mask the complete failure of this system as far as world agriculture is concerned, and most specially and crudely in the under-developed countries. With little fear of error you could say that these wrecked and perverted agricultural economies in their own way show the desolation which capitalism-imperialism has in store for the whole economy, unless the peoples first unite and strike it down.

Usurious parasitism of the oil producers

But the dizzying growth in inequality around the world assumed – and still does – another, radically different form. Alongside the decline and impoverishment of the majority of under-developed countries, another group has managed to launch itself onto the path of economic growth. These are on the one hand those which, following Japan's economic success, took the same economic path to rapid development (the famous far eastern “tigers”) and on the other those countries which possess large raw material reserves, particularly oil.

There is no room here to deal in detail with all the different ways they developed in close connection with world economy, particularly with the advanced capitalist countries. Nevertheless, it is only through such organic connections that one can understand either their own development or that – somewhat bumpy – of world economy. We must therefore single out certain fundamental features which were already starting to stand out more or less clearly in the period under examination (1960-1981), which I consider to be a transition – from every point of view – between the post-war period and today.

Oil producers enjoy a special status among raw material producing countries. Consequently it did not take them long to insist on a much larger share of the fruits of economic expansion in the advanced capitalist countries.

One needs only recall the famous “oil shocks” in 1973 and 1979 to grasp their importance. In reprisal for US support for Israel in the Yom Kippur war of 1973, the Arab oil-exporting countries decreed an embargo on oil exports to the advanced capitalist countries. That was the first oil shock.

It was indeed a real shock which shook the whole capitalist-imperialist economy, whose dependence on oil as its prime energy source had become both total and vital. The immediate consequence was that “prices (of oil and derivatives – BN) caught fire and ... were multiplied by four”, as one semi-official source noted. The two shocks – the second was related to the revolution in Iran (usurped by the Mullahs) – exposed capitalist imperialism's and thus world economy's extreme vulnerability. Moreover, they underlined a fact of capital importance: the sun was just starting to set on the economic supremacy of the advanced western capitalist countries. In paying perceptibly more for this most important raw material, these had to hand over a far from negligible fraction of their surplus fixed capital to the oil producers.

The happy recipients used this revenue increase in a variety of ways. I shall not deal here with those who – having generously remunerated their own ruling classes and governing teams – tried to recycle part of this “contribution”, more or less and for better or for worse, in their own economic development. From this point of view, there is a certain difference between, for example, Norway and Venezuela on the one hand and the Middle Eastern countries on the other. The latter, led by archaic and backward-looking monarchies, while keeping their countries in the backwardness of past centuries, have accumulated considerable private wealth.

An appreciable part of these revenues has been placed in western banks and there constitute the famous petrodollars. This capital is an important new source of loans and accentuates even more the “free” movement of capital (as opposed to banks tied by national regulation). These petrodollars have further facilitated the stormy and headlong proliferation of credit and speculation. Many wealthy kings and emirs and/or political adventurers like Ghadaffi and his family have also used these colossal revenues to build up significant, not to say decisive share-holdings in large European companies. I should point out that in a later phase these royal families have themselves set up so-called sovereign investment funds so that their astronomical revenues could bear fruit.

What was already remarkable, even with the first oil shock, was how rapidly and almost naturally a new component or elements in the world imperialist system set up house. From being an indispensable contingent of the economic system, these oil exporters changed, turning also into rentiers, or in other words, parasites. And not just any old rentiers or parasites, like the small and medium shareholders who proliferate across advanced capitalist countries like mushrooms after rain, and live entirely from “coupon clipping”.

The princely rentier families, by contrast, rest on the possession of oil, a raw material that is indispensable, indeed vital for the world economy. So they had something to offer in exchange for their manna. Moreover, they used it as an instrument of blackmail to get their hands on a significant, painfully-felt and often increased share of international surplus value. They thus obtain superprofits while remaining largely outside the production process. This rapacious parasitism is all the more obvious in that, even if part of the superprofits they extort is “reinvested”, it is in speculation thinly disguised as “financial operations”, buying shares in western companies or in making loans.

Both cases involve obtaining additional share income, which exposes the lucky sheiks as the rentiers of world capitalism, coupon-clippers on a grand scale. To sum

up, even the tiniest of these countries, or rather their many-headed medieval rulers, are doubly or even triply parasites: in the first place, as rulers of social or political systems which are historically outdated, indeed long past their shelf-life, they run profoundly anti-democratic profiteers' paradises sucking the blood of their own people; secondly as "institutional" master blackmailers as it were they have cornered the energy market to draw extra profits from their capitalist partners; thirdly and finally as major shareholders in many multinational firms in the west, such as Fiat in Italy, they cash in as top-of-the-food-chain rentiers on a mass of juicy dividends. Besides this, by sponsoring loans to several advanced capitalist states, most recently through their sovereign investment funds, they collect quite serious amounts of interest from their "powerful" debtors. Here too they are fulfilling the function of usurers.

While it is true that the advanced capitalist countries (like all the others) are largely dependant on these rentiers-usurers, the opposite is equally true: these parasites are just as dependent on their hosts in the advanced capitalist countries. This close interdependence prevents the parasites from killing their hosts or bleeding them white, while forcing the latter to accept these rogues, their like and their equals in so many ways, into their most intimate ranks.

The oil shock was by no means the cause of the crisis at the beginning of the 1970s, but it certainly contributed to the way it developed and deepened. On the other hand, it was the starting signal, the first step, in the considerable development which quite rapidly (within twenty or thirty years all told) profoundly changed the relationship between the advanced capitalist countries and the so-called third world (or rather, part of it). The former lost their supremacy while many of the previously under-developed countries raised themselves to a level of economic evolution which allowed them to challenge the hegemony of the old advanced capitalist countries, and in some cases to present a real short-term threat.

The murky face of uneven development: outrageous exploitation of backward countries

This extremely important “geopolitical” change only became visible and tangible towards the end of the twentieth century and especially afterwards. However, the oil shocks more or less clearly anticipated it. The epoch we are looking at was still marked by the continual impoverishment of the majority of raw-material producing countries, with the notable exception of the oil-producers. Raw material prices (unlike oil prices) continued to fall following the crisis of 1973-1975, and not just because of the slackening demand resulting from the crisis, but above all and mainly as the result of the policies of capitalist powers.

The latter wanted to recoup the losses they had suffered when these countries won political independence, which was very often associated with the new states taking over their resources. As I have already mentioned, all of these countries were very heavily indebted. Their western creditors incited them to go even further along this route. *Le Monde diplomatique* – in no sense a Marxist periodical – noted in one issue that “by making these loans they made juicy profits and obtained the right of oversight” of these countries’ economies and policies, all the while, of course, greasing the palms of complaisant local leaders with substantial baksheesh.

This was also the cause of these countries’ economic specialisation (pushed to the extreme under capitalist conditions) on one or two products, in order to finance or at least service their debts. With the constant fall in raw material prices (especially after 1970, and persisting right up to the end of 2001) they became the pariahs and beggars of the world. To understand and appreciate such distress, in the face of the capitalists’ wealth, I shall refer to figures published by Geoff Pilling in his above-quoted study. He tells us that in 1975 the five biggest US companies (Exxon, General Motors, Ford Motor, Texaco and Mobil) represented a value of \$197bn, whereas total domestic production in 55 African states in 1974 was only worth \$147bn. Let us add, as Pilling also tells us, that India’s domestic production, with a population of 600 million at that point, only amounted to \$80bn. (Brotherstone and Pilling 1996 p.39n.). The gap is terrifying.

It is particularly important to emphasise that the credits provided by the IMF (or other public or private creditors) were coupled with “recommendations” which were actually irrevocable decrees. It was an open scandal that each one of

these orders and directives linked the loans to economic and political conditions requiring the cancellation of all the more or less progressive economic and social measures the new governments had taken immediately after independence and firmly “advised” them to line up with the “recommendations” of the advanced capitalist countries.

This usurious blackmail has and is habitual behaviour on the part of the IMF over the years, and of other public and private creditors, too, of course. The IMF and other such had nothing to learn from the oil emirs about extortion and blackmail! Long gone are the days when capitalism was young and even the church would condemn not just usury but even charging simple interest on money loaned. Today it seems incredible that, when capitalism was on the ascendant and flourishing, charging interest above the legal rate on a loan – usury – was severely suppressed by law. Until quite recently, even in its twentieth century decline, this system’s governments used to fix the legal rate of interest, which rarely rose above 8% in the advanced capitalist countries.

It is logical and even inevitable to take a look forward here in order the better to understand how this abject coming and going over interest rates came into being and developed. It is one of the “benefits” of so-called “globalisation” (in fact of *corrupt* and *rotting* imperialism) that the credit system is rendered degenerate by completely “liberating” the interest rate (which is is generally quite high enough already) from any kind of regulatory yoke. In the end (i.e. now) it depends solely on the arbitrary decision of the lender, whether public, a bank, or private. It is by no means rare to see interest rates around 20% or more of the sum loaned. I won’t get involved here in a detailed description of the system as a whole, but it is useful to recall at least the matter of so-called “variable” interest rates to illustrate the capitalists’ ingenuity when it comes to extorting considerable surpluses while bleeding their poor clients white. Lenders will, for example, start by offering a very attractive interest rate of 4% or 6%, or even less sometimes, while reserving the right to “vary” the rate at the end of, let us say, a year, when they can increase it to 15% or 18% or even more. Very often the clients don’t even notice when they take the loan on that the rate might “vary”, either because it’s only in the small print, or because they simply don’t understand it. And then they are trapped.

And all this is perfectly legal, so legal that a short while ago, when they were promising to “regulate” unrestrained finance, politicians right and left didn’t say a word (and still don’t) about the need to clean up the savage jungle of credit a little by, for example, fixing a maximum interest rate. They probably dimly realise that

any such measure is impossible in today's corrupt and rotting imperialist system. One of the signs of its putrefaction is not just the hegemony of money-capital over productive capital (which has been one of the distinguishing marks of imperialism since the start) but precisely the unrestrained dictatorship it exercises in its stage of degeneration.

Even Shakespeare's Shylock, the usurious leech and universally repugnant specimen of the loanshark, would be ashamed of his degenerate successors' ferocious voracity. All the sordid characters who personified the "soul" of capitalism in great literature at its very outset, Molière's Harpagon and a whole series of characters in Balzac's "Human Comedy" were only ignorant novices, fumbling and all too human in how they amassed money, compared with the hyenas of modern finance. One can only regret that there is no writer, not to mention a Shakespeare or a Molière, equal to the job of presenting that true lord of creation, the financier, in literary form. It really is a shame that nowadays all you see are in general inveterate navel-gazers, who cannot even see the world around them. Literature, like the arts in general, is contaminated by the decline of the system in which we live. As early as 1916 Lenin described imperialism, among other things, as "reaction all along the line". So where does that leave us now?

Economy and class struggle – the Cold War and the Marshall Plan

At this point it is important to recall, if only on the basis of a few significant facts and observations, that the very basis and content of all economic phenomena is social relations. More exactly and essentially, it is the correlation, and constant struggle, between capitalists and the working class. Engels used the striking and pertinent formulation that political economy is the anatomy of class struggle, a struggle which, whatever all the many and varied bourgeois propagandists busily say, continually underlies and motivates economic facts and processes. It constitutes their substance at every moment and independently of whether its concrete form is open and violent or masked and subterranean.

I have already emphasised that the quite significant concessions forced out of post-war capitalism-imperialism (nationalisations, various social gains, wage increases, etc.) are explained by a relationship of forces that was very favourable to the working class, and to the bourgeoisie's visceral fear of a revolution following the war. The capitalists and their representatives had to take a step back, against their real inclinations, for fear of losing a great deal more. But from the very beginning of and during the whole of the perniciously named "thirty glorious years", the bourgeois class and its organs never stopped wanting to take back or at least alter and de-nature these concessions which the working class rightly considered as social gains it had won.

But even to begin taking these concessions back, with a view to solving or at least relieving their crisis, was a gigantic undertaking for which the bourgeoisie had first to establish the correct political conditions and arrangements. As early as the beginning of March 1946, the uncontested leader of the world bourgeoisie, Churchill, declared open hostility towards the USSR and the Communist Parties, which up until then had rightly been treated as loyal allies. In his famous speech at Fulton university (Missouri, USA) he put the whole world on guard against the USSR and her Communists and first launched the phrase "Iron Curtain", which from then on separated the USSR and Eastern Europe from the so-called "free world", i.e. the west. This was the outbreak of the so-called "cold war".

The USSR and its Communist Parties were quarantined within the framework of this long-term offensive to contain and circumscribe, if not directly drive back its

influence and economic pressure. Hardly a year after Churchill's speech, US Secretary of State General Marshall announced his idea for a financial plan to "assist" economic reconstruction in Europe. Its real aim was to assure a preponderant role for the US in European (and world) economy and politics, and also, above all, to drive back and contain the influence of the USSR and the Communist Parties. The following year, Congress officially put the Marshall Plan on the road. It was based on the newly-achieved and incontestable economic and political primacy of the US, which it both expressed and powerfully consolidated. It served the advanced capitalist countries on both sides of the Atlantic, despite a certain reluctance on the part of the European bourgeoisie. The Americans urgently needed an extensive market to absorb their productive potential, which had developed enormously during the war. Europe, in turn, needed capital for reconstruction and also to overcome her trade deficits, which amounted to \$6.8 bn, a dizzying sum for the period. The IMF's limited resources were insufficient to secure sustained and continuous expansion in either western Europe or indeed the USA. This very recent institution, set up at Bretton Woods, could only provide Europe with \$750 million between 1947 and 1953, whereas within the framework of the Marshall Plan alone the Europeans were given \$6bn.

The Americans' priority was to use it as a strong and effective tool to bring down governments which favoured progressive measures, to force the departure of communist ministers, and at the same time to secure the return to or maintenance in power of governments resolved to attack and undermine social gains and stand up to workers and their movements. At the same time the Marshall Plan was possibly the most important cog in the "Truman Doctrine" which early in 1947 formulated the openly and brutally anti-Communist content of US policy.

Even before the Marshall Plan was launched in the spring of 1947, the Communist ministers in the French government, who actually had had a majority in parliament, were sacked because they would not support the government's wage freeze in the face of workers' movements for wage increases. The government thanked them for their collaboration up to that point, and it should be noted that the French Communist Party (PCF) avoided any popular mobilisation against what the government had done or in support of the wage increases.

Barely a few days later de Gasperi's government in Italy resigned spectacularly, to be replaced by a new one without Communist ministers. During preliminary negotiations, the US ambassador bluntly told de Gasperi that an Italian government containing Communist ministers would never get US loans. But there was no need

for such a threat. Remarkably and most revealingly, even as these negotiations were taking place, the unchallenged leader of the Italian Communist Party (PCI) and close confidant of Stalin, Togliatti himself, stated his party's view: that solving the country's serious economic situation was more important than any other task and therefore no obstacles would be placed in the way of the new de Gasperi government. A nod and a wink ... and it was done.

There is too little space here to even summarise the bitter and sustained efforts by the capitalists and their representatives in Europe and the USA to curb workers' movements – always with a view to revoking the advantages conceded at the end of the war. Such a study would need to deal above all in great detail with workers' resistance, which in certain cases, such as in the United Kingdom, bore positive results. Nor should we forget the Communist Parties' effective collaboration with the bourgeoisies of the different countries, nor leave out the Social Democrats' active participation in the latter's plans and actions. The only thing that limited this collaboration on the part of the Communist Parties was their fear of losing the confidence of masses of workers and thus leadership over them. That is before we discuss the international scene, where the USSR was at one and the same time tied to the capitalist countries and opposed to them.

However, only a work which went into precisely those issues could enable us to understand the real course of history, its inner impulses and its mechanism, in the penetrating light of economic processes and phenomena, i.e. that "anatomy" of the class struggle. In place of that panorama – which would need several volumes – I am restricted in my investigations to a few hints and comments which seem to me to be significant and occasionally essential.

Glancing over the history of the post-war years, at least up to the 1980s, one could say by and large that the class struggle on an international scale and within the advanced capitalist countries displayed a certain unstable equilibrium. Constantly interrupted by the vicissitudes of struggle, this equilibrium was endlessly re-established in line with the general relationship of forces, initially more advantageous to the workers.

At the end of 1945, for example, Truman and the British Labour prime minister, Attlee, concluded a trade and finance treaty. The US advanced a large credit of \$3¼bn to buy goods (from the US of course) and to sort out the big deficit in the UK balance of payments. (At the end of 1944, the UK was only exporting one quarter of what it had before the war). The very high sum involved clearly revealed the special and very close links between the two Anglo-Saxon countries. It was quite a

sizeable credit, especially given the fact that Britain had a Labour government. This says a lot about how clearly representative leaders of bourgeois US interests understood social democrats in general and the Labour Party in particular. But despite the anti-working class “recommendations” attached to the US loan, the pressure of the British working class was so intense that the following year the Attlee government had to agree to nationalise the mines, followed in 1948 by the railways. Of course they paid the capitalists a huge compensation of £1bn, a gift completely in character with the Labour Party “socialists”. These nationalisations represented an enormous affront which the Americans had to swallow as the price for “social peace” guaranteed by their traditional companions-in-arms in the Labour Party.

Nor could the capitalists prevent powerful movements of the American working class itself against price increases and growing unemployment. But the US bourgeoisie had much more elbow room than its European cousins to break workers’ struggles and secure favourable conditions for extracting profits. American workers lacked a political leadership, however weak, even one contaminated by reformism or Stalinism. In June 1947 the American ruling class – more self-confident than its European counterparts – passed the Taft-Hartley Act which made political strikes and strikes of whole trades illegal. Immediately 200 000 miners went on strike in protest against this scurrilous law. Two years later, in a convincing demonstration of the strength of the US working class, 400 000 miners went on strike over pension rights. They got what they wanted after four weeks on strike.

These few examples are representative of an overall situation which forcibly brings out two incontestable realities. The first is that from the very start of the so-called “thirty glorious years”, workers and bourgeoisie were pitted against each other in an obstinately persistent class struggle. The second is that, despite repeated attempts, the bourgeoisie could do little more than dent or make inroads into the social gains. Meanwhile – more so in the early days – the working class was still winning certain advantages. The situation as a whole was marked by a sustained economic expansion which was both clearly expressed and at the same time made possible by this particular conjuncture in the class struggle. But an equilibrium of this sort, permanently racked by explosive contradictions, could not be maintained. In fact, under economic constraints such as the fall in demand as reconstruction ended, restricted markets and the accentuation of the tendency of the rate of profit to fall, the bourgeoisie was forced to step up its attacks. It became bolder and bolder. We have seen above the attempt to remedy the situation in the form of imperialist capitalism’s European adventure (the Common Market), encouraged and pushed

forward by a USA which was herself running out of steam. It really was intended to prop up the tottering edifice of capitalism. But until such a Europe could really take root and flower, that would still not be enough. They had to go further.

De Gaulle's offensive against social gains: General strike in France

The particular historical and sociological conjuncture plus a whole series of specific facts and conditions meant that France, and De Gaulle personally, were selected for the establishment of a bonapartist regime. With the bourgeoisie's muscles thus toned, an attempt was made at a big turn, a general offensive to smash the working class, tame the trade unions and demolish what had been gained. It turned out to be more and more urgent and necessary for capitalism to claw back the fraction of surplus value which had been conceded to the workers in various forms, something which had become a primordial and vital necessity for any expanded and extended accumulation of capital. So the bourgeoisie had to gird itself up for an offensive.

De Gaulle's arrival in power in 1958 was presented as a putsch. In fact, even if the so-called legal arrangements then prevailing had to be bent a little, the change of government took place smoothly and in the greatest legality. Memorably the so-called workers' parties did nothing, apart from some grimaces and verbal flourishes to reassure their follower. There was no action of any size, no general mobilisation. They accepted this defeat of the working class as something decreed by heaven, while the working class lost the initiative. This despite a certain unease even in some circles of the bourgeoisie, part of which showed a palpable fear, shared by many, in the face of uncertainty about the outcome of an offensive declared against gains and rights which were not only social but also democratic.

De Gaulle rapidly realised that before undertaking an offensive of this sort he absolutely had to sort out the insurrection which had broken out in Algeria in 1954. This was growing in strength and engaging and paralysing the material and political arrangements of the bourgeoisie and the state, which was close to being torn apart.

A significant section of the bourgeoisie and its state apparatus had serious concerns about the changes in relation to Algeria, but the General was over-confident. More precisely, he exaggerated the strength of the bourgeoisie and greatly underestimated that of the working class. He was in any case obliged to push forward on all fronts. To provide immediate relief to the bourgeoisie, labouring under a trade deficit and accelerating inflation (in the four years of the Algerian war the franc depreciated by 43%) he undertook a sizeable 17% devaluation of the currency. That measure on its own was a severe attack on workers. With it came a wage and salary freeze, but an unexpected rise in prices. (The introduction of the "new", "hard" franc

adopted at the same time but coming into force later, acted in the same direction).

I have already mentioned the great five-week French miners' strike in the spring of 1963. They were protesting against the "rationalisation" of the coal industry dreamed up by the Common Market which De Gaulle was trying to carry out, particularly once the 1962 Evian Accord freed his hands to concentrate on attacking workers' social gains. The miners put forward a claim for an 11% wage increase in the face of constant price increases and growing unemployment. De Gaulle made the serious mistake of trying to smash this movement quickly. In this hope, he ordered the miners to be conscripted, a step typical of a bonapartist regime and one which turned out to be an enormous error. The miners immediately responded by intensifying their movement, with a further 160,000 in the north joining the strike. This industry-wide general strike was also a protest against the offensive the bonapartist state had opened up to limit the right to strike and to tame the trade unions (which tells you something about what kind of "partnership" De Gaulle wanted to establish with the unions).

At the end of the day the miners got a wage increase of only 6% (instead of the 11% they demanded), but they had certainly knocked it into the General's passably thick skull that a frontal attack on their gains and rights would not succeed. The authorities had to back off from this plan. But De Gaulle had also been able to get the measure of the cautious and complaisant trade unions. If the frontal attack failed, he would have to temporise, with their kind assistance. Meanwhile, De Gaulle had to postpone that assault and fall back on the European bourgeoisie's general method at the time of constantly and insistently nibbling away at workers' rights and gains.

It is impossible to deal in any great detail here with the way the overall balance of forces, including at an international level, developed between the workers and the bourgeoisie during those years. However, I think I must mention some facts and events which illustrate the fragile and unstable equilibrium and the ruptures and successive repairs in the balance of forces between the two fundamental classes in capitalism.

Let us start with the fact that after De Gaulle's seizure of power in France, the German social democrats started to say in words what they were actually doing in practice. Specifically, they thought it was time to re-formulate their views and bring their speeches into line with the politics of social democracy as a more and more indispensable pillar of the bourgeoisie. At the 1959 Bad Godesberg Congress they adopted a new programme which this time explicitly rejected Marxism. At the same time they voted for "democratic socialism", a favourite fig leaf of all those who turn their back on socialism.

The French colonial army suffered a humiliating defeat in Vietnam in 1953 and in 1965 the US, who had already supported them financially, replaced them and started direct bombing raids. (Years before this the US had already ended their military intervention in Korea, which had been useful in overcoming the crisis that started in 1949). It is significant that the first demonstration against the war was organised in Washington that same year, 1965, with some 20,000 participants. Only two years later 500,000 demonstrators joined a protest in New York.

Moreover, in 1966 an international conference was held in Havana with participants from many countries in Asia, Africa and Latin America. It adopted positions opposed to imperialism in general and US imperialism in particular. This conference followed one held in Bandung in 1965 with representatives of 29 African and Asian states (plus Yugoslavia) which undertook to organise all the so-called "non-aligned" countries, i.e. those not belonging to one or another of the two big military blocs. It adopted a position of resolute opposition to imperialism. However, it would be unhelpful – and would take too long – to shed light here on the direct and intimate but nevertheless complex relationship between these struggles of oppressed peoples and the class struggle strictly speaking between capital and labour. It is simply a well-known truth that that relationship exists.

Nor shall I, in view of space restrictions, list all the events in the class struggle either on an international level or in the main countries, but I will return to this in a later, disordered and convulsive phase of capitalism-imperialism. What I must do now is cast a glance at the culminating point of this struggle, the year 1968 in France. The French general strike of that year should be seen on the one hand as a clear expression of all the explosive contradictions in the class struggle of the period, which nevertheless resulted in a certain equilibrium, and on the other as the start of a process where this balance of forces tipped in favour of capitalism-imperialism, even though it was a giant with feet of clay, shaky and vulnerable in itself.

Beyond any doubt, in May 1968 a great, powerful strike of 10 million workers in all sectors of economic and social life shook capitalism-imperialism in France to its very core, while the waves that rippled outwards agitated and traumatised the whole international system.

However, many of us are puzzled and disconcerted that a mass of politicians, journalists, commentators, etc. – often with good left-wing reputations – spread the illusion that in 1968 a great movement of students and intellectuals (all on its own) liberated society from a whole series of backward "societal" attitudes. They wave their magic wand and the working class and its general strike quite simply

completely disappear! They replace them with their own intellectual heroes and their ideas, and the trick is done. This astronomical and unblushing lie puts even an historical liar like Stalin to shame, and that is really saying something. It certainly far outstrips the innumerable bourgeois historians and other chroniclers in the past whose historical falsifications have generally worked by omission. But to “omit” ten million workers on strike for almost two months is something else. And to replace them with a few hundred students in the Odeon Theatre for whom the great upheaval consisted of endless discussions about the degrading position of women or the infamous oppression of homosexuals or other such topics was and remains a pretty sizeable diversion. This is not to deny the importance of these problems, but to say that they were not the central issues and to put them to their proper place as derivatives of the struggle between the fundamental classes, specific aspects of bourgeois oppression.

But under the given conditions, both in 1968 and today, the ruling bourgeoisie and all its propaganda tools and attendants, including those on the left – and ex-Maoists are particularly active and energetic in this – use them as a diversion to more and more deny that there is a class struggle. That is the reason for their “omission” over 1968, a veritable soothing balm for the bourgeoisie. By defending such a conception of 1968, they too can present themselves at only a modest cost as being as progressive as anyone could want.

In the year preceding the great strike, De Gaulle had gone on the offensive to establish a system of rule by decree, sidelining parliament, as a way of “sorting out” all social and economic problems. In particular the General issued decrees challenging the health insurance system (Social Security), declared that workers should “take responsibility” for their workplaces and insisted that the latter should adapt to the requirements of the Common Market. This was a frank declaration of war, and a series of local protest strikes and demonstrations showed that workers and young people were ready to fight back. So the great strike of 1968 did not fall from the sky. It had been presaged by a number of movements against the General’s attempt to raise the flag for the bourgeoisie’s attacks on the gains the working class and all the working population had made.

I needed to make these preliminary remarks to clarify the nature of the movement, but all I want to do now is touch on a few important points. The first is that a general strike was something quite alien to the big working class organisations (parties and trade unions). At first they even spoke strongly against it and tried to prevent it. When the masses of workers did go on strike, these traditional trade

unions and their parties, under pressure from them, did everything they could to take over and straddle the whole strike. In this way, these organisations used their leading positions to change the nature of the workers' demands and knocked their strike off course.

Instead of a consistent struggle for their demands (the 40-hour week, dropping the regulations attacking social security; guarantee of work; general wage increase, etc.) these organisations *begged* for "genuine negotiations". The most active and noisy in this were the French Communist Parti and the CGT under its leadership, which was by far the largest trade union. At the same time, and in full agreement with this orientation, all the trade union confederations – and their political god-fathers – worked systematically to stop these struggles from uniting. They bottled them up in the factories, allowing organisation at a level of individual trades at most. In no way did they want the strike committees to join together in federations, and even less did they want the formation of a central strike committee, which were the slogans of the revolutionary Marxists. As usual they managed to fragment and break up the organisation of the strike (which nevertheless was already united in fact) by slamming the brakes on the movement.

It is absolutely vital to quote here essential parts of CGT leader Guy Séguéy's statement once that organisation had comfortably installed itself at the head of the strike (alongside other less important unions which nevertheless shared the same goals). They should be engraved in the memory of the world working class, not just to remind us of the immeasurable harm Stalinism did to the workers, but also and above all to discourage and expose anyone else planning to use similar language. On 21 May 1968, at the height of the strike, Séguéy stated, among other things: "... public opinion has been favourably impressed by the way we have firmly put a stop to provocations and adventurous slogans ... in the CGT (it) has seen the great tranquil force which has come to restore order on behalf of the working population".

Such words require no commentary! But then again, I should say this: This nod and a wink from Séguéy in the direction of a "public opinion" that in this system is by its very nature bourgeois is in fact beyond revelatory. Implacable anathemas hurled at "provocateurs" and "adventurers", sweet and complicit coquetting with "public opinion"; this is a whole programme ...

And that is how the "Grenelle agreement" between the trade unions and the government came about (so-called because it was negotiated at the Ministry of Labour on the Rue de Grenelle. Ever since 1968 the term "Grenelle" has come to mean any agreement between the government and a variety of organisations in the

spirit of class collaboration. Thus in present-day France there are frequent references to a certain “environmental Grenelle”, a pact between the government and practically every organisation in sight, establishing unrestricted class collaboration in this sphere). In their haste to end all the “disorders”, the CGT leaders reported on their negotiations to a big meeting of workers at the Renault headquarters in Billancourt the day after the Grenelle meeting. But the 12,000 workers present unanimously rejected this agreement. Their rejection was summed up in a single great chant: “Don’t sign!”, which was taken up by millions of other strikers who carried on the struggle.

In fact, even though one of the main strike demands was to do away with the new social security regulations, this agreement does not even mention them, even though the strike was against the bonapartist regime and the way it was limbering up to dismantle social gains.

The regime was forced to concede an increase in real wages, but at 6% it was still considerably less than the 11% increase that had been won in 1936. Moreover, the government only agreed that half the wages for the days of strike action should be paid rather than the full pay demanded. Similarly, among the various demands concerning social security, only one was heeded, and that only partially. But no agreement was reached for a cut in working hours, nor for a lowering of the retirement age, both of which had loomed large in the list of demands.

Under these circumstances, the great mass of workers stayed out on strike until the middle of June, despite the agreement but without the support of the trade unions, whose leaderships had already capitulated. This massive resistance showed that workers and the working population as a whole had the capacity and the will to fight. This forced the bonapartist regime to manoeuvre and concede a few crumbs and it finally succeeded in imposing at least part of its plans, and uniquely it did so with the active collaboration of the “workers” organisations. Overall, the regime proved unable to win a complete and definitive victory. It nevertheless consolidated its position and approach and broadened the base of its offensive while inflicting a considerable setback on workers. Above all, it had got an even better measure of the benevolent collaboration of the so-called “workers” organisations.

This brief foray into the general strike of 1968 is justified, I believe, because of its centrality in the development of the class struggle in the post-war years. It gives a measure of the multiple and overwhelming difficulties faced by a bourgeoisie with its back to the wall, trying to solve the ever-deepening crisis of its system by striking decisively at workers’ gains. Instead of providing a definitive result along those lines,

the great strike showed a working class with a tendency to seize power and even a taste for it. The trade unions and the “workers” parties had to exert every ounce of energy to stop them. The outcome of this great strike and the way it developed was that the balance of forces between the working class and the bourgeoisie tilted in favour of the latter – but not yet decisively. It was confirmed in political power while workers’ demands were diminished, reduced and safely channelled.

Relationship of class forces – Alarming capitalist economic “indicators”

For all that, there was an immediate international response to French workers in 1968. Some twenty countries were shaken by big strikes and demonstrations. They were started by powerful student demonstrations, as in France, often followed by workers' strikes in Mexico, Japan, Germany, the USA and – highly significantly – also against the power of the Stalinist bureaucracy in Czechoslovakia, Poland, Yugoslavia. A powerful wave of protests unfolded around the world. In the capitalist countries it was against the bourgeoisie's increasingly oppressive preparations to deal with its growing crisis at the expense, as usual, of the whole working population. And for the first time in history big demonstrations and strikes in the countries under the Stalinist bureaucracy joined the movements which had broken out in the capitalist countries.

This general mobilisation of the working class was almost always preceded and announced by ferment and demonstrations on the part of young people, especially students, who significantly *supported the demands of the working population*. In this, movements directed against Stalinist regimes were linked internationally with those in the capitalist countries. However, only in relatively few countries were there large-scale workers' strikes which were able to link up with the students' demonstrations. The bourgeois and bureaucratic Stalinist authorities reacted quickly, either with brutal and ferocious repression (Mexico, Czechoslovakia, Germany) or with certain concessions to the students (Poland, Yugoslavia) – carrots followed by the stick. In fact they faced the distinct possibility that the whole working population would join in.

Indeed, an international front had come into being against capitalism and its Stalinist partner in peaceful co-existence. This front took shape mainly and essentially (but not only) in the axis between the general strike in France and the political revolution in Czechoslovakia, interrupted and paralysed and then repressed by Moscow's military intervention. That same Moscow army had pitilessly drowned the Hungarian revolution in blood because it had remained desperately isolated. Now in Czechoslovakia (and Poland and even Tito's Yugoslavia, as well as East Germany) the working class and the young unmasked the false and meretricious “socialism” of the Stalinist bureaucracy.

Unfortunately, it was not possible to unite and fulfill this big international step

forward by working people and the young in any effective and tangible way, principally because their political (and trade union) leadership was mainly in the hands of Stalinists, and it was precisely their power that was challenged in the east and their capitulation which was questioned in the west. Of course another reason was the fragmentation and great weakness of the Marxist revolutionaries, who for years had been slandered and driven violently to the margins of the working class.

Despite the scattered nature of these fundamental movements and the lack of links between them, and despite the setbacks they suffered, one cannot talk of a victory of the bourgeoisie in France, for example. At most it was a Pyrric victory. In ancient times King Pyrrus is supposed to have said: “One more victory like that and we are finished!” This was particularly true of the relationship of forces in France, where de Gaulle was forced to resign barely a year after the strike. And so the bourgeoisie backed down and had once again to put off a decisive confrontation with the working class.

As a consequence, in fact, the next decade was marked by a revival of strikes and workers’ movements, the worsening of the crisis of capitalism-imperialism and indeed even greater collaboration between that system and the Stalinist bureaucracy.

Let me repeat, I believe it is correct to see the 1970s as a period of transition between the post-war economic expansion – misleadingly called the “thirty glorious years” – and the unrestricted orgy of finance capital which followed, including what is no less insidiously called “globalisation”.

As ever in the 1970s, it was the difficulties and vicissitudes – greatly increased this time – of extorting ever-greater surplus value and of overcoming and eliminating the obstacles to it which forced the capitalists to redouble their efforts. Essentially this took the form of an attack on the social gains which eroded and diminished “their” surplus value, as well as tireless attempts to find new methods and ways to secure growth and increase in profits and to restore the falling rate of profit.

Generally speaking, they had no overall plan or pre-established conception of how to do this. Their only goal, and the truly religious zeal that drove them, consisted, as ever, in procuring and securing steadily increasing profits. To achieve this, the great mass of them simply followed their noses in a crassly pragmatic way. Nevertheless, especially during the economy’s most critical phases, this mass was prepared to follow a line advocated by this or that economic guide or guru and passed on by his political disciples. Thus the post-war years saw the domination of Keynes’ teachings in capitalist economic policy (linked to social democracy).

Now, in the period shortly before and during the 1970s, the crisis and its attendant difficulties laid bare precisely the inherent defects of Keynesianism. (See on this Pilling's thorough critique of Keynesianism already mentioned and quoted above.)

But in practise they had little choice. Groaning under a load far exceeding its capacity, the cart of capitalist-imperialism was faced with a dilemma: either it continued on the Keynesian path (knowing that it led to a blind alley as the crisis broadened unsustainably, reflected in uncontrollable inflation and indebtedness which threatened the system), or it took the path recommended by Ludwig Hayek, Milton Friedman and other so-called monetarist economists, better known as the prophets of the hated neo-liberal economy we have today. There was not and there is not any third way for the capitalists, apart from somehow combining the two.

The transitional character of the 1970s, therefore, was expressed in a certain backing away from Keynes' doctrines, while the propositions of the neo-liberal master-thinkers emerged and made some progress. The political economy of the day often contained a mixture of the two which of course could not be maintained for long. The great mass of capitalists had to come to a point out of their own empirical experience where they decided to "change arms".

The multiple and various crises of the 1970s intensified the already quite perceptible faults and vices of capitalism-imperialism and thus shook this mass of exploiters even further. They had to adjust the way they organised and ran their economy in light of the imperious need to increase the surplus value seized from the working class and to combat energetically the tendency of the rate of profit to fall (a tendency which was already becoming an actual fall).

But in order for the class of capitalists to enter fully on that path and drag the economy along with them, a fundamental condition had to be fulfilled: first they absolutely had to inflict a serious defeat on the working class by attacking and then demolishing their social conquests and gains and also by taming their organisations, integrating their trade unions into the bourgeois state. As we have seen, they had already attempted an offensive along these lines in 1968 and suffered a setback.

By 1972-1973, even before the oil shock mentioned earlier, the famous "economic indicators" (slowing growth in production and investment, rise in prices and unemployment, growth of debt and above all a stagnant or even falling rate of profit) signalled a generally worsening situation in the "advanced" capitalist countries. In France, for example, from 1971 the rate of profit – so vital for the capitalists – stopped rising and even fell in 1973. The Organisation of Economic Cooperation

and Development (OECD) and the International Monetary Fund (IMF), the two representative organs of world capitalism-imperialism, became anxious in their turn over the spectacular growth and persistence of unemployment. Between 1970 and 1978, its average growth was still below 10% (alarming in itself), but during 1979 it rose above 10%. The French daily *Le Monde* said on 30 October 1979: “The economic crisis which started between 1965 and 1970 is now completely full-blown”. And this was not at all confined to France. The whole economy of the “advanced” capitalist countries was marked by the growth of unemployment and inflation.

Indeed, these countries really were infested with inflation alongside unemployment. Consumer prices had already started to rise in the previous decade, after which their growth started to accelerate perceptibly. By 1974 their annual growth rate had exceeded 13%, reaching an average of between 9% and 10% in 1976, 1977 and 1978. One economist (J. Bouvier) noted:

“... strong in France, (inflation is) very strong in Italy or Great Britain, and much weaker in the German Federal Republic or in the US. But it exists.”

Economists soon coined a new term for the curious coupling, which was a quite new phenomenon, of economic stagnation (with its inevitable consequence of growing unemployment) on the one hand and galloping and persistent inflation on the other. Almost speechless at the sight of this most unnatural but already lusty new birth, they christened it “stagflation” (a contraction of “stagnation” and “inflation”). They really were dumbstruck by this apparition and for all the intellectual baggage of bourgeois economic “science”, quite unable to explain it. After all, for the whole “science” of the bourgeoisie and for all the legions of “experts” and other propagandists, inflation is and always will be a consequence of workers’ greed. So according to this specialised branch of brainwashing, it is wage increases, i.e. “immoderate” purchasing power on the part of workers, which is the source of inflation, when, to put it even more brutally, society (workers!) is allegedly consuming more than it produces.

This shameless lie has become enshrined as doctrine not only by the whole bourgeoisie but every single politician, including those on the “left”, and also, of course, by all the journalists and “experts”, since they all sail the choppy and highly-polluted waters of the “science” of currently-prevailing bourgeois interpretations of economics. This fiction has so contaminated the world that even trade union leaders are profoundly infected by it.

In fact the days are long gone when at least some researchers with a bourgeois (and thus necessarily partial and limited) point of view were able to make a positive contribution to the science of political economy. But today the great majority of economists merely advise the capitalist-imperialists in working out and improving their techniques for securing and increasing profits. That is the kind of “achievement” that wins the great majority of Nobel prizes for economics.

Economic life itself had inflicted a resounding slap in the face to these experts in cosmetically disguising reality. Up until then they had sworn by all that was holy that economic stagnation and inflation were two mutually exclusive phenomena, whereas their own invention of the term “stagflation” makes it very clear that stagnation, that relapse of production inevitably drawing growing numbers of the unemployed in its train, can and in fact does co-exist with growing inflation. So in the decade of the 1970s, despite unemployment and therefore a fall in consumption, unbridled inflation rose higher than it ever had in the wake of so-called full employment.

The bourgeoisie and its cohort of unconditional flatterers of capitalism were captives of their own dogma, elevated to the pedestal of absolute truth, that greedy workers were to blame for inflation. Thus they were completely nonplussed by this “stagflation”. They did not go on to seek an explanation for it in and through other economic processes, and still less did they really get to the bottom of it. Bear in mind they still maintain to this very day the fiction that overpaying workers is what causes inflation. They are encouraged in this by the aptly-named Jean-Claude Trichet, president of the European Central Bank and the inflexible high priest of the dogma, alongside other highly-placed and licensed devotees and commandants of the system.

Armaments and militarisation as components of capitalist economy

Of course to say that in this capitalist system in decline higher consumption (involving increased wages) contributes to the growth of inflation is to state the obvious. Nevertheless, its contribution is much less than the main sources of inflation such as unproductive expenditure (armaments), the issue of various kinds of bonds and derivatives and the over-abundance of credit etc. It boggles the mind that the problem of armaments and their role in the economy is completely and totally absent from these people's lucubrations.

Even if these actors in and observers or historians of economic life do very occasionally mention the enormous and continually growing expenditure on armaments and/or the daily more onerous level of general indebtedness, it is only as an extremely rare exception that they are linked to inflation. However, the figures for these twin cancers of modern economy (unemployment and inflation) have continued to rise at a dizzying rate, to such a level that like most cancers, these two have become grossly distended and metastatised in disturbing ways.

According to official statistics, the growth of military expenditure by the "advanced" capitalist countries during this decade saw a slight fall in comparison with previous years. They did not deny that growth continued (how could they?); they merely noted that it grew at a reduced rate. I cannot get into a detailed discussion of this complex subject here, and must be content to make a few brief points. First of all, it would be a serious mistake to leave out or forget the Vietnam war, which only ended in 1975 in the defeat of US imperialism. But in their attempt to win the war and later to avoid a defeat, the US felt obliged to increase arms expenditure and the cost of the military in general.

Some economists, and they are very few, reject the muddled pro-bourgeois explanation of inflation. One of them locates its "main cause ... perhaps ... (in) the government's significant role in the economy, in particular its budget deficit ...". (Guttman 1996). A kind of bizarre prudery prevents him from going on to specify the source of this "deficit" (and thus of inflation) in expenditure on armaments, whereas in order to indicate the huge significance of general indebtedness, the same author does tell us all about the debt levels of US banks. In 1965 their debts had only amounted to 2% of their total capital (including liabilities), but by 1978 this proportion had risen to the abnormally high figure of 21%. However, what is doubly

astonishing on the part of certain authors who claim *some sort of* allegiance to Marx is the total absence from their writings of even the slightest reference to armaments, never mind a proper analysis of this nevertheless quite voluminous monster. This abominable scourge is completely omitted from their investigations. But massive armaments are the absurd antithesis of the economy as such – a destructive force par excellence (in opposition to the productive forces) – which has nonetheless become an organic component of economy in its imperialist decline. Well, in mockery of all good sense it has disappeared without trace from this collective work of some 300 pages. This is, alas, not the only book to accomplish such a magic trick, conjuring away a reality the size of a whale. Sadly, such legerdemain is far from unique.

Simply to obtain clear, honest and reliable statistics for the real expenditure on armaments in all the economically developed countries is no easy task. It is even harder to find precise and trustworthy figures for the year-on-year change, even if it has become common currency to note occasionally their substantial role and amazing rise – and so far it has always been a rise. Such shameful and hypocritical dissimulation is understandable on the part of those who cannot say enough in praise of their own capitalist system as the source and basis for all human happiness. They try as hard as they can to hide the fact that under the rule of capital the productive forces do not merely stagnate and decline, but have a tendency – indeed is more than a tendency, it is an incontrovertible fact – to become forces of destruction. Do what they will, they cannot hide it completely. Thus we know that up to the end of the Vietnam war, the US had officially spent \$141 bn and that there had been 56,550 US deaths. I have no figure for Vietnamese deaths.

As early as 1845, polemicising against the anarchist Max Stirner, Marx and Engels noted in *The German Ideology*:

“... productive forces and means of intercourse” (relations of production, social relations) “are brought into being which, under the existing relations, only cause mischief, and are no longer productive but destructive forces ...” (1976a p. 52. – My emphasis, BN).

It seems astonishing that they wrote this in the epoch of *rising* capitalism when the productive forces were still in full development. Nevertheless their analysis of the relations of production determined by private property enabled them to discern this fatal contradiction which capitalism was developing within itself from the very start, but which assumed devastating proportions in its imperialist phase, with two world wars and their terrible ravages upon its head.

Marx himself returned several times to this profound contradiction of capitalism, a mode of production which resulted on the one hand in a rapid expansion of the productive forces but on the other hand (especially in its more highly-developed phase) violently opposed the development of these same forces, in the end destroying them. (See the analyses in the third volume of *Capital* of the tendency of the rate of profit to fall as “hostile opposition” to the development of the productive forces, a fall he describes as “one of the limits to the capitalist mode of production”). He never undertook a more detailed and extensive analysis of this point, probably because in the *rising* stage of capitalism such an approach would have been completely chimerical, a futile and idealistic exercise. Moreover and above all, Marx was convinced that the system would be overthrown by the revolution even before it got tangled up in its own contradictions.

Today, however, because the world capitalist system has survived and even managed to mutate into imperialism, this fundamental characteristic has grown like wildfire in its own right. Armament production, as a more and more significant component of capitalist economy, and its corollaries (arms exports, military expenditure, militarisation, war, etc.) have become inevitable and growing elements in the capitalist-imperialist economy, a real gangrene which threatens the whole of humanity. Even towards the end of World War II the famous philanthropist and architect of the welfare state Lord Beveridge was to write: “...the only sovereign remedy yet discovered by democracies for unemployment is total war” (1960 pp.110-112) Wherein the noble lord (full of good will and illusions) got it more or less right, since his comment contained two incontrovertible truths, viz, that this system is organically unable to prevent unemployment and it generates war.

It is a truth commonly admitted by the more lucid of today’s economists that without arms production and militarisation the capitalist world economic system would collapse. It is basically only their “contribution” that keeps it alive. But what a life ...!

In any case, the whole imperialist epoch is characterised by the pervasive presence of militarism, in particular the period of the 1950s to the 1970s, when, let us not forget, the terrible “cold war” was raging with all its blackmails and phobias. The noisy rivalry of the protagonists whipped the economy of every country, above all the biggest and most deeply involved, to redouble their efforts – and the pressure placed on the popular classes – to compete in the arms race. During the course of the 1960s (and in some cases well before) the so-called great powers tested atomic weapons and even hydrogen bombs, constantly improving their weapons

without the slightest regard for neighbouring populations or the environment. (Oddly enough the great champions of the struggle against climate change and the environment do not mention this or provide any consistent analysis of it). The bit players in the capitalist “camp” feverishly followed in the footsteps of their masters and “benefactors” – especially where the latter’s “strategic” calculations required it. As the years have passed by, less and less has been reported in the media about these tests and in the end there has been a complete “black-out”. We can be sure that more and more powerful thermo-nuclear tests are continuing all the time, but on the quiet. The demands of the economy and of scientific progress imperiously require it, not to mention permanent paranoia over hostile threats.

Be that as it may, today not only China but India, and also Israel and Pakistan, and who knows who else outside the big “traditional” powers, possess these diabolical devices. It is better known that, “thanks” to an indecent nationalist sense of rivalry, France too put her first nuclear submarine in service in 1967, following the US, USSR and UK. The entire French press deliriously celebrated the event as a “great victory”, and you can be sure that military “modernisation” based on advanced nuclear technology has not stopped yet ...

In any case military expenditure certainly did increase during the 1970s (and has done since), however sparse and unreliable the official statistics. Economic production by imperialist capitalism has long since been unable to function without growth in arms production. And the long “cold war” with the frenzied rivalry of the participants, and the bellicose and hysterical atmosphere it generated perceptibly contributed to and reinforced the grip of militarisation. Any belief that the level of armament has ended or even perceptibly fallen since the end of the cold war would be as unscientific as it is credulous and naïve.

US President Eisenhower was himself a general (and thus intimately acquainted with the subject), an active proponent of US hegemony in the world and a zealous opponent of communists and progressives in the USA. Looking back at the end of his tenure in 1961, he warned of the growing influence of what he called “the military-industrial complex”, involving the armaments industry’s close links with the armed forces and a good number of politicians, journalists, etc., its semi-fusion with the state apparatus through an immense pressure group (lobby) acting on its behalf and in its interests. The general went on to draw attention to the fact that the scientific elite of the country was already adapting to the interests of this immense complex. It is visibly evident in every town and every government office that US politics as a whole did fall captive to these forces. This is what Eisenhower was talking about ...

Professor Istvan Meszaros, who provided this important information in his book *The Power of Ideology*, devoted a whole interesting and very instructive chapter to the role and influence of the “military-industrial complex”, particularly in and on science. He tells his readers that:

“... more than 70% of all scientific research in the United States is controlled by the military-industrial complex ... while in Britain the equivalent given figure is in excess of 50%, and in both cases still rising (1989 p. 215).

And further on the author adds that the novel feature of this system so far as the military-industrial complex is concerned consists in this, that

*“... earlier practice” (of armament – BN) “– catering for the exceptional and emergency requirements of crises – is **generalised** and turned into the **model of normality** for the everyday life of the whole system orientated towards **production for destruction...**” (author’s emphasis, p.229)*

This book came out in 1989, so where are we today?

In the autumn of 1968 when US President Johnson (mendaciously) announced the end of bombing in Vietnam, a significant news item was made public. The world learnt that since its commencement, i.e. for three and a half years, and in the course of 94,081 missions, US aeroplanes had dropped 1 million tons of bombs on Vietnam. This item alone exposes the stupefying proportions of the role armaments play in the US economy, reveals the level of suffering of the Vietnamese people and at the same time refutes any claim to have reduced arms expenditure. In any case, contradicting Johnson, his successor, Nixon, announced the resumption of bombing in 1971.

Earlier I quoted figures for the growth and acceleration in the level of state indebtedness, particularly during the years 1970-1979. The principal source of this remained armaments (and militarisation in general), paid for by issuing – paper (piously called US Treasury or other government bonds). They, too, are therefore indicators, albeit indirect, of the growing proportion of armaments.

This “particular province of capitalist accumulation” as Rosa Luxemburg called it (2003 p. 446), did more than just create a growth and proliferation of indebtedness. Obviously the products obtained by setting it to work – themselves quite “particular” – also looked high and low for markets. That was necessary in order

to realise the – quite real – surplus value contained in these arms. A whole and very healthy international trade in arms developed in which the leading role fell to states and their governments, showing complete disregard for any political etiquette. Alleged “socialists” and “communists” got into vicious competition with more “authentically” bourgeois competitor-colleagues over who could sell the most killing machines. For decades already heads of state and government chiefs have acted, as the occasion required, as straightforward arms salesmen on the pretext of state visits to various parts of the globe, subsequently boasting with undisguised glee how many infernal machines they had been able to flog off to the corrupt leaders of some poverty-stricken country. The public bragging each time comes close to a national celebration in all the countries concerned.

Around these lordly parasites revolves a whole constellation of private imitators. The arms trade has become a very juicy business, the ins and outs of which (being affairs of state) are cloaked in official secrecy on “security grounds”, while the huge sums involved are hidden in the general foreign trade figures. (Be it said in passing that, disappointing as the balance of trade figures are anyway, a big percentage has to be disregarded as it involves arms exports.) When it comes to the countless private swindlers, one finds oneself swimming in a foul and murky swamp, as anonymous as that privileged universe where the great circle of senior civil servants and politicians rake off their lucrative commissions each time an arms contract is signed.

The whole of this fog of parasitism and parasites, which grows vaster and more extensive by the minute, is knowingly and deliberately obscured by the endless hollow chatter about peace. It is truly astonishing, indeed absurd, that, in the whole mass of books devoted to modern economy, and more specifically the current crisis, one searches in vain for even a chapter on the decisive role armaments play in the economy of capitalism-imperialism. This blindness, which many find useful from a career point of view, affects not only economists but also the great mass of journalists. It is extremely rare for even one of them to lift so much as a little corner of the veil that is drawn over the enormous devil’s cauldron which is the manufacture and sale of arms, although the billions which it turns over expose and denounce – and this is the point of course – the growing grip of the forces of destruction threatening the system, the decline of capitalism-imperialism.

One further point. The great majority of countries do not possess a serious armament industry. Only the “advanced” capitalist countries and certain other, mainly big, countries, have one. Even if one or two small countries do manufacture arms (like Belgium, or the Czech Republic, for example) this is not enough to cover all of their

“needs”. So it is the so-called advanced capitalist countries and their larger rivals who furnish arms, directly or through private dealers. Now the use value of these goods is revealed in their consumption, i.e. in and through war. There has not been a world war since 1945, not yet anyway. But there are many, many local wars and war preparations, very often fomented in the corridors of power of the “advanced” capitalist countries. To deal with this vast subject properly would take a whole book.

Be that as it may, the arms industry has and does find a ready market. In the “advanced” capitalist countries and everywhere else, too, a legion of politicians and venal journalists, from every compass-point of “honourable” politics, churns out endless mind-rotting verbiage in favour of peace and against those nasty warmongers who kill people. But these are only crocodile tears. One thing is forgotten here, and it is huge: Those tearful hypocrites like to forget who provided the arms to the warmongers in the first place. They don’t say a word about them. They don’t want to disrupt the “proper” functioning of the economy, such as it is. With consummate and boundless duplicity these knights of peace, including the odd artillery manufacturer, condemn someone like Saddam Hussain for gassing the villagers of Halabja (they even hanged him for that), but won’t whisper a word about who produced and sold this poison gas – according to rumour a certain German chemical company. This hypocrisy stigmatises the whole system: the world choruses its fury against warlords who massacre crowds of civilians in, say, Africa, but leaves the essential “contribution” of those who provided the weapons in the deepest silence, to say nothing of the shadowy role of all sorts of (often very high-ranking) agents of the great powers who stir up these conflicts.

Powerful struggles by the US working class

To grasp the whole process which unfolded in the course of the 1970s and to understand what drove it internally and how the various components involved interacted and were mutually related, we need to look again at the so-called “demonetisation” of gold in 1971, which was an important act. This approach will allow us a better understanding of the present period (and today’s crisis) whose roots – it is worth repeating – strike deep into previous periods, particularly the 1970s. Elements of most, if not all, of the factors and methods involved in the recent collapse (speaking of the current crisis) were already present or were starting to appear at that time – if only in embryonic form in some cases.

But before tackling the monetary aspect of Nixon’s decision on 15 August 1971, it is essential to locate it in its international economic and political context. The great majority of economists go straight to the monetary decision without pausing to draw breath, and certainly it was spectacular and had serious consequences. However, they do not try to relate it closely and organically to the facts and events in socio-political reality which actually provoked or largely determined it.

Above all it is important to recall two far-reaching decisions Nixon announced at the same time as he ended the dollar’s convertibility into gold. The first was to decree a 10% tax on imports into the USA and the second was a wage freeze. Taken together, these measures expressed a perceptible weakening of the US economy both domestically and internationally. At the same time, they were the American government’s response to the country’s worsening situation at home and abroad, and were intended to restore it, particularly at the expense of the working class of the US and its European – and Japanese – “partner-rivals”. It was a sort of “mini” declaration of war on all of them.

From 1969 onwards, the pace of America’s industrial growth fell, and unemployment nudged 5% of the active population. Prices continued to rise at an annual rate of 4.8% (rising later to 10%). Investment slowed down and after 1969 even went into reverse. From that year onwards, growth in imports fell to 4.5% per year, whereas between 1958 and 1968 it had averaged 9.6%. A shocked *Wall Street Journal* reported anxiously at the start of 1971: “... officials believe that for the first time since 1958 there probably has not been any growth”. Echoing this, *Fortune* magazine sadly commented: “The uncertainties facing industry today are such that any sort of expansion should not be expected, even less the maintenance of a constant state of growth throughout the seventies.” This is how two key representatives of American

capitalism-imperialism sounded the alarm, as reported in the Trotskyist journal *La Verité* of October 1971.

The figures for exports were even more disturbing and also indicated a serious and chronic weakness in US economy. In fact, for all the expansion, the balance of payments had been in continuous deficit since 1949, reaching \$5bn by 1970. This fall was all the more alarming because the rate of under-utilisation of industrial capacity – that old sign of putrefaction in imperialist economy – was growing dangerously. Between 1957 and 1959, utilisation was still at 80% of capacity (worrying enough in what was supposed to be the world's strongest economy). This characteristic stain on the face of capitalism-imperialism grew steadily worse. In 1970, only 76.5% of industrial capacity was utilised, and the figure fell further in 1971 to 75%, and a month later to 73.5%.

This was only part of the sombre reality which at root drove the US government (and even more its wars). They had to try to make good the inadequacies of accumulation by resorting to armaments orders which in turn further stimulated and exacerbated inflation and indebtedness. I talked about this earlier, quoting some truly alarming figures. However, in addition, an American author, H. Magdoff informed his readers in the May 1970 issue of *American Economic Review* that without the military budget the rate of unemployment would reach the eye-watering figure of 24.3% of the active population, almost as many out of work as at the height of the great depression in 1932 (24.9%). Specifically he said that that would mean more than 30 million unemployed.

Let me emphasise immediately of course, that the Nixon government and the bourgeoisie blamed the working class for economic stagnation and recession.

The economy was sliding dangerously downhill as the figures quoted above testify. The government, then, was acting under real pressure to ward off the growing threat of a slump. So even before “demonetisation” and Nixon's other aggressive measures, his main aim remained to smash the working class. Workers' strength and their self-defence movements were the main obstacles to American capitalism-imperialism's thirst to increase surplus-value and above all make up for the fall in the rate of profit. It was in this way and at this price that it hoped to restore its dominant position in world economy and politics. So Nixon wanted the same system of class-collaboration and subordination that De Gaulle was trying to achieve, even though his illustrious role-model had suffered a temporary setback.

Sadly, as I have already noted, American workers had not been able to establish a strong and broad *mass* party well-rooted in its ranks, comparable with even the

reformist or Stalinist ones in Europe. It is impossible to trace here, even in broad outline, the historical path taken by the working class in the USA. I shall just make a few comments about the problems if faced along the way.

The first is that, from the 19th century until the 1930s, it was a history rich in glorious events and trade union and political progress, large-scale struggles and strong and vigorous class organisations. Socialist fighters of international stature such as Eugene Debbs, Daniel de Leon, and somewhat later Bill Haywood, the Trotskyist James P. Cannon and others emerged from these struggles. This history was studied with energetic struggles by that class, particularly during the great crisis of the 1930s. These were the years when workers were able to build in struggle strong and militant trade unions such as the “Congress of Industrial Organisations” (CIO) and the auto workers’ and teamsters’ (road transport) unions.

In 1933 the old “American Federation of Labour” (AFL) only had two million members. At the beginning of the crisis, the workers were freed from the compulsion to join the company unions run by the factory bosses. Driven on by the crisis, they immediately joined even the “yellow” AFL in massive numbers and swelled its ranks to 7.5 million members. By 1933 there were 1,700 strikes around the country, but in 1937 that had risen to 4,750. They provoked a virulent reaction from the strongest bourgeoisie in the world. The apparatus of the American state, combining its repressive forces (police, National Guard, courts) with the numerous private militias organised by the big bosses, waged a ferocious struggle against the workers, especially the unions and union activists. A physical police terror working alongside private armies and agencies of capital (such as Pinkerton and others) carried out a long series of savagely repressive actions against the workers’ movement, including killings and innumerable maimings. We still sadly lack a true and detailed history of this carefully hidden face of the history of the American workers’ movement.

Be that as it may, despite these virulent attacks and the perfidious and “responsible” attitude the AFL, which organised skilled workers, showed towards employers, it split in 1935 to produce the “Committee for Industrial Organisation”, organising unskilled and unorganised – and hence more radical – workers industry by industry rather than by skill or trade. But its leader John L. Lewis (head of the powerful Miners Federation) turned out (like the whole leadership of the union) to be just as reactionary a bureaucrat as Green and Meany of the AFL.

Nevertheless the number of union-organised workers rose to over 8 million in 1938. Among the big events in this struggle, I shall mention here only the magnificent and innovative Minneapolis teamsters’ strike in 1934 which was entirely led by

the Trotskyists James P. Cannon, the Dunne Brothers and the young Farrell Dobbs. You can read an exciting account of this in James P. Cannon's articles published in *Notebooks of an Agitator* (1973, pages 77-93), where there is a fervent and precise description of the strike which presents the women's aid organisation as well as the attacks of armed militias who killed and injured workers.

American workers won a good number of improvements thanks to the obstinate struggle they put up. Nevertheless, they were not able to develop it into a general offensive, so that once war preparations got under way the bourgeois authorities quickly regained the upper hand.

However, the attempt to steamroller the American workers' movement amid slanders and blood could not stop it raising its head again after the war, despite the terrible loss of life in the course of the war itself. Post-war it was able, for a time at least, to set a limit on exploitation. That is precisely what the bourgeoisie and its government wanted to push back. Nixon felt a real urgency to act. But the 1969 strike at General Electric, followed by the postal workers, showed a revival in working class power. At the same time these movements sharpened the crisis of the system, bringing out the difficulties the bourgeoisie and their state faced in trying to make good the faults and breakdowns of the capitalist economic machine on the backs of the workers.

Then, in 1970, 350,000 General Motors workers went on strike mainly against the added burdens imposed by the (Vietnam) war, but also to increase wages which had been eroded by inflation. This energetic and spectacular action in a bastion of the working class and the flower and pride of the US economy must have weighed heavily in Nixon's decision to take on the working class. On the very eve of the President's famous announcement on 15 August 1971, the West Coast dockers went on strike calling for a 40-hour week with guaranteed pay and a 37% wage increase. Immediately afterwards the 45,000 East Coast dockers joined their comrades demanding something very similar.

Countless bourgeois ideologues and spin doctors and swarms of media propagandists – i.e. almost all the people who “matter” – have for years blustered that the very idea of class struggle is bizarre and outdated. Triumphant they laugh it to scorn and dismiss it as airy-fairy nonsense, the very thought of which is totally old hat. But there is still no other word to describe what was happening all over the place in the 1970s, even in the USA. As the champion of the bourgeoisie, Nixon was perfectly well aware of that, particularly when he decided, among other things, to freeze wages. He was acting in the same way when he set aside the old mini-

mum wage in the building industry. This outrageous act provoked such a general outcry that even George Meany, the conservative and ultra-reactionary president of the powerful united union confederation AFL-CIO, felt moved to protest, describing Nixon's decision as "... a punitive measure against workers".

British workers faced with attacks on their social gains

To round out the picture of the general international situation, I shall have to spend some time on Britain, the cradle of capitalism and its evolution into imperialism – and also of the workers’ movement! She had lost her dominant position in the world to the US during and after the war, and suffered even worse economic decline than the other imperialist countries, particularly after the 1950s, when she completely lost her former economic leadership. While in the 1950s her share of world exports of manufactured goods was 25%, by the start of the 1970s she could only manage 10%. This was a real fall! The economic base of her imperial system had shrunk and she could no longer sustain the whole (social, political, military, etc.) superstructure which had been built up and grown bloated during the preceding decades of British domination. This poignant contradiction grew deeper as each year passed, shaping the fundamental weakness of British imperialism right up to the present day.

1971 brought a significant political change. Edward Heath’s Conservative Party won the general election against the Labour Party of Harold Wilson, which had been in power since 1964. What this meant becomes clearer when you know that Wilson had done everything in his power to establish “harmonious co-operation between the state, capital and the unions”, and especially when you ponder on the striking co-incidence that just the previous year, in 1969, De Gaulle’s resignation had (provisionally) sealed the setback to his own plans for “social partnership”, and that Nixon was fighting to achieve exactly the same class collaboration in the USA. All of them wanted to bind the working class hand and foot, taming the trade unions by tying them to capitalism and its states.

This policy seemed to offer them the surest and most obvious route to dismantling the social gains and imposing a wage freeze, etc., i.e. to increasing surplus value and staunching the fall in the rate of profit. The capitalist-imperialist economy was sick, and the cure depended on this offensive.

A real class war ... just when the multitude of propagandists for capitalism were more tirelessly than ever deriding the very concept of class struggle, chanting the old song even louder in the face of contemporary reality and trying to paint a pretty face on both past and present.

In power, Wilson too had thrown down the gauntlet of an anti-working class

crusade just like his “properly” bourgeois colleagues, De Gaulle and Nixon. As Labour leader he had already gone to war for what the bourgeoisie wanted.

In his early years in power, in 1965-1966, the Wilson government had succeeded, for better or for worse, in imposing 3,000 “productivity agreements” which tied wage increases to growth in productivity. Despite workers’ very combative opposition to these “agreements”, as evidenced by the 1966 strike of the whole merchant navy (during which the Labour government proclaimed a state of emergency) and several other important sectors of industry, Wilson tried to get this kind of “agreement” adopted generally. But first he looked for solid international support against both the threat from “his” workers and growing pressure from the USA. That is why he announced in 1967 that his government wished to join the Common Market. Faced with a twin threat, he sought shelter in what looked like a safe haven.

In the aftermath of 1968, his “socialist” minister of labour, Barbara Castle, worked out a scheme that was supposed to “reform industrial relations” presented in the White Paper “In Place of Strife”. She planned to strengthen arrangements to tie wages to productivity, but above all she wanted to attack unions by severely limiting the right to strike (obligatory arbitration, legal sanctions against unofficial strikes, etc.)

The working class united in a great protest strike against this scheme – the first political strike on a national scale since the war – on May Day 1969. Significantly the Trades Union Congress (TUC) the confederation which led the unions, also raised opposition to the government White Paper. Wilson had to back off and a month later Barbara Castle’s sinister scheme – Wilson’s Trojan horse – had evaporated into thin air. Labour’s corrupt leadership had failed in its attempt to tie the workers’ movement down to the wages policy of the bourgeoisie and reactionary restrictions on strikes.

The crisis of the bourgeoisie and its economy therefore got worse. Instead of “harmonious” co-operation between the classes, Wilson’s dream turned into a nightmare. Prices went up even further, while unemployment rose to record levels. To cap it all, Wilson lost the elections in the summer of 1970. Profoundly disappointed, workers had turned massively away from Labour, expressing their anger through abstentions.

Heath had the same lofty ambitions as De Gaulle a short time previously in France, Nixon in the US and his Labour predecessor who had just broken his teeth on the job. Labour had failed to reduce the working class’s rights or undermine the independence of its organisations while restricting wages; the Tory mission was to

succeed where Labour had failed. Moreover, they made no bones about attacking the workers' movement and smashing its rights, unlike the Labour Party, which had some association with workers, after all.

No sooner had Heath got into office than he rushed immediately – and precipitately – into battle, urged on by the bourgeoisie's voracious greed and impatient to get to grips with the workers. He had good reason to hurry. The international background was sombre, with chaotic turbulence and uncontrollable disorder in the world monetary system. A sudden deterioration in the balance of trade and of payments had already forced the Wilson government to devalue the pound sterling. The British government, a sedulous servant of the USA, had been under enormous pressure from that quarter not to devalue the pound, seen by economists as "the dollar's first line of defence". Wilson had therefore initially chosen the alternative path of inflicting austerity on the working class, but in the autumn of 1967 he was nevertheless forced to devalue the pound by 14.3%. The dollar immediately weakened, and real chaos spread in the international monetary system. This was the international atmosphere within which Heath had to take urgent action.

The dockers rose up against plans to freeze their wages and erode their right to strike. They were quickly followed by municipal and health workers. Then car workers at Ford Dagenham and at Chrysler downed tools. What was remarkable, and perfectly expressed the government's desperation and even fear, was that the strikers won significant wage increases: municipal workers 15%, Ford 12% and Chrysler 18%! But while these increases were hardly enough to maintain the real level of wages (because of galloping inflation), they were too high for the government and its propagandists. In the postal workers' strike, which lasted seven weeks, the government refused to raise wages by more than 9%, although the strikers demanded 18%.

One fact eloquently reveals how deeply the crisis affected the system: for the first time Heath set out to attack the social gains won after the war: the rights to health care and education.

This intensification of the conflict led the government to launch a general offensive to smash the working class. Through his minister, Carr, Heath put an "industrial relations" bill before parliament. He planned to bring in obligatory cooling-off periods before all strikes and court action against "illegal" strikes (i.e. those not recognised by union leaders). He hoped these measures would muzzle the unions and tie them more closely to the state. They were to submit all wage claims to a dreadful form of control called a "progress contract" (wages to rise only as a function of a rise in productivity).

Carr's Bill clearly owed a great deal to Barbara Castle's still-born "socialist" plan which workers had unceremoniously binned only a few months previously.

Once again, confronted with a general offensive and a real declaration of class war by the government, the British working class started to move, just as its American and French comrades had done against Nixon and De Gaulle and their plans.

Even before Parliament had finished discussing Carr's Bill, many strikes and demonstrations were organised to demand its withdrawal. The strength of these movements and the decisive character of the issues at stake – as well as intense pressure from revolutionary Marxists such as the Socialist Labour League and the Young Socialists inspired by Trotskyism – forced the TUC to act. Workers turned to this trade union body even though they knew how deeply connected it was with the state. A short time previously it had accepted Wilson's anti-working class measures without quibble. But workers had no choice but to push *their* organisation to fight. And so, despite misgivings, the TUC decided to hold a big central demonstration in London. Under the circumstances, even a leadership like this one had no alternative to pressing opposition as far as it could to prevent its own break-up as an organisation. About 150,000 workers responded and demonstrated against this attack on the working class.

Even though they were forced to move against the Carr Bill, the TUC soon put the brakes on. In fact the struggle had already long since gone beyond the strictly trade union framework, since what was actually at stake was political power. That was the question that had to be answered. But faced with this historical task, posed afresh this time by the offensive of the moribund bourgeoisie and its government and by the general mobilisation, the trade union bureaucracy, not to mention the Labour Party, beat a hasty retreat.

However, over the two previous years or more the workers' movement had been taking on a more and more clearly political character, for which the central question remained: should it exercise power? But such high stakes had already long since frightened the big political and trade union organisations. Terrified, they quickly balked and at the top of their lungs called – a retreat! True to its nature, the TUC openly declared that it would not organise any strikes against the Carr Bill!

Big protest movements were growing at the time despite and against this perfidious deceit. They pulled along in their wake a good number of trade union leaders who had real devotion to their class. As they had done so often beforehand, the miners now too responded with a national strike which was openly political, since their demands for a pay increase constituted a direct challenge to the government

and its wages policy. After seven hard weeks on strike, the Heath government capitulated, conceding wage increases of between 15% and 30%. It was a major political defeat for the Conservative government.

This was particularly true since European currencies, and in particular sterling, had entered a phase of feverish turbulence which really brought out the fundamental weaknesses of their economies following the American decision to detach the dollar from its golden pedestal. Britain's weakened economy, undermined even more by the specific contradictions of a decadent empire, had real problems weathering the tumultuous changes of the 1970s. The result was that after the miners' strike victory the Heath government limped along in a deep and permanent crisis.

This is not the place for a thorough analysis and description of the revival of class struggle in Britain, which reached a pitch of intensity under the Heath government. It was determined by the sharp deterioration in the economic situation as it affected this important but vulnerable part of the world economy and the government's straightforward brutality. Investment fell by 2% in 1971 compared with 1970, and continued to fall, throwing a glaring light on a serious fall in the rate of profit. Companies' overall profits had fallen by 25% over the preceding five years. Unemployment and inflation continued to rise.

Without going into detail, I must nevertheless mention some decisive facts and movements which are fundamental to understanding this period, and particularly to understanding the economy as the concentrated expression of social relations.

After the miners, the dockers launched a new big strike in the summer of 1972. The Heath government chose to take them head on and immediately resorted to force, applying its villainous laws. Hoping people would forget its capitulation to the miners, it had five docks shop stewards arrested. In the context of a powerful working-class mobilisation, this was taken as a provocation.

Masses of angry workers called on the TUC to act, and it had to call a 24-hour general strike. Most significantly for this period of great political mobilisation, this was the first time since 1926 that the TUC had had to call a general strike. And when the government backed down and released the five leaders, the TUC immediately suspended the strike! But despite the declaration of a state of emergency, the dockers' kept their struggle going until the leaders of their union signed an agreement with the capitalists which gave up their main demand, a guarantee that dockers' work would only be done by registered dockers. The angry workers took the matter up with the general secretary of their union, Jack Jones, laying siege to the Transport House headquarters. Sadly the trade union leaderships were able to isolate them, and, nursing their fury, they had to return to work.

The struggle went on, however. Various strikes and more or less local movements were preparing the way for a confrontation. Heath faced a further deterioration in the economic situation. The effects of the world crisis on the economies of the so-called advanced capitalist countries put severe pressure on US capitalism, and a combative Nixon sought to change the relationship between the leading countries by shifting a significant part of the US's burdens onto the countries of Europe.

This US move had particularly disastrous effects on an already-vulnerable Britain. Two fundamental events had much more serious consequences for her than anything else in world economy.

The first was undeniably the whole set of decisions Nixon took and their consequences, particularly the ending of the international monetary system established at Bretton Woods. The end of the dollar's gold convertibility introduced various very serious disturbances into world monetary arrangements. I shall return to this later, merely noting for the moment the effect this decision had on sterling and its role and importance internationally and domestically. Suffice it to say that the UK currency almost completely withdrew from the international scene, while domestically there was a disproportionate growth of indebtedness and a frenzied rise in interest rates.

The second decisive event was of course the decision of the six oil-producing countries in OPEC on 22 December 1970 to raise the price of oil from \$5.09 to \$11.65 a barrel. This was not the cause of the crisis (although a good number if not the majority of economists claimed under the influence of capitalist propaganda that it was) but it did greatly contribute to it, and immediately it was the source and agency of a new unbridled take-off of inflation. (It should be noted in passing that in 1971 Ghaddaffi's Libya commenced nationalising its oil companies, starting with BP, a further serious blow to already groggy British capital.)

That is why, despite the setbacks it had suffered, the deteriorating situation forced the Heath government to make another attempt to get out of the crisis by attacking workers who were already stirred into movement. Crisis-tossed as he was, Heath uncomplainingly obeyed American masters who were in some difficulty themselves. But then it turned out he could not even force miners to work the overtime without which pits could not meet their production targets. In November 1973, in the vanguard of their class, the miners once more responded massively to a call to action from their union. Supported by railway workers who were themselves on strike for a wage increase, they started an overtime ban. With its back to the wall, the government could not give any ground and was forced to try the iron fist. To iso-

late the miners, it decreed a three day week, using the excuse of the energy crisis (a completely new calamity) and referring to the national interest. But in place of their usual benevolent neutrality, the Labour Party and TUC bureaucrats condemned the government's actions. They could not evade their responsibilities without risking a widespread crisis in the ranks of their own organisations. Heightened by this crucial confrontation of class against class, the atmosphere became, in the words of one leading Labour observer, "semi-revolutionary".

Supported and encouraged, the miners' union declared an all-out strike. Confronted with the workers' "semi-revolutionary" effervescence and unable to give an inch, Heath played his last card. He called a general election, saying that what was at stake was "who runs the country, the government or the unions?". The country had a choice. The Labour and the TUC confined themselves to denouncing recent anti-working class measures, while the miners maintained their all-out strike throughout the election campaign.

The result was a foregone conclusion. In February 1974 Heath suffered a resounding defeat, and only a week later the miners ended their victorious strike with a 29% wage increase. But back at the helm, Wilson could only form a minority government in the face of the combined bourgeois parties, a crisis government which made certain initial concessions to try to reconcile the workers, but did not make any serious inroads into capital. Faced with inflation far outstripping the annual growth rate of 10% and rampant unemployment, workers maintained their level of struggle, winning positive results here and there. Wilson had also to reverse some of the Conservatives' anti-working class measures. But the crisis as a whole continued without even a hint of a solution. Wilson's position as head of a minority government was very uncomfortable, and he was obliged to call a new general election in October 1974. In this, the Conservative Party suffered an historic defeat, with a share of the vote, at 35%, its lowest for more than 50 years.

Nor is this surprising. It was the workers' response to the government's ferocious attempts to make them pay the monstrous costs of a capitalist "solution" to the crisis. Remember the resounding bankruptcy of British Leyland, jewel in the crown of the British car industry, or of Rolls Royce, or Upper Clyde Shipbuilders. This history of bankruptcy was studded with vast numbers of sackings, including 60,000 miners who were "retrained", 40,000 railway workers, 22,000 at GEC, 16,000 postal workers, and many more who were sacked. And these are just a few statistics drawn from among hundreds of others. Workers were looking for a way to respond to this terrible devastation of the productive forces.

Labour only increased its vote slightly, since there were considerable abstentions, even more than in February. This is how the working class showed its frustration and discontent with Labour, which was playing a significant part in the destruction. Feeling stronger after the election victory, but “learning nothing and forgetting nothing”, Labour tried to introduce a so-called “social contract” with voluntary wage restraint by the unions. (Obviously they could not now try a more stringent and all-embracing plan such as Barbara Castle’s already rejected scheme). The miners once more angrily rejected this “contract”, and fought all attempts to tie their wages to productivity.

This glance at the class struggle as a whole, at least in the big capitalist countries such as the USA, France and Britain, mere sketch though it is, shows how hard the bourgeoisie and its political representatives fought to solve the growing crisis of capital on the backs of workers. At the same time it shows the latter’s utter determination to defend themselves against these attacks. To the extent that these confrontations – and in France and Britain they developed to the point where the question of power was raised – did not culminate in a decisive result one way or the other, this period of the 1970s can be considered – from this point of view too – as a period of transition.

I have found it necessary to use certain big capitalist countries as examples of how the economy, as I have said elsewhere, cannot in any way be reduced to a sum of “economic” categories and the changes they undergo. One of Marx’s brilliant and fundamental discoveries consisted precisely in unmasking these categories (commodities, capital, money, etc.) as fetishised envelopes of social relations taking the form of things (and therefore reified or “thingified”). So in capitalist society the economic categories (things or objects such as “capital”, etc.) are in reality nothing but relations between human beings, between social classes. These relations condense into and are masked as things, which thus become fetishes. Bourgeois economic science as a whole is quite unable to lay bare the real nexus of fetishes and remains profoundly imprisoned by them. The main social classes of capitalist-imperialist society, the working class and the bourgeoisie, with their antagonistic interests and movements and above all the incessant conflict between them, form the content and meaning of capitalist-imperialist economy, the way it moves and the paths its development takes.

Some readers may feel that, however abridged, my sketch of a brief period in the class struggle in the USA, France and Britain is nevertheless too long, or even downright pointless. However, given the widely-held views of the population at

large, anaesthetised by bourgeois propaganda, a frank and somewhat extended presentation of social reality was clearly needed, and it had to be developed at appropriate length to make it perceptible and understandable.

It becomes obvious that capital had to launch a great general offensive against the gains and rights which the working class had won. This offensive was unleashed in “advanced” capitalist countries towards the end of the 1960s and the beginning of the 1970s to resolve the crisis into which the economy was plunging. It is clear that the obstinate resistance of millions of workers prevented this attempted “solution” of the crisis, and since it could not be solved in that way it simply got even worse. History adjourned a decisive struggle between the fundamental classes, and therefore also postponed any “solution” (however temporary) of the crisis. As we shall see, it took the historic upheavals and measures introduced by Regan and Thatcher to “settle” this great problem – for a while at least – in favour of capital.

Once more on the “demonetisation” of gold

Before going on to look at some of the somersaults, convulsions and other massive changes capitalism-imperialism underwent during that transition period of the 1970s, I think I should spend a little more time on the so-called “demonetisation” of gold.

First of all, it would be right to say that what the Americans did over this, even if it had the support of the other “advanced” capitalist countries, was mainly a response to the problems faced by American capitalism-imperialism itself (in conjunction with that of Britain, to be precise), and that from the outset it also reflected the frictions born of revived competition between the Europeans (and Japan) and the USA, and the latter’s attempts to defend herself.

The dollar and sterling suffered several crises in the course of the 1960s. On the British side, these reflected the extreme contradiction between the hypertrophied international role of sterling balances and the shrinking real place occupied by Britain’s production and trade (in relation to that role). As for the US dollar, once it had become the universal currency par excellence, it had to bear the cost among other things of maintaining its role as “international policeman”. It was weakened by the inflation of euro-dollar credits, and it too was based on a level of production and trade which were clearly losing impetus.

These two countries persisted in maintaining the stability of their currencies at all costs in the face of their deteriorating economic position. The Americans supported their currency at \$35 to an ounce of gold, advising and even instructing successive UK governments to support that parity. To put it another way, they rejected devaluations even though the pound sterling (and the dollar) were largely over-valued.

It is remarkable and significant that the two governments acted jointly and simultaneously to combat the so-called “English disease”, what bourgeois economists and politicians disdainfully called “the intransigence of workers’ organisations”. Take a look, for example, at Jean Denizot’s highly instructive: *Le dollar. Histoire du système monétaire internationale depuis 1945* (*The Dollar: History of the international monetary system since 1945*), (1985 p. 259). It is a well-organised and well-presented history and analysis, Keynesian in inspiration. Its main drawback – and it is a big one – is that the author shares the traditional bourgeois economists’ conception that money lives a life of its own with only a vague, tenuous and confused relationship with the economy in general and production in particular. The book nevertheless tells the reader a great

deal about complicity between the British and the Americans. For example, as soon as Labour's Harold Wilson came to power in 1964, he started a series of discussions with the Americans about "the possibility of more rigorous wage and price controls". I merely comment in passing that while the author communicates these and other more than significant facts, he serenely "neglects" the existence of the class struggle.

When Britain's balance of trade and balance of payments deficits – £400,000m and £250,000m respectively – triggered intense speculation against sterling, even its most ardent supporters had to give way. The pound sterling was devalued by 14.3% on 18 November 1967, so that what all observers called "the dollar's first line of defense" crumbled. Henceforth a pound would exchange for \$2.40 dollars instead of the previous \$2.80. To bring out the huge impact of economic change at the time, reflected in the relative values of currencies, it is revealing to note that the German government had to re-value the Deutsche Mark on several occasions, most recently in May 1971.

The sterling devaluation immediately triggered rapid and simultaneous speculation against gold and the dollar. The so-called "gold pool" (set up by the central banks of eight countries to defend the price of gold at \$35 an ounce), management of which had been vested in the Bank of England, immediately faced massive gold purchases. The figures eloquently reveal the depth of the crisis in the international monetary system, which itself expressed the crisis in the economy. Only two days after the sterling devaluation, the "pool" had to sell the avid buyers gold worth \$27m. It turned into a flood: on 21 November it was \$45m, on 22 November it was \$106m, on 23 November \$142m, and by 24 November \$256m! If you add to this collapse the disastrous exodus of gold from US central reserves presented above you get a measure of how deeply bankrupt the international monetary system set up at Bretton Wood was. Nothing and nobody could stop central banks – or anyone else – from selling gold at a lot more than the official \$35 dollars an ounce and thus speculating against the dollar and its official parity.

The political administration of US capital (followed with more or less docility by all its competitor-partners) was therefore obliged to give way in the face of powerful constraints imposed by the monetary crisis, which in turn, I must repeat, was an expression of the crisis of capitalist-imperialist economy itself. Incapable by their very nature of finding the correct solution and prevented in any case by workers' resistance from putting the whole burden of the crisis onto their backs, the whole pack of them turned on the currency, which they blamed for betraying the good intentions of Bretton Woods. And so, on 15 August 1971 Nixon declared that the

dollar was no longer convertible into gold. Like all the political representatives of the bourgeoisie, he had been forced to find the best “solution” he could to prevent a complete collapse.

There is no point here in going through the immediate repercussions this act had, nor the negotiations between the various public faces of the system, even if is instructive to hear the genuine panic in that cacophony of voices. Let us just note that the very next day the dollar devalued by 7.9%, going from \$35 an ounce of gold to \$38, but that this did not mean much since dollar convertibility was now over. Nevertheless, the European leaders greeted devaluation with glee as a concession by the US, which just goes to show one more time how little they understood about economic “affairs”, particularly since a whole round of revaluations now quickly followed: the French franc by 8.5%, the Deutsche Mark by 13.5%, the pound sterling also by 8.5% and the Japanese yen by 16.8%. In the end the Europeans (and Japan) aligned themselves on the dollar as a base currency (in reality as a reserve currency), with a floating margin of plus or minus 2.2% around bilateral parities as far as the Europeans were concerned. This complicated and in practice unviable system did in fact live on as the European monetary “snake”, until large-scale speculation started against a rise in the Deutsche Mark, the Dutch florin and the Belgian franc – and the Japanese yen. In 1972 virulent speculative attacks were also mounted on the pound sterling. The Bank of England had to spend almost \$3,000m – in vain, since in the end the government capitulated and allowed the pound to float.

The vicissitudes the various currencies went through, led by the dollar, meant that the Europeans dropped one by one out of the completely ill-suited “monetary snake” and let their currencies float. After all that, in 1973 the Americans had to devalue the dollar again by 10%! And that same year the famous “currency snake”, this monster with neither a head nor a tail born of confusion and panic, sank without trace to an inglorious end. The underlying problem for all the political managers of capitalism-imperialism from the fatal date of 15 August 1971 onwards was that they did not have a clue what the implications of doing away with the fundamental role of gold really were, while deep down there was still something of a confused desire to keep it.

Add to this deepening crisis the appearance of a new “disruptive” factor in the shape of the sudden oil price rise, which formed a new and significant component in the crisis and was itself bound up with the currency disarray.

The currency chaos did not “calm down” until the January 1976 Jamaica decision, which not only definitively confirmed the end of gold’s link with the currency system but also ratified floating currency exchange rates in general. The bourgeois

economist quoted above summed up the Jamaica turn quite crudely as "...the abandonment of every rule governing the international monetary system: henceforth each one does what he wants." (Denizot 1985.)

A telling phrase; but though it has a realistic ring, it was not strictly true. In fact within these floating exchange rates as a whole, the Europeans established their own European Monetary System, which maintained parities between their own currencies.

Currencies appeared to be free, but were in fact quite constrained by the agitated and feverish developments in world economy and the arbitrary choice of the dollar to play the central role internationally.

The imposition of the system of floating exchange rates was undeniably a notable first victory for the supporters of the monetarist "theory" taught by Friedrich Hayek and Milton Friedman. This cannibal "theory" was to take off in practice during and after the 1980s. The accompanying belief in miracles and deceptive illusions, and the very real suffering we know it brought, was however clearly evident in the 1970s, which – from that side too – shows that it was a decade of transition.

There is now a singular interest in this famous ending of the dollar's (and other currencies') convertibility into gold and even a need to examine it more closely, particularly as most economists merely mention it as date in the evolution of the monetary system.

But the closer you look at it, the more ambiguous it appears to be to call it the "demonetisation" of gold. It is a confused and misleading description, although economists and politicians as a whole have accepted and used it. If they had set out to cloud peoples' minds deliberately, they could not have chosen better, but actually they were genuinely confused themselves.

This formula: "demonetisation of gold" presents the act as if it were something that had actually been done to gold itself, as if the leaders had proceeded to "demonetise" *it*, whereas in reality gold remained what it had always been and what it continued to be, a precious metal impervious to all manipulation. (Of course I am not talking about its physical appearance here.) But what the desperate leading bourgeois really did change, on the other hand, was the personality of *money*. To be more precise, they deprived it of its basis, its content, its very identity. Only once that had been done to money – and only then – could gold in turn be "demonetised". In the nature of things, it was not the "demonetisation" of *gold* but a real lobotomy inflicted on *money*. Depriving money of its substance had serious consequences and brought some notable convulsions and shocks.

On Marx's theory of money

Here, too, you have to start with Marx. He analysed money and its functions in minute detail on several occasions. Engels wrote in 1885 in his preface to volume II of Marx's *Capital* that: "His theory of money, founded on this basis, is the first exhaustive one and has been tacitly accepted everywhere" (Marx 1986, p. 17). But if his theory of money was "tacitly accepted" then, it is noisily rejected or passed over in silence today, just as it was when the changes I describe were taking place in the monetary system.

There is not enough space here for even a brief summary of the whole wealth of Marx's analysis of money. Practically every single one of his works on economics contains entire chapters on this subject. The French editions of his *Economic Manuscripts of 1857-1861* (the justly famous *Grundrisse*), followed by the *Contribution to a Critique of Political Economy* which appeared immediately afterwards in 1859, contain more than 300 printed pages devoted to the analysis of money, its nature and functions. One finds it again in every volume of *Capital* but in a more condensed and abridged form on the one hand, and enriched by the forms of appearance and manifestation of money as money capital on the other. I insist on these facts because Marx's ideas are almost totally ignored in the writings of economists of every stamp. At most what one finds there are only the crudest distortions.

Marx started to develop his ideas on money in a polemic against the conceptions of Proudhon and his supporters. In their eyes, precious metals represented all that is evil, and they wanted to get rid of them from the circulation and exchange of goods and to replace money with a so-called "labour notes" (*Billets de travail*). In the first place Marx showed the organic relationship between money and the economy, production, against Proudhon's supporters who imagined they could change a society based on exploitation by suppressing money and its role. Faced with such an absurd ambition, Marx asked:

"Is it possible to revolutionise the existing relations of production and the corresponding relations of distribution by means of changes in the instrument of circulations – changes in the organisation of circulation?" (Marx and Engels, 1986 p.60).

Certainly Nixon and his "demonetisers" had no intention of making even the slightest changes to the social relations of capitalism. But what they did do was nei-

ther innocent nor neutral in relation to the various roles money plays. Marx refers to an occasion when the Bank of England had, briefly, to issue inconvertible notes. He stated:

*“the note remained dependent on gold for which in fact it was not redeemable. Gold remained its denominator although the note was legally no longer exchangeable for this quantity of gold at the bank” and added: “the convertibility of the note into gold remains for it an economic law, whether or not it exists **politically**.”* (1986 p.69 – Marx’s emphasis.)

Marx immediately goes on to establish this truth, immutable in a capitalist economy:

*“From the moment that a £5 note could no longer be exchanged for bullion equal to 5 sovereigns, the note was **depreciated**, even though it was inconvertible. The equality of the face value of the note with a definite value of gold immediately entered into contradiction with the actual inequality between notes and gold.”* (1986 p.69 – My emphasis – BN).

A little further on in the same passage, he added:

“Convertibility into gold ... is therefore in practice the measure of value of any paper currency denominated in terms of gold ..., whether that currency is legally convertible or not.” (1986 p.70).

And Marx continued:

*“A decline of real value below nominal value is **depreciation**. Actual parity of nominal and real values, exchangeability, is convertibility.”* (p.70 – My emphasis, B.N.).

And a few pages further on, one finds this:

*“banknotes considered simply as drafts on gold can never be issued in excess of the quantity of gold money they **purport** to replace, without being **depreciated**.”* (p. 74 – My emphases, BN.)

Readers may find these quotations long-winded or perhaps of little consequence. Let me reaffirm how pertinent and important they are, first because Marx's work has for a long time suffered attacks, slanders, criminal negligence and multiple misrepresentation and distortion, and secondly because his teachings are precisely what enables us to understand today's economic reality and, as it happens, money and how it lost its substance in 1971.

To understand the intimate economic reasons for the important difference, in their very nature, between gold as money and its replacement by bank notes, one must – yet again – evoke what Marx taught us about the multiple functions of money. Moreover, he himself emphasised how countless errors and ineptitude in a whole series of currency manipulations over the centuries are explained by a failure to understand its source and origins and confusion over its various distinct and contradictory functions.

In volume I of *Capital* Marx laid out his theory of money in its finished form as the culmination of his preceding works, in no way contradicting them, but allowing him to formulate the theory more succinctly. Moreover, in volumes II and III he developed a more detailed and as it were more complete examination of money as money capital and the various forms it takes. I shall set the examination of money capital aside for the moment (to return to it later), and spend some time on the functions of money dealt with by Marx in volume I. But to enable a better grasp his thought on this matter, I shall have to invoke his earlier works quite extensively, especially when analysing – as with the case in hand – the relationship of gold money to paper money.

There is no need to go into detail about the genesis of money, directly rooted in the production of value and the exchange of goods. Just remember, as Marx said, that precisely because it is itself a commodity – and this is the first thing that distinguishes it from its paper representation – gold functions in its money form as the *measure of value* for all commodities, or, to put it another way, as *the general standard*. It is because it contains value within itself that gold – and only gold (although silver did for a long time too) – can fulfil this role as a measure of value. And thus gold money can also function as a *general equivalent*. (By now it already stands out clearly that paper money cannot assume this role. To be more exact, in this role it is forced to play the acrobat, or rather the buffoon who falls flat on his face every time he tries any really dangerous manoeuvre).

We do not need to look here at all of money's functions as Marx defined them, but we should mention two of them at this point. These two very important and very different functions of money were described by Marx as *money in circulation* and *money as payment*.

But first I should look at two functions of money which could be considered as primary functions: money as a measure of value (standard) and money as a general equivalent. Marx went back to analyse them on several occasions. In his works he explains why gold alone (silver, too, in its day) was suitable to fulfil these functions. He established beyond equivocation that it is as value itself as such that gold (more exactly, gold money) functions as general exchange value. He asserts that money is "...only realisation of exchange value, and a developed exchange-value system, a money system ...". (Marx and Engels 1987 p.473.) And I must quote more in order to re-establish the truth about this and about gold money.

Indeed, he clarifies this function of gold money even further elsewhere:

*"As **objectified labour time** gold is a pledge for its own magnitude of value, and, since it is the embodiment of **universal labour time**, its continuous function as exchange value is vouched for by the process of circulation". (1987 p.361 – Marx's emphasis.)*

In *Grundrisse* he makes it clearer yet: "Exchange value detached from the commodities themselves, and itself existing as a commodity alongside them, is – money" (1986 p.83 –Marx's emphasis) since:

*"The distinction between price and value, between the commodity as measured by the labour time of which it is the product, and the product of the labour time for which it is exchanged, this distinction demands a **third commodity** as a **measure**, in which the **real exchange value** of the commodity is expressed" (1986 p.77 – my emphasis – BN.)*

Marx puts this even more forcefully in relation to the development of money's third function. In particular, he says that money:

*"is something more than this instrument of circulation; that it also possesses an **independent existence** outside circulation ... in its third determination" (after serving as a measure and a general equivalent – BN) "in which it includes the previous two, namely the role of serving as a measure and that of being the general means of exchange." (1986 pp. 137-138. – My emphasis – B.N.)*

He adds a further important clarification:

“... it (money) possesses its own materiality or substance, gold and silver, and it is just this which gives it its independence, for what only exists as an aspect of something else, as a determination or relation of other things” (such as paper money, I might add) *“is not independent.”* (Ibid. p. 152. – My emphasis – BN.)

Marx goes on:

“... in this material independence of gold and silver, it represents not only the exchange value of one commodity relative to the other, but exchange value relative to all commodities; and while it itself possesses a substance, it simultaneously appears in its particular existence as gold and silver as the general exchange value of the other commodities” (1986 pp.152-153 – My emphasis – BN) And even clearer yet: *“Exchange value constitutes the substance of money and exchange value is wealth.”* (1986 p.154.)

That is why:

“Wealth (exchange value as totality and also as abstraction) therefore exists, to the exclusion of all other commodities, individualised as such, as a particular tangible object, only in gold and silver. Money is therefore the god among commodities.” (1986 p.154.)

And earlier Marx warned that “...social connection is expressed in *exchange value ...*” (1986 p. 94). But as he never tires of drawing out the fetishisation taking a corporeal form in economic categories, he emphasises one more time: “In exchange value, the social relationship of persons is transformed into a social attitude of things...” (1986 p. 94.)

So according to Marx it is quite normal and natural that money (in its metal form, i.e. gold!) becomes the “general form of wealth”, for the very reason that it is the means (and the matter) of hoarding. This money, withdrawn from circulation and accumulated as wealth, (quite unlike the accumulation of money-capital, whose role and purpose are to return to circulation as an element and a means of expanded reproduction) can only exist in the form of gold (or money or other materials such as precious stones, etc., – but the latter do not have any function as money).

Nowadays hoarding also extends – besides precious stones – to artistic creations such as paintings (hence the extraordinary growth of a whole lucrative branch of crime specialising in stealing artworks) and certain other products such as furs, old wines, etc., but nobody would dream of withdrawing banknotes from circulation to constitute a hoard. Anybody with a modicum of common sense would laugh the idea to scorn. And here you can see the difference in kind between gold currency and its symbol, paper money. If some people do collect Gold Louis or Gold Napoleons as real forms and representatives of wealth, only people who are interested in them for their own sake collect banknotes, and usually very old ones at that.

Here I call to mind an instructive statement by Marx which rings like a warning: Talking of “modern economists”, he says:

“But if we consider the anxiety expressed in the theory of money in particular, and the feverish anxiety with which the inflow and outflow of gold and silver are watched over in practice in times of crises, we see that to regard money in the determination in which the adherents of the monetary and mercantile system conceived of it with naïve one-sidedness is still quite justified, not merely in thought but as a real economic category.” (1986 p.65.)

I shall spare the reader lengthy explanations of my own based on those of Marx. He wrote page after page about the various innate qualities of precious metals which made them particularly suitable for the special role of money. But I shall mention one, since it provides evidence of the character, singularity and unique nature of precious metal. Here we are not dealing with it as a means of hoarding, but a different quality. That is its rarity. Marx singles out this particular quality and insists on it:

*“... rarity is an **element of value** ... insofar as that which is in itself not rare, the negation of rarity, the elemental, is without value because it does not appear as the result of production. In the original determination of value, that which is most independent of conscious and willed production has the greatest value, assuming a demand for it ... To that extent rarity an **element of exchange value**, therefore this property of the precious metals important, even apart from the precise relationship of demand and supply.”* (1986 pp.112-113 – My emphasis – B.N.)

Marx places even more emphasis on the importance of precious metals elsewhere, when they are analysed from various points of view. Here, for example:

*“In the determination of money as the unit of exchange values, as their measure, their general basis of comparison, the **natural** material of money – gold, silver – appears **essential**, since as the price of the commodity it is not exchange value, not a ratio, but a definite weight of gold or silver ...”* (1986 p. 142 – My emphases – B.N.)

When it comes to presenting Marx’s opinion and line of thought on the nature and function of banknotes or paper money, we are really spoilt for choice. In the *Contribution to a Critique of Political Economy* he established that:

*“The names of coins become thus detached from the substance of money and exist apart from it in the shape of worthless scraps of paper. In the same way as the exchange value of commodities is crystallised into gold money as a result of exchange, so gold money in circulation is sublimated into its own symbol, first in the shape of worn gold coin, then in the shape of subsidiary metal coin, and finally in the shape of worthless counters, scraps of paper, mere **tokens of value.**”* (Marx-Engels 1987 p.349 – Marx’s emphasis)

I should add that he did not criticise or condemn this as such in a negative way, like the followers of Proudhon and/or other anarchists – but analysed it as the logical result of the historical development of production and exchange and consequently of money. He writes:

*“Thus the token of value is effective only when in the process of exchange it signifies the price of one commodity compared with that of another or when it represents gold to every commodity owner. First of all custom turns a certain, relatively worthless object, a piece of leather, a scrap of paper, etc., into a token of the material of which money consists, but it can maintain this position only if its function as a symbol is guaranteed by the general intention of commodity owners, in other words, if it acquires a legal conventional existence and hence a **legal rate of exchange.**”* (1987 p. 350 – My emphasis – B.N.)

Then he adds:

*“Paper money issued by the state and given a legal rate is an advanced form of the **token of value**, and the only kind of paper money which directly arises from metallic currency or from simple commodity production itself.”* (p.350 – Marx's emphasis)

Having thus circumscribed the role and place of paper money, by its nature subordinate and quite limited, he clarifies them further:

*“Whereas, therefore, the quantity of gold in circulation depends on the prices of commodities, the value of the paper in circulation, on the other hand, depends **solely** on its own quantity.”* (1987 p.353 – My emphasis – B.N.).

Let us follow Marx's argument:

*“The intervention of the state which issues paper money with a **legal rate of exchange** ... seems to invalidate the economic law ... The State ... seems now to transform paper into gold by the magic of its imprint. Because the pieces of paper have a legal rate of exchange, it is impossible to prevent the State from thrusting any arbitrarily chosen number of them into circulation and to imprint them at will with any monetary denomination ... ”* (1987 p.353 – My emphasis – B.N.)

So it is understandable that, with or without counterfeiting, by very virtue of economic law, banknotes are condemned to submit to their own destiny and therefore inevitably assume a gilded aspect. But:

“Apart from their function they are useless scraps of paper. But this power of the state is mere illusion. It may throw any number of paper notes into circulation but its control ceases with this mechanical act. As soon as the token of value or paper money enters the sphere of circulation it is subject to the inherent laws of this sphere” (1987 p.354 – My emphasis – B.N.)

And that is how we get to the twisted position, that indelible stain of capitalism, where everything – like money performing acrobatic somersaults – is standing on its head. As Marx wrote:

“In the circulation of tokens of value, all the laws governing the circulation of real money seem to be reversed and turned upside down. Gold circulates because it has value, whereas paper has value because it circulates. If the exchange value of commodities is given, the quantity of gold in circulation depends on its value, whereas the value of paper tokens depends on the number of tokens in circulation.”

Thus:

*“... commodity prices **seem** to rise or fall with the changing amount of paper in circulation” and: “any amount of paper money seems to be absorbed by circulation.” (1987 p.356 – My emphasis – B.N.)*

Then Marx arrives at a conclusion which now – 150 years later – looks like a sombre premonition:

*“These laws indeed appear not only to be turned upside down in the circulation of tokens of value but even annulled; for the movements of paper money, when it is issued in the appropriate amount, are not characteristic of it as token of value, whereas its **specific movements** are due to **infringements of its correct proportion to gold**, and do not directly arise from the metamorphosis of commodities” (1987 p.356 – My emphasis – B.N.)*

It is with some regret that I must give up presenting in his own words Marx’s profound and fruitful ideas on money. But first there is one aspect of them which I think I should emphasise in order to avoid any misunderstanding of Marx’s ideas, in particular on the use of paper money. He refuted all the explanations or theories not just of classical political economy (John Locke, David Hume, David Ricardo, etc. up to today) who think that money is a “mere symbol of value”, but also the “contention of the monetary system that only gold and silver have genuine value” (1987 p.395). And here too there is a need to present Marx’s ideas in his own words.

* * *

While denying that “symbols of value” (paper money) had the power and the capacity to fulfil exactly the same functions as gold currency, Marx nevertheless not

only acknowledged its appearance and evolution (historically and economically) as natural and justified, but also recognised its ability legitimately and effectively to replace gold currency as a *means of circulation*. (I shall for the moment leave aside its function as credit money).

In circulation as a whole, where commodities are transformed into money and money itself is then turned into commodities, there is a moment when money, as Marx says:

*“... is merely a **semblance**, a fleeting mediation”*. And he goes on: *“... insofar as the realisation of price is not the end, and we are not concerned to obtain the price of the commodity as price but as the price of another commodity, the material of which money is composed ... is of no consequence.”* (Marx and Engels 1986 p. 145. Here I leave aside the movement in the opposite direction: money – commodity – commodity – money, where the desired aim is, precisely, to withdraw the money – B.N.).

Two pages later, Marx went on:

*“... money as gold and silver, in so far as it serves **merely** as a means of circulation, means of exchange, can be replaced by any other **symbol** that expresses a definite quantity of its unit.”* (1986 p.147. – Marx's emphasis.)

At the same time, in a different section Marx stipulated what you might call the positive role of paper (symbol of value) from a different point of view:

*“Money, **posited** in the form of medium of circulation, is coin. As **coin**, it has lost its use value; its use value is coincident with its determination as means of circulation.”* And: *“... in the form of coin, money is merely a **symbol** and indifferent to its material.”* (1986 p.159. – Marx's emphasis)

In the “Preparatory Materials” to *Grundrisse* one finds the following concise formulations of the justified use of paper money: “It is a token only when it is regarded as such, and it is regarded as such only when it is backed by the state power. That is why it is tied down to circulation ...” And the same thought is expressed in an even more precise and succinct phrase: “Coin, isolated as such, i.e. as mere value token, exists only through and in circulation.” (Marx and Engels 1987 p. 443.) In other

words, it is only there that this symbol of value is justified. (Once more, I am not talking about credit money).

It seems pointless to pile on more and more quotations from the many texts where Marx developed his ideas on money. The abundant extracts which I have reproduced are quite enough for us to understand them. In light of this, I shall try to clarify certain aspects and traits of the evolution and movement of money after it was “lobotomised” (or “castrated” if you prefer) on 15 August 1971.

Gold ejected from the economy

But well before that date, growing pressure had rendered the dollar – the universal currency and credit money (the pilot fish of other currencies) – extremely fragile under its ever-increasing load, even when it came to carrying out its normal elementary functions. Its slender shoulders, already drooping, sagged dangerously further under the growing weight of various incessantly increasing burdens.

The tension developed until it became unbearable, expressing how this pathetic paper was blatantly and completely not up to the job imposed on it of standing in for gold currency. Marx had long since warned of the strict limits to what paper money can do. If the amount issued exceeds in face value the quantity of gold actually needed, he said, nothing can stop it depreciating.

But the capitalist money masters have not read Marx, and if they did they would scornfully reject what he said, or rather triumphantly “refute” it and immediately move on.

Now we have to deal with a phenomenon with which Marx could not of course have been familiar. This new fact is the imperialist phase, “the highest stage of capitalism”, the phase of decline in which “the productive forces have ceased to grow”. The almost uninterrupted increase in prices since World War I and the parallel depreciation in paper money, punctuated by massive and often very violent monetary crises, reveal this flaw in the system just as the barometer announces the storm (even if you allow for the role of monopolies in the growth of prices.)

However, what they should have known long ago they ended up learning empirically and superficially the hard way – that the furious flight of enormous masses of gold from Fort Knox and the Bank of England expressed the imperious pressure substantially to raise the (purely nominal) “value” of paper money, in the attempt to put the puppet back into harmony with its master.

Now what lurks behind this depreciation – or rather in and through the process itself – is the very noticeable contraction of production and foreign trade on the part of the US (and the UK) which had taken on this monetary form. I drew attention to this contraction in an earlier part of this text. The anaemic and weakened state of the dollar thus expressed the American economy’s gradual but clear downward slide from its former uncontested world primacy. The US was bankrupting itself trying to shore up the dollar because they were driven to shore up their whole economic situation. But, unable to re-invigorate the US economy to the point where they could re-assert their uncontested leadership, the political authorities in the US

turned on the dollar itself. Unable to cure the disease, they tried to wring the symptom's neck.

But the movement and fluctuations of money are not just passive expressions of the economy. Money is an active participant, as Marx writes in Vol. I of *Capital* (and elsewhere): it "...is the only adequate expression of exchange value". As such it is the universal measure par excellence of value, and thus the general equivalent. The fundamental contempt Nixon and co. showed – the very absurdity of the act – was to disconnect the dollar from gold, ending the paper currency's convertibility, and thus depriving it of its base, in a quasi-superstitious belief in the omnipotence of the currency, in this case the dollar, even though they knew of unfortunate precedents, when the pressures of the world economy bearing down on the dollar had led it to depreciate constantly (even when it was sustained by convertibility). The massive exodus of gold was a striking example of this. So, despite these bitter experiences, their fear of the abyss mixed with blind faith in the monetarist credo swept away all prudence.

Deprived of gold, the paper dollar found itself, by virtue of the actual matter it was composed of (paper!) unable to fulfil the basic role of money, i.e. to act as a measure of value and hence a general equivalent. Nevertheless, more than a century ago Marx warned us that in the unfortunate case that the nominal value of the whole mass of paper money exceeded that of the gold normally necessary to enable it to carry out its functions, the paper currency inevitably depreciates. This process started well before 1971, and a significant part of the excessive recrudescence of world inflation arose from this irreversible depreciation of the currency.

Once robbed of gold, it became more or less clear to many economists and politicians that, left to itself, the paper dollar is ultimately unable to withstand the growing burdens placed on its puny shoulders.

Obviously I cannot here deal with the whole chaotic history of the international monetary system. It would take a whole volume just to cover this brief period. I would merely like to emphasise certain features of its peregrinations. Firstly, that those in charge of it have from the very start tried to resolve the fateful contradiction between US economic production as a whole on the one hand, which in the final analysis determines the value of the dollar, and on the other the enormous responsibility resting on the latter of measuring the totality of value throughout the whole world. The two things were totally incompatible from the start. Since there was no organically unified world production, there could be no unified currency in paper money. And this contradiction grew exponentially, in step with the changes

and adjustments in economic relations between the US and the rest of the world. As we have seen and shall see again, capitalism's inherent predisposition to inequality of development, particularly in its imperialist phase, acting as a general law, grew stronger and showed more and more marked variations and differences.

No comparison works completely, but as long as you bear that in mind, all of them can help our understanding. In the present case, the trajectories of the various different "national" economies in a way resemble those of the tectonic plates we know from geology. Their incessant movement relative to each other makes earthquakes inevitable. In the same way the uneven development of the world's economies and the monetary blanket covering them – this whole restless movement – bears within itself truly devastating "earthquakes".

Even before 15 August 1971, the tangible weakening of the dollar – as universal money and international reserve currency – led the monetary authorities to differentiate between its value within the US and the value of the international dollar (universal money and reserve currency). The latter's feverish depreciation clearly raced ahead of that of the "native" dollar. As early as 1968, the monetary authorities went ahead and introduced a system of binary dollar prices: on the free market and in the US. As E. Murdelle put it:

"The contradiction between the dollar as an anti-cyclical instrument of the United States and at the same time as the unit of account of the world market became indissoluble" (Murdelle 1972).

All this happened well before the monetary decision of 15 August 1971. Nixon and co. were in fact in a mess and needed to find a way out. But on the other hand their action (which I would call desperate), instead of bringing a solution, aggravated and accelerated all the co-efficients of the crisis. Without any doubt, 1971 marked a very important turning point in the turbulent history of the general crisis of capitalism-imperialism. As Geoff Pilling wrote:

*"In every sense of the word, 15 August 1971, when the dollar was finally revealed openly to be an inflationary form of credit money, marked a **decisive** point in the development of post-war capitalism. All the basic tendencies of the previous two decades or so were turned into their opposite: controlled inflation was now transformed into near uncontrolled inflation." And he added: "Keynesianism was one of the principal casualties of this transformation." (Pilling 1986. p. 154. – My emphasis – B.N.).*

The International Monetary Fund – that shameful legacy of Bretton Woods – had aged badly, but was still just about able to provide a loophole. Anxious minds among those responsible at the top (especially in Europe) first of all demanded that given the dollar's weakness as a world currency the dollar exchange rate should be separated off from that of the SDRs. (As I recall, the IMF started to issue SDRs based on the world's main currencies in 1969). So after the change in 1971 it didn't take long to spot the need to palliate the dollar's misadventures. In 1974 – just after the first oil shock – the IMF allowed SDRs to be used as universal money. From then on the SDR system was based on a basket of the currencies of the 16 biggest countries in a particular ratio. Here are the ratios between the most significant components making up the SDR basket: Dollar 33%, deutsche Mark 12.5%, pound sterling 9%, French franc 7.5%, yen 7.5%, Canadian dollar 6%, Italian lire 6%, Dutch florin 4.5%.

What immediately stands out is the abnormally large proportion represented by the dollar, which ensured that both its significance and the burdens upon it would survive, however reduced. The second comment, which I have already made above, is that since the SDRs lost their basis in gold, i.e. their convertibility, at the same time as the dollar, they too emerged as a paper currency, an intensified source and means of inflation. (N.B.:SDRs could not survive long as universal money and as the basis of the international monetary system. In that sense their career was short-lived.)

In any case, the whole thing presented itself as a table of complicated calculations where:

“... the parities of foreign currencies were measured in SDRs – which themselves were calculated according to the basket of currencies ... The value of this ‘quasi-money’ could not, even theoretically, be tied to any real value, so that the very possibility of stabilising it did not appear to be an effective given.” (Brüll:1983, p.88. The translation of this and the subsequent passage quoted from Brüll is based on B.N.'s rendering from Hungarian into French.)

This 270-page study, which is pseudo-Marxist without acknowledging it, is characterised by a marked desire to smooth away sharp edges, but also shows a certain influence of Marxist ideas. Moreover, what he says is based on the genuinely Marxist analysis of Professor Péter Erdős, who wrote, among other things:

*“... the contemporary capitalist currency system was, **essentially**, just as much*

a result of spontaneous evolution as were the other capitalist institutions; but its development may owe just as much to an economic policy – adjusted to more or less recognised laws – as do all other categories of imperialism ... The present capitalist currency system is much better adapted to the prevailing requirements of finance capital than has been the case with the former, rigid, gold currency system ... At the same time, it necessarily involves such contradictions as have been unknown in the past, and under certain circumstances it may become a source of disturbances greater than what the old system was subject to.” (Erdős 1971, p.20.)

A genuine Marxist, the eminent Professor Erdős stands out clearly from the ruck of Stalinist economists. It is no surprise, then, that his career suffered constant setbacks.

It seems that some Soviet and Eastern European economists understood the importance of the 1971 monetary reform (and its consequences), in all their ambiguities and contradictions, much better than the great mass of capitalist politicians and the legions of even oppositional western economists (always excepting, of course, authentic Marxists such as Geoffrey Pilling, Tom Kemp, Gérard Bloch and a few others). Since the Soviets and Eastern Europeans in a sense stood outside the capitalist system, it was natural that they should seek out its errors and shortcomings and those in its “solutions” of choice. Besides, every single one of them, including all the many formalists, had a kind of “official” link to Marxism, which nourished even those who rejected it. The following quotation from Marx has a prophetic, even clairvoyant, ring:

“Contradictions, of which money is merely the palpable manifestation, are then to be transcended by means of all kinds of artificial monetary manipulations. It is no less clear that many revolutionary operations with money can be carried out, in so far as an attack on it appears only to rectify it while leaving everything else unchanged ... As long as the operations are directed against money as such, it is simply an attack upon the effects, while the causes remain operative ... ” (Marx and Engels 1986 p.172).

This and similar texts were available in Eastern Europe even to anti- or pseudo-Marxists who conformed to the prevailing rule. Here in any case is what one East German professor wrote in 1981:

“As a special commodity, gold becomes more and more the object of speculation guaranteeing the highest possible profit. Nowadays the formation of gold prices is the barometer of all tests of ephemeral confidence in inflationary capitalist paper money and in capitalist economy.” (Kolloch 1981 quoted in Brüll 1983 p.78).

Other economists in the USSR and eastern Europe put it more or less the same way, expressing clear scepticism towards the acrobatics and tribulations of the international monetary system; an alert scepticism, but no more than that.

Then as now gold went its sweet way, constantly appreciating in value, occasionally jaggedly, as an object of and a pathway to enrichment. There is more to say, but before going on to glimpse it wandering here and there, now advancing half-hidden, now leaping out suddenly like a spectre to panic us mortals – it would be right to say a few words about how the majority of economists and politicians in the capitalist camp deal with the surgery that had been performed on money.

Criticism, confusion and silence on the ejection of gold

We need not dwell at length on those like the unrivalled pontiff of monetary matters, France's Jacques Rueff, who furiously opposed any move to exile gold from its natural realm in the monetary system, or his devoted supporter De Gaulle, who stubbornly resisted the slightest attempt to dethrone it. This obstinate, even hysterical, hostility did not come from any blissful nostalgia for a metal which has traditionally been more venerated and accumulated in France than anywhere else. Certainly this past history nourished an exaggerated attachment to gold, but the sentiment and the policy were above all stiffened by a political desire to restore France's former "glory" as a great power. That past was gone for good, however. The French economy today or even in the immediate postwar period, ravaged by a series of crises and its role much reduced, could not cover even one tenth of the amount of gold in circulation in France's gilded past. Under these circumstances, the conceptions held by Rueff and De Gaulle could only be entirely reactionary and even grotesque.

The overwhelming majority of today's economists, not to mention ignorant politicians of every sort, are the exact opposite of Rueff: they pay no attention at all to 15 August 1971. They simply do not mention it; it is as if it never happened. Even most of the ones who deal directly with finance, and more exactly with money and its history, completely overlook this point (which is nevertheless crucial), just as they miss virtually every opportunity to mention gold or indeed how it relates to money. This attitude is less surprising when you consider that most of the authors examine money and the way it moves as things in themselves, as categories and phenomena absolutely detached from their ultimate determinant and reciprocal correlative – the real economy, production. One quite repellent example is *Les théories de la monnaie* (*Theories of Money*) inflicted on us by Anne Lavigne and Jean Paul Pollien. The authors do not even condescend to glance at the development of the economy (or the decisions taken by monetary authorities) and in the end explain or describe the emergence and development of this or that conception of money. What they do provide is a pseudo-history of "theories" detached from history. (1997 p.20)

That such an important change in the very matter and substance of money can simply be conjured away like that is explicable in large part by the omnipresent and devastating influence of monetarist views (which even contaminated – and still do

– those who oppose them). According to the leader of this school, Milton Friedman, money is an economic “asset”, in a similar way to physical goods or so-called “human capital”. So why should they care about the actual flesh which this “asset” is made of? Far from it, they fairly over-estimate the possibilities of affecting the economy through monetary manipulation. On the other hand, the great silence surrounding the emasculation of money is probably due to their determination to put Marx and his theory of money firmly aside.

A number of economists do indeed like to borrow passages here and there from Marx. I would say that this is just thinly-disguised flirting with Marx’s ideas, since they are careful not to go too deeply into his thinking. I would call them “borrowers” and their motives are certainly many and various.

First among them I would choose François Chesnais, who still considered himself a Marxist until quite recently. In the above-mentioned work Chesnais (rightly) devotes two whole chapters to so-called “financial mondialisation”. Dealing with the omnipotence of finance, he writes in particular:

“Marx is the author who has most clearly brought out ... the fact that it was the characteristics of concentrated money-capital itself which drew it along this path”. (1994 p.211.).

Unfortunately, having doffed his hat to Marx, he drops the *whole* of Marx’s theory of money, or to be more exact, his entire teachings. He only retains one part – admittedly an important one, but only a part – touching on money capital. And there, inevitably, he sets out some correct thoughts. But when explaining the significance of the 1971 decision, he confines himself strictly and one-sidedly to the fact, truly serious but not unique, that the “international monetary system was dislocated”. Where he talks about gold, it is solely in its *past* role as the basis of the “gold standard”. Not a word about how it was deprived of its position and role as money, of the vocation that it inherited because it was its very nature. Here too, and quite logically, he drops all reference to Marx.

And thus he can state judiciously:

“The existence of a currency able to provide an effective anchorage for the ensemble of international transactions is an indispensable guarantee of the maximum stability in economic relations which the capitalist system otherwise allows ... ”. (1994 p. 213).

However, he stops at this observation without showing why and how such a currency is absent, forgetting Marx's teachings. By choosing this route, he is able to diagnose correctly the proliferation of credit money and the institutions bound up with it in the course of the 1970s and since, but only in order to denounce governments as responsible for a lack "of measures to control and restrict the creation of credit" (1994 p. 216). He returns to this question a few pages further on, commenting that "... the responsibility of governments, above all those of the US and the UK, in the formation of this immense private market is considerable", whereas he himself strongly and rightly notes the lack of a general equivalent (and thus of a universal bearer of value and means of payment).

Of course the capitalist-imperialist economic system itself had to make good the lack using its own ways of moving and functioning and – in line with its nature – the actual movement of paper money had to grow. That is how it happened. Obviously governments helped their own system to give birth to the monster and nurture it. That was their job. By talking about "responsibility" and "blame" Chesnais and others foster the illusion that these (bourgeois) governments are somehow above society and can observe a (benevolent or malevolent) neutrality. It is all the more important to emphasise this point today. An immense chorus of economists and politicians drone out the same old song that governments made "mistakes" and are to "blame", but above all leave out the faults of the system itself. Chesnais gives them ammunition.

Another very instructive work is the also above-mentioned collection of studies on *La mondialisation financière. Genèse, coût et enjeux* (*Financial mondialisation: Where it comes from, what it costs and what is at stake*). This volume "published under the direction of François Chesnais" himself and six of his friends, contains eight studies, none of which mentions that paper money has been deprived of its substance, gold. Even less do they dwell on 1971 and its content as a stage, not to say a major turning-point, in the evolution of the capitalist-imperialist system. Sadly lack of space prevents me from carrying out a complete and detailed analysis of this book and the preceding one (and so many others). If I could, I would also have shown these authors' positive qualities and their achievements in faithfully describing and explaining many facts about the system and how it works. After all "even a blind chicken can find corn", as the saying goes, and clearly none of these authors is either blind or a chicken.

Among them, one very interesting study of "L'instabilité monétaire internationale" ("International Monetary Instability") does deserve mention. I shall spend a little time on this simply because it really brings out the major (and in my view

decisive) importance of the instability which has been a permanent characteristic of the currency system at least since the 1970s and mirrors and reflects the system as a whole, and also because the author, Suzanne de Brunhoff, promises, albeit in passing and quite timidly at the end of a long sentence, that she “interprets (the subject of the study) within a Marxist perspective”. I therefore count de Brunhoff as one of the “borrowers” (from Marx) because she does not develop her thinking as a Marxist, but merely “interprets” problems “within a Marxist perspective”. It is very hard to see what such a “perspective” really amounts to, since no sooner has she said this than she puts a foot wrong within this “perspective”. In her view Marx analysed “money as the ‘form’ of the value of commodities ...” and immediately afterwards she repeats that “according to Marx, money is the form of value”.

But this is a gross over-simplification and a potential source of confusion and error. Marx talks about necessary mediation between value, price and money. He states very clearly that there are *discords*, *divergences*, for example, between the two categories of value and price. Even in the *Grundrisse* (and he re-affirmed this later in *Capital*) he explained that:

“Price, therefore differs from value not only as the nominal differs from the real ... The price of commodities always stands above or below their value, and the value of commodities itself exists only in the UPS AND DOWNS of commodity prices” (Marx and Engels 1986 p.75 – Marx’s emphases).

And further on he adds:

*“The first basic illusion of the champions of labour-time tickets (the followers of Proudhon and similar – B.N.) consists in this: that by abolishing the **nominal distinction** between real value and market value, between exchange value and price, ... they also remove the real distinction and contradiction between price and value.”* (p.76 – Marx’s emphasis).

He makes many similar comments, saying, for example, that “money” is demanded in exchange “only because of its exchange value, as exchange value” (p. 85) or that:

“the bank ticket ... is merely paper, it only claims to be the generally recognised symbol of exchange value, but has no value. For the distinguishing characteristic

of this symbol is that it not only represents exchange value, but that it is exchange value in actual exchange." (p. 91 – Marx's emphasis)

One could easily quote a long list of similar opinions arising from widely varied and exhaustive analyses, such as this: "An essential characteristic of circulation is that it circulates exchange values, exchange values, that is, in the form of *prices*." (p. 123).

There is no point going on with the quotations. But to be fair, as I recall, Marx does in fact on a few occasions describe money as the form of the value of commodities – which is true *in general*. But when Marx uses this expression, it is only in passing, as a comment intended to emphasise clearly what ultimately determines money. Just as it is right to say, for example, that the fruit of human labour is a product. But in the capitalist system, it is not enough to describe it in this way, because the proper word is "commodity", and that has a very different – and very precise – meaning and content.

On the contrary, Marx explains very clearly in innumerable places that the value of commodities is divided into use value and exchange value, and that this division appears clearly in circulation where value *necessarily* assumes both these forms. In *Contribution to a Critique of Political Economy*, for example, he writes:

"The contradiction of use value and exchange-value is thus polarised at the two extreme points of C—M (commodities – money – B.N.), so that with regard to gold, the commodity represents use value whose nominal exchange value, the price, still has to be realised in gold; with regard to the commodity, on the other hand, gold represents exchange value whose formal use value still has to acquire a material form in the commodity." (Marx and Engels 1987 p.326).

Further on he describes exchange value as the 'soul' of use value. (p 328)

In his view, in order for commodities to express their value and for money to appear, an *intermediate* process is absolutely *necessary*. Products actually become commodities within commodity circulation because they become objects of exchange, and so value can take on its form of appearance, on the one hand as use value and on the other as exchange value.

It is only as a function of this latter form of value, as exchange value, that money intervenes (by way of price) as its expression. As Marx said: "The exchange value

of the commodity, as a special existence alongside the commodity itself, is *money*.” (Marx and Engels 1987 p.79 – Marx’s emphasis). And a few pages further on the same point is made tersely: exchange value is “posited as dual, on the one hand as particular commodity and on the other as money ...” (p.85). Leaving aside the longer quotations, he talks in a really concise one about: “Money, the common form into which all commodities transform themselves as *exchange values*...” (p. 102 – My emphasis – BN.) And I cannot resist sharing the scarcely longer quotation, full of profound significance:

*“The first form of value is **use value**, ... which expresses the relationship of the individual to nature. The second form **exchange value** alongside use value, its command over the use values of others, its social relation ...”* (Marx and Engels 1986 p.113. – Marx’s emphasis).

I must stop the quotations, although they are pertinent and enlightening and *Grundrisse*, *Contribution to a Critique* and *Capital* are teeming with them. But I shall give one more, slightly longer one which establishes unequivocally the character and the place taken by the two essential forms of value in the circulation of commodities. In *Grundrisse* Marx presents in his very own striking and forceful and at the same time philosophical style a gripping image of dialectical movement:

“... circulation only represents a formal process mediating both moments – use value and exchange value – which directly coincide and directly fall apart in the commodity, whose direct unity it is. The commodity keeps alternating each of these two determinations. So far as the commodity is posited as price, and while also being exchange value, its being as use value appears to be its reality, while its being as exchange value is merely its relation [to other commodities], its notional being. In money, although it is also use value, it is its being as exchange value that appears as its reality, since use value, when it appears as universal, is merely notional.

In the commodity, the material has price; in money, exchange value possesses material.” (Marx and Engels 1987 p.478.)

It is unnecessary to quote *Capital*, Volume 1 of which starts precisely with Marx’s exhaustive analysis of the dual nature of labour and hence of value. On the other hand I must answer the potential objection that this discussion of value is merely vain quib-

bling and hair-splitting. Marx himself showed how necessary such a clarification is in his dispute with Proudhon and his supporters, reproaching them precisely with the fact that they deduced the existence of money *directly* from value.

Consequently Suzanne de Brunhoff's repeated assertion that "according to Marx, money is the form of value" locates her only in very distant sight of a Marxist perspective. Indeed, according to Marx in *The Poverty of Philosophy*:

"Ricardo understood this truth so well" (that value in itself does not determine money – BN) "that, after basing his whole system on value determined by labour time ... he adds nevertheless, that the value of money is not determined by the labour time its substance embodies, but by the law of supply and demand only." (1976b p.150 – Marx's emphasis).

Without going into this subject further, I shall simply note that in that last statement at the end of the sentence, Ricardo was wrong. On the other hand I must emphasise that in the work quoted, Marx resolutely *defended* Ricardo against the attacks and confusion of Proudhon. Sadly, Brunhoff's position (or superficial formulation) takes us even further back than Ricardo's. It co-incides with that of Proudhon (who from several points of view represents a step backwards in relation to the great classics), thus opening the way to confusion.

The immediate practical interest of this discussion – lengthy, no doubt, but by no means esoteric – is to be found in an understanding of the fact, surprising at first sight, that this author attaches no importance to the way money was uncoupled from its support in the shape of gold, in 1971. Moreover, it relegates this to a mere phase in the history of the monetary system, as the end of the Bretton Woods system, a stage in the author's brief and jerky, although in itself informative, skim through the evolution of monetary systems since the 19th century. And she does establish, quite rightly, that there has been a huge instability in the monetary system since Bretton Woods was abandoned. Among the many proposals to resolve this problem she fails, again quite rightly, to see a single one that has a realistic chance of helping.

But for all that she won't be put off: she resolutely passes Nixon's decision on gold by as a non-event, or rather, she sees it merely as the abandonment of the Bretton Woods international monetary system, without mentioning how it was separated from its pedestal, gold.

This peculiar blindness also affects the otherwise intelligent and explicit study "La mutation du capital financier" in the same volume by Robert Guttman, who

sums up 1971 as merely “the collapse of the Bretton Woods system”, without offering a word about gold in this context. Whatever their use and merits on several counts, the eight or so studies in this volume as a whole simply pass this point by. It is exactly the same as the blindness which afflicts the same authors when, talking at length and rightly and often pertinently about general indebtedness, they do not even mention the colossal development of armaments, which is the main source of this indebtedness and the ballooning of fictitious capital.

In general their method of investigation is limited to describing what happened (what is happening) and to their interpretation of it, carefully avoiding any penetration to the causes and roots of these phenomena. They often navigate very skillfully, but they remain on the surface. Thus the investigations they present are superficial. This negligent or casual attitude is particularly apparent in relation to Marx. I have just spoken about Suzanne de Brunhoff’s embarrassing adventures with value and money (she is neither the first nor the last to come unstuck over that). As for Robert Guttmann, in his study, which is also thoughtful and perspicacious in other respects, he pays a curious homage to Marx by quoting him two or three times in order to spice up his theses, without however going to any depth. Thus these quotations remain sadly formal, and the homage to Marx is reduced at a stroke to a conventional tipping of the hat. Nevertheless, in these days of stifling oppression by capital, it takes a certain amount of courage to even refer to Marx.

To substantiate what I am saying about the superficial character of these references, and above all to do justice to Marx, I must come back to de Brunhoff’s study. Of course, this short detour will only be able to touch on some important points.

The nub of the problem lies in the author’s desire to expose a thread connecting Marx to a little-known 19th century economist, Thomas Tooke. (Readers of Marx are well aware that in his works he frequently quoted this Tooke as an assiduous critic of the theses of the mercantilists of the day). But according to de Brunhoff, Marx *inherited* from Tooke the idea that there is a firm distinction between money as a means of circulation inside a country and as a universal one at an international level. Now unfortunately for the author, she has fallen victim to a confusion. She faithfully presents Tooke’s thought:

*“The idea of the difference between these circulations (within a country / or internationally – BN) is expressed in the distinction Tooke drew ... between the circulation of the national currency and the circulation of **capital** ... in international transactions”* (Chesnais 1996 p.42. – My emphasis –BN).

Now Marx develops a vigorous critique of Tooke on precisely this point because he mixes up two functions (or forms of appearance) of money as a means of circulation (inside a country) and as money-capital internationally. The problem is that in a certain well-defined situation money becomes money-*capital*. Now that is something quite different from the distinction between national money and international *money*. Marx clarifies this in *Contribution to a Critique of Political Economy*, talking directly about Tooke and his co-thinkers:

*“The role of gold as international means of exchange is thus due not to the distinctive form it has as **capital**, but to the specific function it performs as **money**.”* (Marx and Engels 1987 p. 416 – My emphasis – B.N.)

And talking about Tooke, Fullarton, etc., he dotted his “i”s and crossed his “t”s like this:

*“None of these writers takes a one-sided view of money, but deal with its various aspects, but only from a mechanical angle without paying any attention to the organic relation of these aspects (of circulation – B.N.) either with one another or with the system of economic categories as a whole. Hence they fall into the error of confusing **money** as distinct from **currency** with **capital** or even with commodities ...”* (p.416 – Marx’s emphasis).

At the end of his demonstration, he concludes: “It is again the difference between commodities and gold used as money and not its function as capital which turns gold into a means of payment” (p. 416).

It is nevertheless true that Marx had a high opinion of Tooke, the “last English economist of any value”. But at the same time he commented that: “The history of modern political economy ends with Ricardo and Sismondi ...” and afterwards it “ends up” in eclecticism, “or in rather detailed elaboration of particular branches, like e.g. Tooke’s *History of Prices* ...” (Marx and Engels 1986 p.5). And it is in just these terms that Marx paid homage to him in *Value, Price and Profit* as someone who “traces the history of prices from 1793 to 1856” (Marx and Engels 1991 p. 183) in England. But this opinion did not prevent Marx from severely criticising several of his ideas (c.f. Marx 1986, 1984).

I do not wish to prolong the argument by giving proof after proof that there was a fundamental difference between Marx and Tooke (whereas de Brunhoff talks

about Marx “taking up” certain of Tooke’s ideas). I shall simply mention that in *Capital* Marx makes his criticisms even more emphatic. In Volume III he devotes the whole of chapter 28 to clarifying the “confusion” the conceptions of Tooke and Fullarton introduce. But even before that, in Volume II of *Capital*, he explained that he did not need to go into a detailed critique of Tooke’s “theory of circulation” because it was entirely identical with that of Adam Smith, which he had already criticised. I could carry on with several other examples of the same kind, but those I have already quoted are convincing enough to prove that Marx did not draw any of his ideas from Tooke.

As for the well-known fact that Marx extensively quoted a great number of authors who had preceded him, often acknowledging this or that merit however small, it does not in the slightest mean that he adopted their positions nor that he “borrowed” this or that idea, as de Brunhoff squarely states. He did not “borrow” even from thinkers he considered clearly more important than Tooke, who was, after all, no more than an “honest” economist of the second rank. Among the more important economists I would include the famous David Ricardo or the old William Petty, less well known, but someone whom he occasionally mentioned with some warmth. But Marx’s profound and often acerbic criticisms spared *no one* of them. If he often notes that his own ideas coincide with some of theirs, he arrived at his through his own analysis, and more significantly through his own train of thought, not through some “borrowing” which would have had to happen on the level of a superficial formalism, far removed from the inner movement of his thinking.

So to sum up, it looks as if all economists have passed by the important point of how paper money was robbed of its metal soul in 1971. If one or another of them does mention it from time to time, they penetrate no further than the outer aspect of this reform, registering that the monetary system passed from being based via the dollar on gold to one with floating currencies.

However, besides those like the French Jacques Rueff (and following him, De Gaulle) who had even earlier firmly advocated a return to the gold standard pure and simple, there were observers – generally classical liberals or Keynesians, who regretted the way gold had been set aside as a basis for money. Among them I quote again the neo-Keynesian Jean Denizet, who acknowledged as his mentor the bourgeois sociologist and philosopher and declared anti-Marxist Raymond Aron. He evokes the *Memoirs* of this influential and clear-sighted thinker, who was nevertheless definitively a willing prisoner of bourgeois methods and conceptions, published in 1983. Aron wrote:

“... the value of money no longer depends on the amount of gold buried in the vaults of the central bank ... money has cut the moorings which attached it to real goods ... it was the disappearance of the foundation – real goods – of the international monetary system”. (Quoted in Denizet 1985 p. 118.)

But Denizet himself went much further. He made no bones about describing 15 August 1971 one of the “ ... most important historical dates not just of the post-war period but in the economic history of humanity.” (p.119) No more and no less. But he did have to be a bit more specific about this surprising judgement, which stood in such strong contrast with the majority of economists. He therefore commented:

“Gold disappears, probably definitively, from the organisation of world currency. And along with it any notion of real money, money as a commodity, possessing its own value.” (p.118.)

He then arrives at the following conclusion:

“It is the ABC of monetarism that will triumph over more or less the same period. The difficulties of the fifteen years to come will arise in part from people’s inability to accept and interpret this new reality.” (p.119.)

Later we shall see how far this appreciation – and prophecy – saturated in bitterness and pessimism (he was talking about his own system, after all) corresponded to historical reality. But before that, I need to cast a glance at some characteristics of the transition period.

Uneven development and conflicts of interest within western capital – Pillaging under-developed countries

In his book *Imperialism, the Highest Stage of Capitalism*, Lenin wrote (in 1916):

*“... the **even** development of different undertakings, trusts, branches of industry or countries is impossible under capitalism” (1970 pp.760-761 – Lenin’s emphasis).*

Immediately afterwards he mentions Germany’s impetuous development at the end of the 19th and beginning of the 20th centuries, a country which “half a century ago ... was a miserable, insignificant country” (p 761), but which rapidly caught up with Great Britain in decline. Then he asked: “Is it ‘conceivable’ that in ten or twenty years’ time the relative strength of the imperialist powers will have remained unchanged? It is out of the question.” (p.761 – Lenin’s emphasis).

In this work he returns time and again to that fundamental feature of history, *unevenness of development*. Indeed it is one of the driving ideas underlying the whole of this most important and in many regards prophetic study. To make that clearer and more explicit, look what Lenin had said a few pages earlier:

*“Capitalism is growing with the greatest rapidity in the colonies and overseas countries. Among the latter, **new** imperialist powers are emerging (e.g. Japan). The struggle among the world imperialisms is becoming more acute.” (p.744. – Lenin’s emphasis).*

One of the most remarkable contributions to the science of history by internationally famous Marxist political writers – in particular Lenin and Trotsky, continuing the work of Marx and Engels – is that they have deepened this thesis of uneven development. Of course, uneven development has always been a characteristic of history as a whole, but it was only with the appearance of capitalism side by side or rather in symbiosis with its base in the world market that the world became an *organic entity*, overcoming the mosaic of isolated social fragments. As the *Communist Manifesto* put it:

“Modern industry has established the world market” and “in place of the old ... seclusion and self-sufficiency, we have intercourse in every direction, universal inter-dependence of nations.” (1976b p.486)

But whereas in the pre-capitalist world this unevenness was the natural, normal, course of things, in capitalism it appears to contradict the general unification brought about and reinforced by the world market. The greater and more complete this unification becomes in the imperialist phase of capitalism, the wider becomes the unevenness in development between the component parts of the entity of world economy and the sharper and more incongruous become the contrasts. One of the contradictions, on top of the others, so to speak, is that the system's development becomes even more disrupted and chaotic, eating away at it and undermining it even more.

(To avoid any misunderstandings the preceding remarks might cause on the part of those who do not know their Marx, I shall have to take a little detour here, particularly since the old Comintern Stalinists believed “that at the time of Marx and Engels ‘there could not be any talk as yet’ of the law of unequal development”, a remark which Trotsky called an “absurd contention” (Trotsky 1974b pp. 60 and 61). I shall just give two examples. Already in *The German Ideology*, written in 1845-6, Marx and Engels talked about the unevenness of historical development as something self-evident. As an example of this they used countries “like North America” whose development “proceeds very rapidly” in comparison with England which colonised it. In passing they noted that: “this is the case with all colonies ...” with certain exceptions. (1976a p.83. Also Marx deals at length in all three volumes of *Capital* with what he calls the “Asiatic mode of production” in connection above all with India and China and their various relations with Britain.)

The 1970s provide a striking illustration and confirmation of this truth, a law of history which at the same time helps us to understand those years of transition.

Unevenness of development was shown in the first place in the changed relationship between the US economy and that of the main European countries. As we have seen, not only did the latter succeed in freeing themselves from the economic leading strings of the US, but for all their shared woes (general fall of the rate of profit, collapse and deficit in balance of trade and balance of payments), they were nevertheless able, with some considerable effort, to compete with the Americans, particularly since the latter had to carry the immense cost of maintaining and extending the international military, diplomatic and administrative networks its

international supremacy required. Put back in the saddle with US support, European capitalism-imperialism quickly became a competitor.

For all its underlying stubborn virulence, however, this competition never developed into armed conflict. The protagonists ventured a certain amount of coarse, even outspoken, verbal hostility, but there was no way they could indulge in open warfare. Not for an instant did they forget that their real common enemies were on the other side of the class barricade: the USSR with its allies and the Communist Parties. The “cold war” was in full swing.

But in any case, America’s hegemony over European capitalism long pre-dated World War II. Europe had willy-nilly long since (from the end of World War I) been subordinated to the USA. In two speeches, in 1924 and 1926, Trotsky clearly established and explained in detail that: “These last years ... The relations between the USA and Europe have become drastically altered. It is the result of the war.” (2009 p.68). He spoke about it as an established fact:

“Before the war America was Europe’s debtor. ... (now) Europe has been relegated to the background. The United States is the principal factory, the principal depot and the central bank of the world.” (2009 p.70).

Under the new conditions, Nixon and his economist acolytes plus the chief diplomat Henry Kissinger put arrangements in place well ahead of the big decision of August 1971 in order to keep the Europeans in their place and control Japanese expansion. The currency reform itself, and various other decisions too, were mainly aimed against European – and Japanese – interests. (It should be noted that Japan did not play any political role at all and simply followed in America’s wake, as she did in economic matters.) It was thus quite natural that, as soon as the currency reform (and other measures) were announced, leading Europeans separately and together tried to manipulate the Americans’ decisions to their own advantage. In a veritable merry-go-round of individual contacts and meetings, and some fierce horse-trading, Europe’s completely disoriented political leaders tried to get the best outcome they could, not for the international system, but – their own country. It would be most instructive to describe this free-for-all of brawling street traders and the nightmare spectacle of haggling rag-pickers they presented in detail. Sadly, it would take too long to do it real justice.

I shall come back later to the total uproar the the Americans’ currency decision caused, and above all what it meant. But I must first emphasise the highly significant

fact that the separation from gold, the end of the Bretton Woods system, presented itself in truth and in practice as a slow, prolonged and painful death-agony. There was a botched compromise in 1973, but the process only ended when the Jamaica decision of January 1976 established a system of floating currencies.

The American initiative to get gold off their backs drove European capitalism even further into crisis and disorder. In every so-called "advanced" capitalist country the already endemic balance of payments crisis became twice as bad, with all of these countries except Germany also carrying a big balance of trade deficit. In 1974, the anticipated balance of payments deficit in Italy was \$7bn and France \$5bn. That year the economic situation became suddenly and considerably worse. Do not forget the added burden of the "oil shock", whose first destabilising effects were just making themselves felt. The economic horizon was growing so dismal that the US was forced to soften up the new "rules" a little. They had to let central banks (including Japan) use their gold reserves to cover their borrowings. So when the Deutsche Bank loaned \$2bn to the Bank of Italy at an interest rate which varied between 6% and 18% (scarcely a charitable rate, especially where another member of the European "family" was concerned), the Bank of Italy covered this loan with its gold reserves.

What is most amazing at first sight is how quickly gold re-emerged so soon after its forced departure; like a fairground conjurer's rabbit, now you see it, now you don't. We will have occasion elsewhere to see gold's dazzling brilliance discretely concealed, but clinging oh how tenaciously to its rooted position. For now I just want to show how deep this crisis in Europe was, as illustrated by the sudden re-appearance of a "rabbit" which only moments before had disappeared into the conjuror's hat of finance capital.

The unilateral decision on the part of the Americans to deprive paper money of convertibility into gold (in reality, to eliminate gold from the international monetary system) was enough to tip the Europeans into disorder and turbulence. For all their protestations of faith in Europe, the leaders of each country feverishly looked for an outcome that answered their own interests. As the economist J. Denizet somberly commented, the Jamaica decision meant "the abandonment of any rules as far as the international monetary system was concerned. From that point on, everybody could do what they wanted." (Denizet 1985 p. 155.). Even though I think this is an exaggeration, it expresses a real and profound disarray on the part of the Europeans, a veritable "every man for himself" in the hope that "God will save his people".

However, even licking their wounds, and for all their weakness, the Europeans still constituted a new and serious rival for God's own People, American capitalism-

imperialism, which says a lot about how far the latter had slid down the slippery slope. Nixon conferred the job of curbing his partners' newly-aroused appetites and steering them towards their own backyard to his man (and enforcer) Henry Kissinger. Kissinger had just won his spurs as an attack dog for American capitalism-imperialism by organising and carrying out from the wings the lengthy preparations to strangle Chile, including the assassination of Allende and the physical elimination and imprisonment on a massive scale of the left in that country. At the same time, having just emerged in public as the system's new international strategist, Kissinger promulgated the so-called "New Atlantic Charter" (which also included Japan, a still more formidable partner- adversary).

"The US has global interests and responsibilities," the enforcer-strategist declared: "Our European allies have regional interests". Having thus thoroughly put the Europeans in their place, Kissinger acknowledged that US interests diverged "with the new weight and strength of our allies, ..." But he firmly advised these allies: "The gradual accumulation of sometimes petty, sometimes major economic disputes must be ended ... A new equilibrium must be achieved in trade and monetary relations." Then he called on the leaders of Europe and Japan to subordinate their economic interests to these political considerations, organised and directed, of course, by the USA. Under the pressure of these scarcely-veiled American threats, the Europeans were meant not just to bury the hatchet over a potential trade war but, additionally and above all, share the ballooning costs of US world hegemony. (The text of Kissinger's speech on US relations with Europe was published in *New York Times*, April 24, 1973.)

The international edifice of capitalism-imperialism really was threatening to collapse. The desperate decision to throw gold overboard in panic was not enough. They had both to smash the resistance of workers inside the US mobilised in solidarity with Vietnam and at the same time find a way out of the war which weighed like a millstone on America's economy and finances. These were the essential first steps towards realising the central, urgent goal which Kissinger defined as the political reorganisation of more or less the entire capitalist-imperialist system on a world scale.

One essential pre-requisite for and factor in that reorganisation was, still, to re-fashion and focus more clearly the framework and methods of "peaceful co-existence" between the capitalist countries and the ruling bureaucracy in the USSR, Eastern Europe – and China. Peaceful co-existence had to be turned into actual co-operation and at the same time extended to China. Obviously this had to be done on the basis and within the framework of a *political* world order regulated under the auspices of the contracting parties and on the backs of turbulent classes and peoples.

It was Kissinger who really worked out the strategy for this political reorganisation as American capitalism-imperialism's – and therefore Nixon's – right hand man. He was soon dispatched to China. While still conjuring the forces of darkness in his sorcerers' kitchen in Washington with a view to liquidating the new regime in Chile, this shadowy conspirator also showed himself to be a devoted carpet-bagger for his system. He was in Beijing in July 1971, just a month before Nixon's famous decision over gold. As the first significant American politician to go to Mao's China, he went to prepare an official visit by the President. A few months later in Beijing, early in 1972, Nixon surprised everybody by securing China's adherence to the rules of "peaceful co-existence". The unexpected – indeed astonishing – clincher for this accord was agreement over Taiwan, which had for years been at the centre of often armed confrontations. From now on the US recognised that this island was an integral part of a united China, while the latter acknowledged a US military presence there.

From every point of view this was a remarkable agreement which marked a real turning point, the profound significance of which can only be judged in retrospect. Do not forget that scarcely two months previously the US air force had resumed bombing raids on Vietnam. (Several writers have noted that, with elections approaching, Nixon wanted to show some political muscle.)

On the other hand, it is necessary to emphasise the lengths the deeply split Chinese bureaucracy went to to reach an agreement. You can measure the difficulties the so called "pragmatists" faced by their precarious general situation, with the forces of the so-called "cultural revolution" still more or less intact and the outcome of the struggle between them and the "pragmatists" still open. It was only a year after Nixon's visit that the Chinese Communist Party Congress openly slid over to the position of the "pragmatists" led by Zhou Enlai. The door was opened by Deng Xiaoping ... and his rightward turn.

As chief representative of capitalism-imperialism, Nixon had not made a single concession! (Giving up Taiwan was neither here nor there as far as he was concerned). On the other hand, he had succeeded, against all expectations, in securing at least benevolent neutrality on the part of China. To put it another way, his hands were now free.

Neutralising China was an almost un hoped-for bonus: the main aim of this attempt at a viable reorganisation was to get Moscow actively involved in active co-operation and collaboration.

The moment Nixon arrived back from Beijing, his structural strategist and devoted messenger, Kissinger, flew off to Moscow. He prepared Nixon's visit there

by announcing that the North Vietnamese presence in the South of the country would be welcomed (a concession which cost him nothing since they were already firmly dug in there).

The Kremlin jumped at the chance to cosy up to the US, seeing it as an opportunity to escape persistent economic stagnation and the threat of a political overthrow. The offer of a visit was quickly and fervently accepted. A month later Nixon and Kissinger landed in Moscow. Several observers noted that the American President negotiated with Brezhnev for more than 20 hours in a relaxed atmosphere of mutual confidence. “The bombing underway in Vietnam is not even on the agenda,” revealed a journalist who certainly could not be suspected of Marxist or communist ideas. (Laurent 2009 p. 32.)

One of the most important of the various agreements reached in Moscow was the signature of the *first* Soviet-US commercial treaty. It extended, developed and to a certain extent perfected their solemn re-dedication to “peaceful co-existence”, moving it on to the level of genuine co-operation. They sealed it with a joint commitment to peace in Vietnam. So it is no surprise that Kissinger went almost immediately to Saigon to persuade the South Vietnamese President Thieu to move towards settling the conflict. And indeed, after Nixon was re-elected in November 1972, the two Vietnams and the US signed the Paris cease-fire in January 1973.

It was impressive how quickly these meetings followed one after the other and how soon they led to the Vietnam armistice. It showed how impatient everybody was to put an end to the tensions (and the high costs) of the war, so that each side could sort out its own “domestic” difficulties jointly and separately.

Clearly I cannot describe and analyse in detail all the important political events over the decade which made the “powers” scramble to put the fire out. It should be noted, however, that, in the summer of 1973, Brezhnev repaid the courtesy and did what he could to strengthen the alliance with visits to Germany, France and the US. It was not a moment too soon. The approaching end of the fascist regimes in Spain and Portugal with Franco’s death, the military anti-fascist putsch in Portugal and the winning of independence by Portuguese colonies like Angola, threatened “peaceful co-existence” and the system of two “superpowers”. From this point of view, the fall of the dictatorship in Nicaragua and the significant social measures the new regime took deserve particular attention, as does the revived strength of the anti-apartheid struggle in South Africa following the bloody fighting in Soweto. At least two significant facts should be born in mind which underline how untenable, and indeed volcanic, the situation was in the countries oppressed and exploited by imperialism. The first is the armed struggle and

civil war in Zaïre, fomented and fed by the rival imperialist trusts fighting to get their hands on an ever-larger share of that mineral-rich country. Belgian investments in the country amounted to \$6bn and France's to \$20bn. The other is an International Labour Organisation study which established that at that moment there were 52 million children under 15 around the world working for poverty wages (38 million in Asia, 10 million in Africa, three million in Latin America and 1 million in the "advanced" capitalist countries!)

It must never be forgotten that the number of millions left by the wayside grew every day, particularly in the poor and exploited countries. And of course this decade also saw the hypocritical and repulsive "mobilisation" of the well-heeled to show how far capitalist-imperialists will bend over backwards to "help the poor..."

Promptly following in Kissinger's footsteps, the sixth extraordinary general assembly of the UN in 1974 also *unanimously* adopted a *Declaration on the Establishment of a New International Economic Order*, proclaiming that it would be "based on equity, sovereign equality, interdependence" and "common interest" and that it would "correct inequalities and redress existing injustices" and "make it possible to eliminate the widening gap between the developed and developing countries" (United Nations General Assembly 1974). Such sickening solicitude does make you want to rub your eyes.

But since these pious wishes did nothing at all to stop the crisis – which simply got worse – the seven most powerful countries in the world decided once more in July 1978 to "create more jobs and fight inflation, strengthen international trading, reduce payment imbalances and achieve greater stability in exchange markets." (US Department of State 1978). All worthy objects ... and from there the burlesque tragicomedy the capitalists and their servants were playing with their millions of victims turned into grotesque and cruel farce. Spellbound by these actors, the world was soon to learn the script off by heart ...

Of course none of this cooled the ardour of German Chancellor, Willy Brand with his "Independent Commission on International Development Issues". This so-called "North-South Commission" (independent, no less!) *decided* nothing but *recommended* some steps the rich countries could take to "aid" the poor countries of the South. They included a special tax on industrial countries (paid of course by the mass of the people), "development aid" equivalent to 1% of the gross national product of industrial countries, "special programmes" to combat famine, a much-needed reform of the international monetary system (still a distant dream) and: "the liberalisation of world trade". (See Sampson 1980)

This last point really is interesting. In general, poor but formally-speaking independent countries have tried to protect their economies against the dumping of goods by the “advanced” countries through protective import tariffs. Now the very powerful General Agreement on Tariffs and Trade (GATT) (entirely in the grip of the capitalist-imperialist countries, specifically the Americans) applied itself with scrupulous care to dismantling these tariffs continually and radically, in the name of “free trade”. Its history is a long tale of crookedness and blackmail, lies and pressures amounting to threats – always packaged and wrapped in dithyrambic flights in praise of freedom – used to demolish all the defences erected by these struggling and fragile economies. It would indeed be instructive to tell the whole story, but a few facts will have to suffice.

By the time of the so-called Kennedy Round (1964-1967), the participants had reduced 95 000 customs tariffs! This enervating blood-letting was entirely at the expense of the weaker economies and in favour of the voracious, rapacious capitalists. For example, in 1971 GATT decided that the so-called “developed” countries were entitled to apply tariff practices more advantageous to themselves where products from under-developed countries were concerned. The Tokyo Round then followed precisely in the years 1973-1979. This time the astute predators invented a new “principle”, what they called “harmonized reduction”. According to this, the highest tariffs had to be reduced more than the lower ones. Using this ingenious piece of skulduggery they managed to cut even more, that is about 38% of tariffs which they decided were too high.

What can one possibly say about the North-South Commission? For all its pious words and goodwill, idle and futile verbiage, it had nothing at all to say about the gang of swindlers at GATT or their accomplices at the IMF. It is no surprise that the top man at this fig-leaf for imperialism was precisely Willy Brandt, the flower of Social Democracy and long inured to this sort of cosmetic work. At the time people thought there was no one to match him at this, but then much later the “socialist” Pascal Lamy took over as chief of the same licensed body of imperialist highway-robbers, followed by Dominique Strauss-Kahn, already at the time a leading “socialist”, who landed straight at the helm of the IMF, the respected controlling body of world imperialism. Until his luck ran out, French “socialists”, were proud of this turncoat, the acme of perfection in the service of world capitalism-imperialism, and were seriously weighing up his chances as a French presidential candidate. This is no nightmare born of some disturbed and feverish reverie, but a blunt fact known to all and approved by many. It’s what you call a sign of the times...

This slight but necessary detour should not make us forget that Brandt's high-minded Commission did not hold back from also criticising the "developing" countries (the usual term nowadays for underdeveloped or backward countries, which in its patronising way hides and dissembles the fact that they are falling further and further behind their imperialist leeches). The Commission told them off for spending 20% of their budgets on armaments – yet another striking example of double hypocrisy. First because they lecture others about the evils of spending money, swearing high and holy all the while that they really want to give them more. Secondly because they say not a word about the main question: Who manufactures these arms and sells them to them at top dollar? Any suggestions ...?

Uneven development – Peculiar features of the development of capitalism in Japan

During the 1970s, as we have seen, uneven development was clearly and vigorously manifested in deepening widespread impoverishment, with very many countries in Africa, Asia and Latin America falling further and further behind. It emerged abruptly, too, from the opposite side in the form of the rentier states and their rapacious classes of usurers resting on the oil monopoly. It showed itself finally in a divergent development where swift economic revival in old Europe actually revived, re-invigorated and even exacerbated competition with an increasingly exhausted US. But to complete this global picture of significantly increasing unevenness of development during those years we must also sketch the still vague and schematic but already real outlines of what was to come.

Let me repeat: the imperialist phase of capitalism is by its nature convulsive and spasmodic in its movement and development. It has both accentuated the law of uneven development and lent it some quite special characteristics. From the 1920s onwards, Trotsky spoke of these as the basis and framework of his analyses of the international situation.

*“The explosive character of the new epoch, with its abrupt changes of the political flows and ebbs, with its constant spasmodic class struggle between fascism and communism, is lodged in the fact that the international capitalist system has already spent itself and is no longer capable of progress **as a whole**. This does not mean to imply that individual branches of industry and individual countries are incapable of growing and will not grow any more, and even at an unprecedented tempo. Nevertheless, this development proceeds and will have to proceed to the detriment of the growth of other branches of industry and of other countries.”*
(Trotsky 1974 p.61 – Trotsky’s emphasis.)

And he added:

“The expenditures incurred by the productive system of world capitalism devour its world income to an ever increasing degree.” (p.61.)

These words were brilliantly confirmed some considerable time after they were

written. As we know, after World War II certain Asian countries, above all Japan, followed by the four most adaptable Asian “dragons” (South Korea, Taiwan, Hong Kong and Singapore) entered into lightning-fast capitalist-imperialist development. The very speed of this soaring growth and the voracity of their expansion filled western bourgeois and their economists with respect and superstitious fear, which is why they used the rather mystical term “dragons” to describe them. Indeed, the “dragons” very quickly ceased to be just passive markets for goods from the “advanced” capitalist countries and went on to become effective competitors, at first in Asia and then around the world, including the US and Europe. The four threatening “dragons” quickly followed in the footsteps of the Japanese economic “miracle” and in turn served as models for the famous five Asian Tigers (Malaysia, Thailand, Indonesia, Philippines and Vietnam). And behind these all more or less ferocious beasts could already be dimly discerned the shadow of that most powerful dragon – China.

The geologist Alfred Wegener has introduced us to the theory of “continental drift” and “plate tectonics” with the plates (broadly speaking the continents) in constant movement and colliding with one another, causing earthquakes. Uneven development can usefully be compared with plate tectonics and the resulting earthquakes, which in economics we call crises. Indeed, in the mutual relations between Europe-America and North Asia, what we had was also incessant motion in which the first two were sliding into decline while the latter (speaking only of its stronger parts) was emerging from backwardness. And obviously these “tectonics” provoked and continue to provoke earthquakes of their own.

The point is to know the reason for this elaborate quadrille which will eventually change the face of the world. The whole process has taken a certain time, long in comparison with a single human life but insignificant in the entire sweep of history, but we are right in the middle of it now. It started with the Japanese “miracle” broadly speaking in the 1950s, and came into full flower with the so-called “dragon” countries and then the “tigers”, above all in the 1980s and up until the so-called “Asian” crisis in the 1990s, to which I shall return later. For now I shall try above all to furnish an explanation for the Japanese “miracle”.

We have to examine the Japanese economy above all because its rapid development provided the model for the “dragons” and “tigers” to follow. To understand the famous Japanese “miracle” from 1950-1960 up to the beginning of the 1990s – a subject of choice for admiring and ecstatic commentators, economists, journalists and politicians – we have to look in some detail at the peculiarities of the formation and development of capitalism in Japan.

This country had long remained as backward as any other Asian country imprisoned in what Marx called an “Asiatic mode of production”, which ensured the persistence of economic backwardness and froze any sort of progress. This was even truer here than in certain other countries because unlike India and China, from the 17th century until the middle of the 19th century, Japan remained for a long time voluntarily and rigorously cut off from the world. During this period a class of urban merchants formed and developed on the back of an actually quite flourishing rural economy interwoven with craft industries under the domination of the merchants. Now the grip of feudalism and feudal institutions was particularly strong, with robust and persistent and strongly hierarchical clans under the deeply militarised rule of the shoguns (commanders in chief), with the various military strata and petty nobility (“bushis” and “samurai”). In the two and a half centuries after 1600 (the “Edo” period), the shogunate, with its feudal caste relations, was additionally strengthened by the general militarisation of society and left a profound mark on Japanese life. Various historians have noted that the “population, deeply imbued with a military spirit, obeys a code of honour, the Yamamoto”. The power of the shogunate even forced successive emperors into an insignificant secondary role for long periods.

Analysing the history of merchant capital in Volume III of *Capital*, Marx explained that the transition from the feudal mode of production to capitalism is two-fold. He established that “the really revolutionising path” was when the *producer* himself became a merchant and then a capitalist – in *contrast* to the natural agricultural economy and guild-bound handicrafts. He goes on:

*“Or else, the merchant establishes direct sway over production. However much this serves historically as a stepping-stone ... it **cannot** by itself contribute to the **overthrow** of the old mode of production, but tends rather to **preserve and retain** it as its precondition.”* (Marx 1984 p.334. – My emphases – B.N.)

And a bit further on Marx gave his description of this second path:

*“This system presents everywhere an obstacle to the real capitalist mode of production and goes under with its development. Without revolutionising the mode of production, it only **worsens the condition** of the direct producers, turns them into mere wage-workers and proletarians under conditions worse than those under the immediate control of capital, and appropriates their surplus-labour **on the basis of the old mode of production.**”* (pp. 334-335. – My emphases – B.N.)

[I should note here that in the English and Hungarian language editions of *Capital*, both based on the German original published by Engels in 1894 and re-published by the Foreign Languages Publishing House in Moscow, the text of the passage quoted differs slightly from the French edition, where Marx says: “It does not overthrow the old mode of production which on the contrary continues to exist as the basis of these forms” (1963 /1968, p.1665). In reality the difference is not essential, but in the French edition the role of the surviving feudal residues and their actively reactionary character do not stand out so much.]

Subsequently it fell to Lenin to shed more light on the two possible paths by which feudal society could pass over to capitalism. He called the first the “American path” by way of the bourgeois revolution, while he called the other, brought about from above by the “enlightened” section of monarchy and feudal lords the “Prussian path”. This path, unfinished and botched, was also characteristic of Russia as of all countries without exception which failed to carry out their bourgeois revolution or where it suffered a setback, which is precisely what happened in Germany. They took the painful path.

In Japan’s historical development it is easy to discern this famous “Asiatic mode of production” and its subsequent evolution along the “Prussian path” of capitalist development.

Only in the middle of the 19th century did the internal conditions of society push to the fore those who wanted to set Japan on the track to progress. While still belonging to agencies even within the feudal and reactionary shogunate, a good number of the officials of that same shogunate and energetic young samurai drove the movement forward. They were all inspired by extreme nationalism and decided to hoist Japan up to the same level as western capitalist countries. Their violently nationalist movement, intensified under diplomatic and military pressure from the west to “open up” Japan, brought the abdication of the last shogun and the resumption of his powers by the Emperor Mutsuhito in 1867-68.

He inaugurated the Meiji era, the transition from feudalism to capitalism carried out from above, fundamentally similar to Bismarck’s efforts in Germany and Tsar Alexander II’s in Russia. Similar, but not identical! What was unique about Japan – even in comparison with the formidable military rule of Prussia and the notorious “Prussian spirit” of submission to authority – was an already well-established militarisation in which civil obedience, raised to the rank of a military honour, was coupled with fierce, violently anti-western nationalism.

The militarisation of Japan went much further even than that of Bismarck's Germany under the Prussian boot. For centuries it has contaminated and enserfed the whole of society, strongly supported and stimulated by the deeply-rooted system of clans and castes. The four castes (warriors – peasants – artisans – merchants) were not abolished until 1870. (Among the victims of this measure were the mass of samurai, who managed to organise an uprising which the new regular army needed eight months to suppress. This shows the strength and persistence of the system of castes, particularly the military.)

Reforms affected social and administrative life above all, involving a very limited abolition of feudal ties and customs. For example, the former noble chiefs were appointed prefects of their fiefs. It was a real change, but there was no agrarian reform or any real democratisation of political life. On the other hand, industrialisation was consistent and very fast. Within the years 1870-1880 the big clan chiefs (merchants and financiers), mutated into industrial barons who united in powerful organisations called zaibatsu and brought into being their monopolies involving very extreme concentration of capital. They electrified the country and quickly established big industries (mining, engineering, textiles, shipbuilding, etc.) in order to equip a new army ready for conquest. All of this was strongly centralised but financed by the authorities in good part on the basis of a flourishing rural economy.

Without going into details, I must mention the offensive and aggressive character of Japanese expansion, centred on military activity. Japan joined the ranks of great imperialist powers very early on to claim its share of the division of the world. In 1894 a great Sino-Japanese war broke out which was concluded in favour of Japan. A few years later in 1904 came the Russo-Japanese war between these two rival imperialist powers for supremacy in Manchuria and Korea. Japan inflicted a serious defeat on Russia, seizing Port Arthur and then Mukden (Chen-Yang), the capital of Manchuria. (She was to return there in 1931 to establish her vassal state of Manchukuo.) Victory in the Russo-Japanese war secured a Japanese protectorate over Korea, which was finally annexed in 1910. Then, having sided with the allied powers, she occupied German possessions in the Pacific. It is therefore quite natural that during World War I Lenin included Japan among the up and coming imperialist powers hungry to carve the world up.

From now on there are at least three significant characteristics of Japanese capitalism-imperialism: first, a considerable – not to say excessive – degree of militarisation of society which had a powerful impact on the economy; then the very rapid, almost instantaneous passage to an imperialist economy with the accelerated

formation of big industry and extreme concentrations among their monopolies; finally, the persistence of a rural economy bound hand and foot by the various surviving feudal fetters, above all the system of latifundia left intact, and personal ties of servile dependence. (There was to be no agrarian reform until autumn 1946).

To help the reader to understand the subject, before going on I once more insist on a general explanation of this development using a significant elucidation of the law of uneven development by Trotsky. In the first chapter of his remarkable study of the 1917 Russian Revolution (written in exile between 1929 and 1932) entitled “Peculiarities of Russia’s Development”, he wrote:

“Capitalism ... prepares and in a certain sense realises the universality and permanence of man’s development. By this a repetition of the forms of development by different nations is ruled out. Although compelled to follow after the advanced countries, a backward country does not take things in the same order. The privilege of historical backwardness – and such a privilege exists – permits, or rather compels, the adoption of whatever is ready in advance of any specified date, skipping a whole series of intermediate stages ... The development of historically backward nations leads necessarily to a peculiar combination of different stages in the historical process. Their development as a whole acquires a planless, complex, combined character.” – A paragraph further on he adds: *“Unevenness, the most general law of the historic process, reveals itself most sharply and most complexly in the destiny of the backward countries ... From the universal law of unevenness thus derives another law which, for the lack of a better name, we may call the law of **combined development** – by which we mean a drawing together of the different stages of a journey, a combining of separate steps, an amalgam of archaic with more contemporary forms.”* (Trotsky 1977, pp. 26-27. – Trotsky’s emphasis).

This elucidation of the problem of uneven development (which, incidentally, is what Trotsky based his famous theory of permanent revolution on) is illuminating for our present subject, especially if you add other clarifications on Trotsky’s part. In articles in *Pravda* (central organ of the Russian Communist Party) in 1922 (republished as appendices to his book), replying to Professor Pokrovsky’s schematic views, Trotsky clarified that:

“... the indubitable and irrefutable belatedness of Russia’s development ...

*results not in a simple repetition of the West European historical process, but the creation of profound **peculiarities** requiring independent study.” (1977 p.472. – Trotsky’s emphasis).*

He goes on to explain: “Medieval science, scholasticism, religious reformation, grew out of a craft-guild soil. We did not have these things.” (p.475). Finally, he asserted:

*“Russian capitalism did not develop from handicraft through manufacture to the factory, because European capital, at first in the trade form and afterwards in the finance and industrial form, poured down on us ... Hence the appearance among us of the most **modern capitalist industry in the environment of economic primitiveness** ... ” (p.476. – My emphasis – B.N.)*

This is very important for understanding the rapid and contradictory development of Japan and subsequently the Asian “dragons” and “tigers”. What Trotsky says goes some way to explain how what Marx called the “Asiatic mode of production” could persist and be renewed in a more developed form within the context of world capitalism’s imperialist phase. It turned out that once they had taken the road to capitalist development, even via the painful and backward “Prussian path”, some of these countries showed a remarkable ability to leap over and overcome their backwardness.

There is little point dwelling on Japanese history. The important features I have sketched above are sufficient for an understanding of its later rapid development with its peculiar characteristics largely rooted in its history. However, I do think it necessary to spend a little time on one distinctive feature of how capitalism developed in Japan.

During the two centuries of the Tokugawa shogunate (17th and 18th centuries, until 1868) the government and the whole of society, militarised and ferociously nationalist, brutally repulsed every attempt by western capitalism (English, Dutch, American) to establish a military or commercial foothold in Japan. Even when the country had to open itself up to more extensive international relations (economic and political) in the dying days of the shogunate and then from 1865 onwards in the Meiji period, these contacts and links were strictly supervised by the Japanese state. Unlike any other countries where the “Asiatic mode of production” prevailed, Japan never became a colony. Japanese capitalism energetically and sometimes brutally

defended its independence from its beginnings (in the Meiji period) throughout its development up to 1945. It passed into the imperialist stage of its development (via the highly developed concentration into zaibatsu and their powerful monopolies) very quickly, right from the start, so to speak. It entered very early into violent competition with (English and Dutch) European capital in south east Asia, dumping cheap and shoddy goods to undersell its competitors. On the basis of vigorous capitalism-imperialism, the Japanese bourgeoisie was able to preserve its independence, unlike all the other Asian countries which had been colonised from the 18th century onwards, or even earlier in some cases. In those countries (China, India, Indonesia, etc.) the formation of capital was the work of the capitalist colonial power, and the local bourgeoisie for a long time remained a secondary appendage to foreign imperialism, extremely dependent and therefore puny and feeble, what is called a “comprador” bourgeoisie. For a long time none of these countries (apart from China) was able to achieve any sort of real independence at all. Nor, for very good reasons, could they carry out a revolution simultaneously against foreign domination and the “Asiatic mode of production”. Their time only came, generally speaking, during and after World War II.

Japanese imperialism, on the other hand, paused for a breathing space of barely a couple of years after its various acts of brigandage and rapine during World War I to digest its gains and establish itself as a respectable member of the League of Nations, or “thieves’ kitchen” as Lenin called it. And in fact, stimulated by the pressures of galloping demographics (50 million Japanese in 1914, but 70 million by 1937), whipped on by an unbridled militarism expressed and powerfully buttressed by the traditional shinto religion, this honourable member of the international thieves’ kitchen quickly dispatched its army, swollen to bursting point, against China. They had prepared this carefully. Military expenditure “only” made up 27% of the budget in 1927, but had shot up to 46.6% by 1937. After much skirmishing, this redoubtable army launched a full-scale invasion and prolonged occupation of Manchuria in 1931. Then in 1937 it engaged in a general attack on the whole of China, marked by unparalleled brutality on the part of the Japanese army, such as the savage and cruel massacre of the civilian population of Nanking in 1937 (between 45 000 and 330 000 people were killed according to different sources, including women and children). So it was only right that the empire of the rising sun should become a valued partner of Hitler’s Germany and Mussolini’s Italy, first in the fateful Anti-Comintern pact of 1936, then in the military alliance of the Berlin-Rome-Tokyo Axis during World War II. In terms of provocation and military aggression, this piti-

less military dictatorship was well ahead of its partners. It already ruled Manchuria when Hitler came to power in 1933, while Mussolini's military adventure in Abyssinia (Ethiopia) did not come until 1935.

Imperialism has certainly turned out to be quite inventive when it comes to the political forms the system assumes, stretching from hypocritical democracies to fascism, by way of dictatorships of every kind: from Franco the "Caudillo" (guide) to the Mikado's empire.

It is useful to keep all the distinctive features of Japanese capitalism-imperialism sketched above in mind in order to understand what drove and fuelled the Japanese "miracle". But first and foremost it is important to emphasise the peculiarly venomous character of Japanese nationalism and the ferocity of the aggression which nourished Japanese imperialism in the course of World War II. Having occupied Korea and a great part of China, the Japanese imperial army invaded the whole of South-East Asia from the Philippines to Burma and Indonesia. The peoples of Asia learned in their millions to hate the brutality and cruelty of these occupying forces, which were worthy accomplices of the European fascists and everywhere aroused armed popular resistance.

However, the horrors committed by the Japanese army did not at all justify the massive atrocities committed by the US in bombing Japan's civilian population, any more than the British empire's murderous bombing raids on German cities. The aggressive destruction in particular of Dresden and Hamburg (aimed at decimating and terrorising the German working class) cannot be excused or legitimised as a response to the German Luftwaffe's massacres and destruction of London or Coventry. In any case, it was towards the end of the war that they became massive. Similarly Hiroshima and Nagasaki, and all the people living in these cities, were only introduced to the horrors of the atom bomb once the war was virtually over. Nor had other cities been spared beforehand. Tokyo with its huge population, for example, was attacked several times and half of the city destroyed, with several hundreds of thousands dead. That is the real face of imperialism – whatever its nationality.

Before moving on to look at the post-war years, I must emphasise that the rapid development of Japanese capitalism-imperialism and the "success" of its military efforts were based on ferocious exploitation and merciless subjugation of the working class. This fact is more or less openly acknowledged by many economists, particularly when Japanese capitalism is at a safe distance from their own doorsteps and their own bourgeoisies.

The Japanese workers' movement was born and developed in the face of shameless exploitation in the so-called Taisho period (the period of Emperor Yoshihito, who continued the "liberal" policies of his father Mutsuhito, founder of the Meiji period, the capitalist renewal of Japan.) In the second half of that period, broadly speaking the beginning of the 1920s, a strong movement of unionisation testified to the awakening of the Japanese working class, with some more or less big struggles. The Communist Party was finally set up in 1922 (a year after the official foundation of the Chinese Communist Party in 1921.)

To thwart this rapidly growing movement, the leaders of the zaibatsu of the time and the governments in their pay, spurred on by the requirements of their war preparations, decided to set up their own "workers'" organisations. Much more reactionary than the "yellow" unions – which were like reformist unions anywhere – these bosses' organisations were set up by the police who kept them under constant surveillance and who also ran the labour exchanges which retained one half of the obligatory work-book (the other was kept by the works management.)

So the employers and the state fought fire with fire, and their company unions advanced and grew rapidly. Sanpo (the Patriotic Industrial Association) and Roho (the Patriotic Labour Association) drums beating, recruited just about all workers into their ranks, since the leaders of the existing "yellow" unions did everything they could to join them. Sanpo recruited permanent workers and employees while Roho organised temporary workers. (This terrible and *institutionalised* division, therefore, dates right back to that distant period and post-war capital has "merely" perfected it.)

The utterly reactionary ideology of these organisations, spread by all the means available to the state, permeated every pore of society and the mass of workers, seeping like poison throughout the whole population all the more easily and deeply since it was nourished by feudal ideas, conceptions and religion from the past which still predominated because they were diligently and brutally kept alive.

The government set up a movement called labour councils which the collaborators leading Sanpo and Roho quickly integrated within their organisations. Set up in each enterprise under the auspices of Sanpo and Roho, it was through these organs that they put into practice conceptions of collaboration between capital and labour. Using ancient feudal ideology and the shinto religion, they presented each firm as a family (in the image of the biggest one, the nation, with the Emperor as the head of the family). In these businesses/ families, the family hierarchy was faithfully reproduced, with the bosses (installed at the head of the local Sanpo) as the head of the family.

The overall hierarchy functioned with military discipline and coercive methods. Using this system, the coalition of three (zaibatsu – military caste – government) forced workers to submit to hard labour, over-work and low wages. In his excellent and remarkable *Japanese Workers and the Struggle for Power 1945-1947*, a work to which I shall refer frequently, Joe Moore quotes Japanese professor Okochi Kazuo who wrote, among other things, that this system: "...included all the employees of every establishment, and, like its Nazi counterpart, was run on military lines, with a hierarchy of rank and with discipline strictly enforced." (Quoted in Moore 1983 p.11) This book – whose very title marks it out as an astonishing exception – very happily fills the immense gap (or the botched and rudimentary accounts) in economic, historic and political literature where there should be a truthful history. Further on, and on several occasions, I shall have recourse to this study based on archives and an abundant variety of official sources, both Japanese and from the occupying forces, as well as Japanese publications.

The way in which workers were managed (or rather, conscripted and mobilised) and also aggressively indoctrinated, meant Japanese capital had access to a kind of unrestrained, sustained super-exploitation which allowed it to rise among the ranks of the powerful imperialist countries and go to war for the re-division of the world.

There is a great deal to say about these organisations, which borrowed a mass of reactionary traditions from feudalism and at the same time strongly resembled the fascist corporations familiar in Europe. But the system worked much more effectively in Japan and for an incomparably longer period. From the Meiji period onwards it was an integral part of the country's capitalist "culture" – as it still is today.

Under military occupation, in ruins and impoverished, Japan keeps its former system

Moving on from this brief but necessary introduction to workers' conditions in the past, we must now look at the immediate post-war situation. The following anecdote might legitimately serve as an introduction. It is probably apocryphal, but it perfectly conveys the tone of the great powers' negotiations at Yalta in 1943. Roosevelt slipped the following apparently far-fetched proposition into a thoroughly cynical and yet amicable conversation with Stalin: he "offered" him Sakhalin Island, the Kurile Islands and a Japanese harbour, as well as a joint occupation of Korea and Indonesia in partnership with the USA, in exchange for the USSR entering the war with Japan. I have no way of checking the authenticity of this anecdote, but in any case it perfectly conveys the state of mind of all victors. This frank cynicism revealed the greedy and unconcealed nature of imperialism at war – with the ready help of complaisant Stalinism – and testified to their contempt for the peoples and a desire to destroy Japan as a dangerous competitor and rival. In fact, completely exhausted and beaten, the country capitulated in August 1945, its economy devastated and its cities in ruins.

It is important to recall here some statistics which speak eloquently of the extraordinary devastation caused by the war. It was moreover made considerably worse by the implacable bosses' bloodsucker economy, placed at the service of their war to the death. From the point of view of the unparalleled destruction there is some similarity between Japan and Germany. These were violently aggressive imperialisms because they were late-comers to a division of the world which had already been accomplished, but by the same token they were the weaker parties, and they were beaten by stronger predators who at the time were determined that the vanquished should not rise again.

And they were at the end of their strength: exhausted from both the material and the human point of view, their country shattered and their economy in ruins. By the capitulation on 15 August 1945, almost 2 million people had lost their lives and, according to the same statistics, 40% of urban areas had been razed to the ground. Even in August 1946, a year after the capitulation, industrial production had not yet reached 30% of the average for 1935-37. And two years later, in 1948, it was struggling to reach 40.2%. Nevertheless, distinctions must be drawn, since the productive potential of certain industries which directly served the war (steel,

aluminium, electricity, coal, machine-tools) could have achieved the same level as 1935-37 but suffered from different problems. One problem which affected the whole of production was a notorious one for Japan and a traditional one for her economy – the chronic shortage of raw materials. To this shortage were now added others in transport, the workforce, oil (and its derivatives), coal and coke, etc. But there was something else.

In a study published in 1949, the Japanese economist Arisawa Hiromi revealed that the machine industry had within a year got back to roughly half its 1935-1937 production level, while iron and steel production languished at 7% of that level. (Arisawa Hiromi was a university professor seen as a “progressive”, i.e. one of those who wanted to transform “traditional” Japanese capitalism-imperialism into a system acceptable to the victors. He was an advisor to several successive governments.) In his view the only possible explanation for this fact was that powerful elements in the economy, the zaibatsu, were not telling the truth about their stocks. (Moore 1983 p.79.)

The ruinous state of the overall economy – and there is a whole series of other facts which illustrate this – was accentuated by “the existence of a considerable over-capacity in almost every sector of industry” (Moore p.80.) In any case, persistent underuse of capacity in imperialist economy as a whole, i.e. a regular utilisation of only 80 – 85% of capacity, is and has always been characteristic of the system. But in the first post-war years in Japan, even in the absence of precise figures, under-utilisation of potential reached alarming proportions.

Before going into greater detail about this deplorable situation, I must cast a glance at Japanese society as a whole and the regime which governed the country.

It is characteristic of Japan that society as a whole, with the exception of a large number of the super-exploited popular classes, felt the capitulation as a national catastrophe. The long decades of untiring propaganda in favour of exaggerated nationalism played a significant role in this, particularly since the military spirit of a social hierarchy governed by a code of honour based upon obedience, inculcated by a military aristocracy, infected the whole of society and retained a great deal of its vitality. The official religion, shinto, was still the largest one even in the 1990s, with 81 000 shrines and several million members, a good way ahead of Buddhism. Venerating heroes and considering the Emperor to be its living divinity, shinto sublimated and expressed this state of mind to perfection while at the same time exalting and diffusing it. It is enough to recall the self-sacrifice of several thousand (4 000 or 5 000 depending on source) kamikaze pilots during the war, most of them volunteers. There is also the

unprecedented fact that between 1944 and 1946 more than 27 000 Japanese committed suicide, often publicly, in the ritual manner of seppuku (also called hara-kiri), following the example of a number of generals and admirals.

The most badly-compromised politicians and officers were arrested, but their trials did not start until 1946. In any case, besides the captured generals, there were by the end of the trials hardly more than 5 000 guilty verdicts. The Supreme Command Allied Powers (SCAP), led by the American General Douglas MacArthur, went to great lengths to avoid destroying the Japanese state and its leading personnel. Nobody wanted to dismantle the country's political and economic apparatus. At the capitulation, MacArthur and his associates not only spared the emperor from any punishment, but apart from a few minor concessions fully re-instated him. This act, which enjoyed the particular support of Great Britain and General Chiang Kai-shek (head of the Chinese anti-communist army) was largely motivated by an avowed desire to "block any communist infiltration into Japan". (One should not lose sight of the fact that SCAP included a delegate from Stalin's USSR!)

It should be noted that this "dangerous infiltration" threatened Japan's traditional order not only from outside in the shape of neighbouring China, whose revolutionary army already occupied just about half of the country, but also from inside Japan herself – of which more later. For now, it is important to comment that Trotsky's far-sighted prognostication, anticipating the coming war as well as the outcome in an *international revolution*, was confirmed not only in Asia but also in Europe. We shall return to this later. (Cf. the text "War and the Fourth International" dated 10 June 1934 [Trotsky 1934] and "Manifesto of the Fourth International on the Imperialist War and the Proletarian World Revolution" of May 1940 [Trotsky 1940]).

All we need note for the moment is that the whole ruling class with its corrupt and discredited leaders understood the encouraging hints from MacArthur and SCAP, and undeniably drew strength from them. As Joe Moore, the author says: "Because of the early surrender, the apparatus of oppression in Japan remained intact at the crucial moment, laying to rest the spectre of communism arising out of the ashes of total defeat ..." (p.4.) To support this description of the situation, the author also quoted Yoshida Shigeru (an important politician in imperial Japan who was prime minister in 1946, violently anti-working class and a prominent member of the reactionary Old Guard). As early as February 1945, well before capitulation, this Yoshida co-wrote the famous "Konoe Memorial", a warning addressed to his political accomplices:

*“More than defeat itself, what we must be most concerned about from the standpoint of preserving the **kokutai** [national polity, i.e the family state with the emperor as its supreme symbol and head] is the communist revolution which may accompany defeat.” (Moore 1983 pp.3-4)*

In fact SCAP, headed by general McArthur, did everything it could to ward off this danger and (leaving aside an obligatory minor purge) to retain not only the whole former leadership of the economy but also the whole state apparatus and administration. It picked successive governments and heads of government from among tried and tested politicians of the former regime. It left intact the whole network of between 220 000 and 240 000 urban and rural neighbourhood associations which the interior ministry used in order to keep a permanent and very close watch on the population, right down to and including individual households. These were staffed by devoted representatives of the system selected from among members of the middle class and – in the countryside – faithful supporters of the big landowners and the better-off peasants. Dominated and guided by the police, they issued ration cards and distributed staple foodstuffs. In conditions of severe food-shortages bordering on famine, this privilege gave them a redoubtable ability to catch the whole of the population in their net and thus strengthen their control over them. One fact expresses the situation very well: SCAP did not abolish these until the spring of 1947.

It goes without saying that these occupiers did not lay a finger on the zaibatsu industrial and financial conglomerates or on their unchallenged power. The only aspect of these enormous concentrations that they were concerned to regulate was that they tried to re-orient production, which had hardly resumed, towards the manufacture of consumer goods, restricted, of course, to what was acceptable to Anglo-American interests. In brief, these zaibatsu continued to run the country's economy and politics until they were at long last wound up in 1949. I must however add that they immediately emerged again re-baptised as keiretsu. But nothing testifies more to their continuity and the way they flourish in the face of tribulation than the surprising fact that even today they have carefully retained their distinctive 19th century names. Mitsubishi, Mitsui, Furukawa, Sumitomo and the others dominate the economic life of Japan despite all vicissitudes, profound crises, wars, severe difficulties and existential threats. They have preserved and safeguarded their system whose “military-financial superstructure rests on a foundation of semi-feudal agrarian barbarism”. (This description comes from a brief article Trotsky wrote in July

1937 entitled "Japan and China" [Trotsky 2006 p. 606]. I shall immediately seize the opportunity to point out that in this same short article Trotsky formulated a glance into the future which today rings like a prophecy: "Japan's growing difficulties will end in a military catastrophe and a social revolution". [p.606]).

With the ink scarcely dry on the capitulation, the four main political organisations of the bosses, entirely under the thumb of the zaibatsu, defined the main lines of the economic policy. What they in fact planned was a continuation of the pre-war policy with certain concessions which had become necessary. Broadly speaking, they foresaw reconstruction under the same leadership as previously, able to secure vigorous exports (textiles) and an expansion of heavy industry. As had been the case with the whole inter-war economy and during the war, the whole thing was to be boosted by continuing to keep wages very low with a tame working class.

Obviously these plans conflicted with the Allies' prescriptions decided at Potsdam and the SCAP authorities locally. The latter had envisaged an economy more or less along the lines of that in the USA, but shorn of heavy industry and turned towards the production of consumer goods. In reality, even if in the beginning collaboration between the Japanese (political and economic) authorities and SCAP was marked by a number of misunderstandings and frictions, the latter always ended up ratifying reconstruction along the line conceived and led by a barely remodelled Japanese ruling class. Thus in September 1945 the occupying authorities blessed the birth of a unified organism of all the employers' political organisations called the Keidanren Committee, an officially-sanctioned and very active and combative political champion of the zaibatsu. It was under their auspices that the more or less patched-up Old Guard came together with the so-called "progressive" faction of the bourgeoisie and their joint victory was prepared and achieved, with, of course, the hesitant but decisive assistance of MacArthur's SCAP.

It was the Kaidanren which, in close collaboration with the government, organised industrial sabotage in an attempt to impose on society its views and its plans for a "laissez-faire" economic policy free of all regulation. Naturally, worst hit by this sabotage of production was the working class, whose circumstances were catastrophic.

First of all, unemployment had reached a particularly high level. Factory closures put 5.5 million workers on the street. Towards the end of 1945, in the main industrial prefectures, about two thirds of the labour force had been sacked. "For the first six months after surrender, the jobless rate probably fluctuated at around 10 million, a tremendous number considering a total Japanese labor force of 30-32 million." (Moore p. 88) Using numerous official sources, the author adds that because great masses of people migrated

from the towns to avoid starvation there was an almost complete stoppage of production, so that "... it seems quite likely that unemployment might have reached thirteen million in the worst days of the first winter." (p.258n.) And he noted that : "... even the big business association Dōyūkai estimated it a 12 million". (The "Doyukai" brought together the so-called "progressive" faction of the bourgeoisie from spring 1946 onwards.) Joe Moore rounds off this footnote with the significant information that "unemployment remained at least as high as five to six million well into 1947".

Those fortunate enough to be in work were, however, only earning next to nothing. Wages had been stagnant for years – indeed this was the traditional foundation and source of Japanese capitalism-imperialism's expansion and war effort. After the capitulation, they fell even further. By the end of 1945, workers' real wages had collapsed below 10% of their pre-war level. During the three years of occupation (1945-48) real wages never exceeded 30% of the 1937 level. According to a SCAP analysis, current wages (that is of the work-force as a whole) only met 35-60% of the average living standard (Moore p.87-88. Generally speaking, the majority of statistics quoted and the account of events and social and political facts about Japan in the immediate post-war period are drawn from Joe Moore's book).

Rapid, sustained and exponential price increases weighed heavily on the working masses. The total of bank notes in circulation, worth only ¥28.5bn in August 1945, had climbed to ¥55.5bn by the end of the year, but by December 1947 it was touching the astronomical sum of ¥220bn. Inflation raged. Prices doubled in the four months up to February 1946, and in the six months from June 1945 till January 1946, the cost of living went up 12 times. An extraordinary and constantly accelerating inflation was unleashed. This impetuous growth in prices and galloping inflation happened largely because the black market took off in a big way. The ratio of black market prices for consumer goods to their official prices was 40 to one. Inflation was unleashed and largely fed by a colossal gift the government offered the zaibatsu immediately following the capitulation. It consisted of material goods and money estimated at ¥50bn, at a time when at that early stage the mass of bank notes in circulation amounted to only ¥28.5bn! This piece of monumental pillage enabled the zaibatsu Old Guard on the one hand to organise its sabotage of production – used as a lever to blackmail the occupiers – and on the other hand to invest massively in the black market and its ramifications.

To fill out the picture of the terrible situation the popular masses were in, we must add the awful housing conditions to the above sketch. About 50% of urban dwellings had been destroyed, which meant that 22 million city-dweller were

without shelter. A huge general movement of urban dwellers fled the towns for the countryside. There were 30.3 million town dwellers in February 1944 and 42 million rural inhabitants. But by November 1945 the proportion had changed radically. Only 19.5 remained in the urban areas while the number of rural inhabitants had risen to 52.5 million. The population of Tokyo alone dropped from 6.8 million to 2.8 million by November 1945.

These great working masses were fleeing a famine. "The actual food shortage in 1949-1946 is nearly impossible to judge, but to attempt to live on the official ration quite literally meant starvation". (Moore, p.90.) He also refers to frequent reports in the daily press of the capital, for example on 18 November 1945, of the fact that starving people were collapsing and dying on the streets. They reported that in three months 300 people died of hunger in Kyoto, 148 in Kobe and 100 in Fukuoka. The newspapers rounded off these macabre statistics with the comment: "In Tokyo, an average of six persons were dying of starvation every day and an average of three in Yokohama." (Moore p. 89.) Here is the same author quoting the Japanese *Maimitchi* newspaper: "... a man could not get paid more than ¥1 or ¥2 a day – but a small rice ball costs ¥10 and a bun ¥15." (p. 90.)

Not only was agricultural production below 75% of its lowest average level in wartime, but only 20% of perishable goods were sold through the officially-imposed system of food rationing. The remaining 80% went straight onto the black market. Powerful local landlords in an alliance with rich merchants and local authorities based on the close-knit network of "neighbourhood associations" made sure that the harvest was forcibly collected at very low prices. They also made sure that the overwhelming majority of what was collected went straight onto the black market. Here, to round off this sombre picture of every kind of hardship, are some figures showing the omnipresent power of the black market, whose size and extent far outstripped the regular market, enriching the bourgeoisie in the profiteering *zaibatsu* and bleeding the working masses white. Taking the general level of prices in 1935-37 as 100, this figure leapt to 287 for 1945 on the official market in Tokyo. But in 1946, the price index on the same markets jumped to 1 387. But even a fantastic increase like this looks chickenfeed in comparison with prices on the black market, which exploded that year to 17 482. And the following year, while the official price index rose to 4 430, the black market one peaked at an eye-watering 34 925.

In short, conditions of life for the Japanese people in a ruined economy were more or less as unbearable as those in Germany (and to a lesser extent the whole of Europe) in the same period 1945-47. But whereas we are fairly familiar with

the piles of ruins, the economic collapse and the poverty affecting the German and other European peoples, apart from the nuclear devastation of Hiroshima and Nagasaki, the distress in Japan has been and still is more or less hidden from us, not to say camouflaged. It seems to me that that is worth a few pages, especially since these sufferings preceded, accompanied and to a great extent explained an extraordinary and energetic reaction from the Japanese working class. This magnificent movement, inspired by a generous and powerful creativity, has been and still is met with profound silence on the part of generations of historians, economists and other bourgeois “experts”. These specialists have indeed left great holes in the contemporary history of Japan through which only a little light escapes.

This is how Joe Moore describes them in the introduction to his work:

“Virtually transfixed by the Japanese ‘economic miracle’, they have concentrated on finding the secret formula for Japan’s postwar ‘modernisation’ and ‘liberalisation’ ... The consequence of this ‘success-story’ approach to the postwar history of Japan has been a distressing absence of the sensitivity the scholar ought to have to paths less taken and possibilities unfulfilled.”

After this penetrating and pertinent description, he hits out with another even more eloquent and convincing one – their limited class outlook:

“The charge of writing history without people has been made in other contexts, but has truly been the case here.” (Moore pp. xiii and xiv.)

There is not much you can add to that. Indeed, it is high time to get to the nub of our preoccupation with Japan, the mobilisation of the working class.

Immediately after the war and in parallel with the rapid re-organisation of the bourgeoisie’s economic-political organs such as the Keidanren, the zaibatsu and the government resuscitated the “workers” organisations which had previously served them so well. And so Sanpo and Roho simply resumed service. And they did not do it by half! That same year, 1945, Sanpo claimed 6.4 million members and Roho 2.5 million. With the zealous aid of the bosses and right wing “socialists”, they carried on their traditional function as company unions organising the whole workforce of a firm from the boss to the manual workers, including middle-management and white-collar workers. It was

“... the same bosses who had formed and run Rōhō in the first place, and they maintained their control over casual labour unimpaired right through the winter of 1945-1946 and the entire occupation.” (Moore p.31.)

Which tells you volumes about the occupying powers’ real attitude to “democratization”.

In any case, the insistant and persevering, not to say relentless way the economic and political heads of the bourgeoisie, backed by their vast legion of “labour” lieutenants, decided to re-occupy this terrain shows how they ratcheted up the class struggle to a level of frenzy and were determined to win. It puts in relief the difficulties and many obstacles workers faced in developing their struggle.

As we have seen, the fact that the capitulation happened before the war could destroy the basis, social fabric and even to a large extent the organisations of the old order brought with it a number of awkward consequences. In fact all the repressive and profoundly anti-working class laws and regulations, some dating back to the Meiji period and some from wartime, were still entirely in force. The economic and political Old Guard in power remained largely intact. Nevertheless, during the first few months of the occupation, the supreme authority, SCAP, had to clean things up a bit, arresting those most badly compromised and rescinding some repressive laws. This clear-out exposed the weakness of the old social order and the fragility of the defeated political and economic leadership.

We have seen just a hint of the poverty and extreme hardships which their old exploiters and their accomplices imposed on the working masses, and it was these which impelled the working class onto the path of active opposition and resistance, to open struggle. But from the start this movement was also aimed against the the bourgeoisie’s assertion of the right to organise and lead the country’s reconstruction and its efforts to do so.

In the face of the initial steps indicated above, implying and expressing continuity with the old order, the working masses – not content simply to respond to the measures proposed by the bourgeoisie – presented their own solutions, developing them step by step as their movement was enriched by their experiences.

Re-awakening of the Japanese working class – Chinese and Korean workers in the vanguard

The miners in the collieries were the first to start an open struggle. The miners represented about 10% of the workforce in basic industry as a whole (mining, iron and steel, transport). Their wages and working conditions were among the worst and had been since the start of industrialisation in the Meiji period (to say nothing of atrocious conditions before then). The war increased their poverty while also causing a chronic shortage of labour. That is why the government sent masses of foreign workers to forced labour in the mines. At the end of July 1945, immediately before capitulation, there were 140 000 foreign workers in the mines, i.e. about 30% of the total colliery workforce of 400 000. Almost all the foreign miners were Koreans and Chinese, the latter as prisoners of war.

The great majority of coal mines were on the second largest island, Hokkaido, north of the main island of Honsyu. 45% of the Hokkaido miners were Korean or Chinese foreigners. The great majority of them did the most difficult and dangerous work underground. In these places they far outnumbered the Japanese miners. Their living and working conditions resembled those of the middle ages, even compared with workers in general described above. This is how Joe Moore sums it up:

“The foreign miners were nothing more than slave laborers, and when Japan’s defeat saved them from almost certain death in the mines from malnutrition and overwork, they rose against their exploiters.” (p. 33.)

It is very hard to summarise briefly and concisely the struggles put up by workers in Japan. The very fact that they have remained almost entirely unknown (and not accidentally, since they are packed with valuable experiences) and have been deliberately hidden (not just by bourgeois hacks but also those in the service of Stalinist or social-democratic bureaucracies) means they should be described in detail. I shall have to make an adequate presentation of those facts most commonly hidden and/or travestied and try not to get lost in details, however rich they are in lessons.

What is remarkable and cannot be emphasised enough is the hugely important role that Chinese and Korean miners played in the struggle and in the forms and methods adopted. The directly international – and internationalist – nature of the battle is immediately striking.

The Korean miners worked as “contract” labour, in reality as forced labourers. The Chinese miners were prisoners of war, captured as soldiers of the famous “Eighth Route Army” (successor to the Red Army, reorganised after Mao Tse-tung’s other capitulation of 1937 when he turned into an auxiliary of Chiang Kai-shek).

Immediately after the Japanese capitulation in August 1945, Chinese miners, guided and inspired by members of the Chinese Communist Party, stopped work, liberated their barracks and formed councils to lead the struggle. Their first targets were their old overseers in pits and barracks, whom they tried in workers’ courts. At the same time they sent delegations, sometimes meeting strong police resistance, to other mines in Hokkaido. By the end of September 1945 they were in touch with mines all over Hokkaido. At the same time they adopted their first, most basic demands: better treatment, more food and swift repatriation. Sometimes they seized company and police officials, provoking violent clashes and some deaths. It got to the point that SCAP, (under the personal command of US general MacArthur), which wanted to increase coal production (which it considered the main precondition for reconstruction) intervened directly. As Joe Moore noted, he “stepped in on the side of the authorities, often with armed force.” (p. 34). Highly significant words ...!

On 26 September SCAP issued a proclamation on the maintenance of order in the mines, threatening to fire on and imprison “rebellious Chinese” if necessary! It had not taken MacArthur long to reveal his class nature and the real content of his occupation and the slogan of “democratisation” of Japan. In this he was completely untroubled by the slightest consideration that China and Korea were his allies against Japanese imperialism.

Korean miners worked on a little longer, waiting to see what results the the Chinese miners’ actions would bring, but the mining companies were terrified of them uniting with the Chinese. To avoid such a redoubtable unity, they displayed the SACP’s proclamation before the Korean miners’ barracks. They did this despite the resounding setback to their initial attempts – together with SCAP – to use nationalism and racism to set the miners of different nationalities against each other. This bourgeois “common sense” tactic failed lamentably. Therefore

“the influence of the foreign miners in stimulating the Japanese miners to rise up convinced the government and the coal companies that their best interests lay in the most rapid repatriation possible.” (p. 33.)

Indeed Moore adds: “by the end of the year not even a thousand were left”.

Confounding all manoeuvres and defying threats, the Korean miners entered the struggle at the beginning of October. A strike broke out at the Hokutan Yubari mine (in Hokkaido), followed by others at several mines as well as go-slows. These actions often involved violent clashes with the authorities.

Faced with a rapidly spreading movement, the soon ubiquitously-involved SCAP tried to exploit the Korean miners’ movement to cement its anti-working class domination. While it did not hesitate to extend the powers of its military police to cover labour conflicts and unions, at the same time it quickly dispatched a representative of the Korean provisional government to the mine. Together with the mine management they resuscitated the former company union and were able to end the conflict within a few days – for the time being and only at that mine.

But the overall movement of Chinese and Korean miners became irresistible. It quickly spread to all mines in Hokkaido, and presented a set of joint demands. One was for the distribution of the workers’ food stocks, a not inconsiderable part of which the bosses had taken and hidden away. (I single out this demand because it throws a crude light on perhaps the most repugnant aspect of the way the boss class fought, which consisted of stealing workers’ food on a large and well-organised scale to sell on the black market.)

Confronted with Chinese and Korean miners’ unity in struggle, SCAP panicked and quickly issued another proclamation on 1 November addressed particularly to the miners. It had the gall to tell them straight out that they were required to dig coal for the occupation forces. The miners angrily refused to go down the pits and their energetic resistance provoked a number of violent confrontations. At the Mitsubishi Bibai mine on 6 November Chinese miners beat the personnel manager and occupied his offices. They subsequently forced company officials to negotiate. They were only dislodged by military units sent by SCAP. But they continued their struggle and on 13 November the mine employers had to give way. At the same time they decided to repatriate all the foreign miners at once.

The Japanese miners had also been involved in the struggle since September. The threat of miners of all nationalities uniting together really terrified the Japanese government and SCAP. Faced with this fighting “international”, whose profound significance went far beyond any “mere” struggle in the mines, SCAP and the central government acted quickly. On 17 November the SCAP ordered American military vessels to be lent to the Japanese government to repatriate the foreign miners. Soon afterwards repatriation from the Hokkaido mines went forward at high speed.

But that did not make relations with the miners any easier. On 7 October on Honshu (Japan proper), Koreans at the Joban mines, where there were no Chinese miners, went on strike demanding rapid repatriation. The employers threatened to withhold food rations. Instead of giving way, the miners revolted and contacted other mines, causing numerous stoppages. The American military got involved too – in vain! Finally in mid-October three miners set off for Tokyo with the personnel manager to fix a departure date – which the employers finally accepted. Now their arrival co-incided with the founding conference of Choren, the Communist-led League of Koreans in Japan, to which they reported the situation at the Joban mine. To the surprise of all “observers”, the conference decided to send no less than 10 members of the League to assist the miners. They assumed leadership of the struggle, which crossed a significant threshold. This is clear from some of the material they put out, which fortunately is quoted in Joe Moore’s book. It reads:

“The enemy is the Emperor system, and both the Korean people and the Japanese people are victims in common. The Japanese people want to understand and support the struggles of the Korean people.” (p.35.)

And from the very start in Hokkaido the Japanese miners followed the example of the Chinese. On 11 September, 180 Japanese workers at the Ibahi Kami Utashinai mines went on strike, and a few days later the miners at Mitsui Ashibetsu also set up a union. Once again it is necessary to quote Joe Moore’s detailed work, which also explains why it is worth spending a fair amount of time on this miners’ struggle.

“From the beginning of the occupation coal was at the forefront of the workers’ movement and the Hokkaido mines were in the forefront of the coal industry”.
(p.36.)

What is astonishing at first sight is the freshness and vigour with which these Japanese workers leapt into action, after decades of brutalising indoctrination at the hands of the state and its helpers, above all the company unions. Moreover, battered by war, crushed by inconceivable poverty and innumerable privations, placed under deplorable conditions, isolated in the inhospitable arctic cold under the leaden skies of Hokkaido, Japanese miners raised their heads.

During the last few days of September 1945 they organised conferences all over to establish their demands and set up their independent unions. Without the help,

initially, of any outside workers' organisation (which had only just been re-established once the bans had been raised) they based themselves on the example of the Chinese and Korean miners but also on the experience and advice of Japanese miners who had been part of the workers' movement well before the war.

A significant feature of these initial fumbling steps in the struggle was a by no means accidental coincidence between the workers' desire to set up their union and the employers' apparent desire to – achieve the same goal. In fact these two “identical” aims were diametrically and violently opposed. The mining companies tried to impose their traditional company unions with the the old Sanpo's notorious ideology of class compromise, while the workers demanded their own independent, industrial class unions. This opposition ran right through the Japanese workers' movement, since the employers everywhere used this weapon to oppose and divert it.

The experience of the Hokkaido miners showed that even when workers submitted here and there to such contamination by Sanpo, in the end the class nature of their demands gained the upper hand and determined the character of their union.

But the employers' manoeuvre still succeeded quite often and was also to do so later on, helped by the government and its apparatus, as well as SCAP and not forgetting numerous former “labour bosses”. On 23 December at the Sumitomo Hashi Betsu mine, for example, the new union inserted among demands actually coming from the workers a call for increased production and improved efficiency at work, although in almost every mine the workers had already united around class demands. There was no ambiguity about these: more pay, shorter hours (8 hours instead of 12), union recognition, the right to collective bargaining, equitable and increased distribution of rations (especially food), abolition of worker-staff discrimination in treatment, expulsion of the former regime's despised “labour bosses”, reform of semi-feudal labour conditions. These left no room for doubt. Most of them figured in the programmes even of those unions contaminated by Sanpo ideology, as at the Sumitomo Hashi Betsu mines. But the reborn workers' movement was so powerfully vigorous that it overcame the serious difficulties arising from inherited feudal customs and the long process of moulding and taming workers by the company unions. Events at the Mitsubishi Yubari mine provide a typical example of this sort of emancipatory struggle. On 2 October the most active and conscious workers formed a “comrades association”, holding a founding conference on 23 October, for which they received permission in advance from their employer. While they reported back to their members, several members of a semi-official organisation of “patriotic youth”, a left-over from the war, worked up and inspired by the company,

suddenly turned up and attacked the association. In the course of the ensuing brawl Murakami Yukari, a member of the Japanese Communist Party, introduced himself and was quickly elected leader of the “comrades association”. The treacherous employers were forced to allow a public meeting of the association on 30 October, but in the presence of a director who described the situation the firm was in. Murakami talked about the international situation and explained how important it was to set up a union and what it meant.

It is important to relate this struggle in detail, since it sheds light not only on the complex situation Japanese workers were in but also their capacity to overcome initial difficulties. Having secured management permission, the association, whose membership was growing, met and established the union. But the managers of the mine were experts in treachery, and at the same time they were also secretly encouraging a group of backward, more conciliatory workers to set up a company union. After a brief fratricidal struggle, the two groups finally joined together, foiling the employers’ plans and exposing their double game. The two groups, now united, set up a class union together on 10 November. Its demands made its class nature clear and explicit. Here they are: 1) recognition of workers’ right to set up a union, engage in collective bargaining and strike; 2) immediate distribution of hoarded goods; 3) an absolute guarantee of provisions at official prices, with the company assuming liability for the difference; 4) normalisation of commodity rationing; 5) an eight-hour workday; 6) Immediate removal of (politically and economically) corrupt officials; 7) abolition of the attendance allowance and payment of a staple-commodity allowance of ¥5 a day (apparently intended to help make up the difference between black-market prices and official prices).

When the company rejected these demands, especially the first, the union broke off negotiations and the workers started a go-slow. At the same time they put the mine boss on a platform to negotiate with the union but *in the presence of all the workers*. They got what they wanted in four days.

“The ‘public negotiations’ broke the resistance of the company and foreshadowed the use of such techniques as mass negotiations and people’s courts in the greater struggles that so shocked business and government leaders in early 1946” (Moore p 37).

The Hokkaido miners quickly realised that they needed to organise a regional and even national union. The workers of Mitsubishi Bibai mine were the first to

raise this idea at a meeting as early as October 1945. At this meeting a worker at the mine, Mizutani Takashi, explained the need to set up a union in order to win the eight hour day, a wage increase, collective agreements and workers' control of consumption items. At that early stage, the majority of workers did not yet want the union. But they quickly learnt their lesson, since in the meantime the mine boss announced the election of 25 worker members to a so-called "harmony society" sponsored by the company to replace the recently-dissolved "Sanpo" organisation. When they learned this, determined not to let themselves to be usurped in that way, the miners' immediately changed their minds and set up the union.

At this point important and fruitful contact was established between Japanese and Chinese miners. Mizutani sought out one of the leaders of the Chinese miners at the Jobandai mine, where he had a discussion with the miner/POW Zhang Sheo-wei, a soldier in the Eighth Route Army, and asked for his help. The Chinese Communist Zhang Shao-wei insisted with Mizutani on the urgent need to organise a centralised movement for workers' liberation – which Mizutani was already convinced of. Moreover, Zhang Shao-wei handed ¥3 000 yen which had been collected from the Chinese miners for this purpose. (p.38.)

(This is the only occasion that Joe Moore mentions any contacts at this level of consciousness revealed in Japanese archives and publications. There must have been others, and also with Korean workers, until the SCAP and the government, frightened by such unity, hastily repatriated all the foreigners. Sadly we know no more about their subsequent fate, but since we know the unhealthy distrust Stalinists had in respect of anyone who returned from time abroad, they must have suffered persecution. In any case, there is not the slightest trace of any contact between the leaderships of the Chinese, Japanese and Korean Communist Parties. They too must have been scared by the sort of unity their worker-members achieved in their struggle.)

To come back to the Mitsubishi Bibai mine (it is important to bear in mind that this was the mine where the Chinese miners had their first brutal confrontation with the Japanese authorities and the SCAP) – the Japanese miners established their union there on 4 November, with a programme which subsequently became the model for the national federation, organised by Mizutani.

General mobilisation of the Japanese working class

Despite the difficulties, the organisation and rapid expansion of the miners' industrial union quickly showed that the working class was waking up. Hokkaido got a head start on the other regions, but progress was considerable all over the country. In October there were independent unions in only 5.4% of Hokkaido mines, but just two months later in December they existed in 74.7% of mines and a year later, in December 1946, in 94.3%. But everywhere, even in Hokkaido, the influence persisted of a more or less strong class-collaborationist tendency promoted and organised by the employers and the right-wing "socialists" and supported by the SCAP. On Kyushu Island in the South of Japan, another mining area, there were only very few foreign miners. Also the proportion of women was very high. This explains why the relations between capital and labour in these mines remained more or less as it had been previously. In the past, the central organisation of the company unions, The Japanese General Federation of Labour, the Sodomei (which stood over Sanpo and Roho) had been the biggest and most conservative organisation. After the war, confronted with the dynamic renewal of the workers' movement with a strong inclination to the left, the old workers' leaders and their "unions" in "Sodomei", spurred on by the employers, the government and the SCAP, went into battle. On Kyushu they retained the upper hand in the majority of mines.

An intense struggle developed in the trade union movement between the energetic and enterprising revived Left and the traditional Right, especially when it came to setting up the leading strata. The miners were in the vanguard of centralising their struggle, forming higher bodies well before anyone else. As early as 10 November, the Hokkaido Federation of Mine Workers' Unions saw the light of day. It elected Mizutani Takashi president, while Murakami Yukari became general secretary. The pace of events picked up. On 10 February 1946, Mizutani was in Tokyo for the birth of the National Federation of Miners' Trade Unions. SCAP kept a close eye on the on the turbulent – and dangerous – workers' movement. According to an SCAP report, the federation adopted four resolutions: 1) to secure labour union participation in management; 2) to relieve the food problem; 3) oppose company unionism; 4) to get hold of the funds and facilities previously belonging to "Sanpo".

A few days later the new federation affiliated to the Council of Industrial Unions' Preparatory Conference, the Sanbetsu, the main left trade union body. Moreover,

the workers quickly managed to establish the All-Japan Federation of Coal Miners' Unions, the Zentan, which had 100 000 members by 1946 and became one of the most important unions in the new Sanbetsu. On the other hand, on Kyushu in the south the pre-war right-wing Sodomei leaders, helped and urged on by the government and capital's zaibatsu, established a so-called Japanese Mineworkers' Union on the basis of collaboration between capital and labour, and affiliated to the conservative national confederation, the reorganised Sodomei.

“Left-right divisions appeared within the coal miners’ movement at the moment of its birth, and have persisted to this day. In this way, events in the coal industry anticipated trends and problems that would plague the entire labor movement. The split between the miners’ unions – on the one hand a vanguard of the radical left wing, and on the other a bastion of right-wing social democracy – would soon be reproduced in most sectors of industry.” (Moore p. 40-41.)

So the rapid nation-wide unionisation was the first big sign of a workers' revival. Whereas there had been practically no class trade unionism in August 1945 when the capitulation was signed, four months later, in January 1946, according to official Japanese sources there were 157 in mining, with 131 493 members, 846 in manufacturing industry with 456 710 members and 361 in transport and communications with 254 131 members. A year later there were 852 unions in the mines with 420 969 members, 9 172 unions in manufacturing industry with 2 346 678 members and 2691 unions in transport and communications with 1 103 913 members. (See Moore p.43.) The author also mentions that the biggest wave of unionisation was in the first six months of 1946, when 3.3 million workers in basic industries and services were in them. In May 1946, the number of workers organised in unions had already reached 30%. (p.44.)

It should be noted, however, that the traditional right-wing leaders of the old Sanpo and Roho, resuscitated and reactivated by the government and the bosses' organisation Keidanren, also set up their company unions, which in places had a majority, for example among merchant seamen. Thus as early as 5 October they reorganised the biggest and most right-wing pre-war company union, the All Japan Seamen's Union. Very often and throughout industry these so-called unions only existed on paper, and only in the shape of their leaders and a number of right-wing cronies. In many cases the bourgeoisie, the government and their servants only set them up as placeholders and to short-circuit and prevent the birth of a real trade union.

But despite the strong resistance put together by the bosses with the help of the government and the company unions, the workers' movement followed a dynamic trajectory of radicalisation which remained its dominant characteristic. Having set up their industrial unions in the face of bitter resistance from unbudging employers, who often put up stiff resistance to their demands, workers had to go forward. Centralising the trade union movement was a great step forward which was achieved in practically every sector of industry. But if they simply marked time, that could lead to being pushed back into a defeat. They had to assert their class independence in action against the bourgeoisie even more strongly, and beef up their demands, taking the struggle to a higher level.

The valuable contribution of workers at Yomiuri daily – going over to production control

Curiously the initiative came from a big daily newspaper, *Yomiuri*, where the journalists, printers and other staff joined together in a dispute. Within a few days more than 1,000 printers, journalists and clerical staff out of 1 875 were attending a mass meeting. It is noteworthy that among the strikers there were some Marxists and anarcho-syndicalists, but the main organiser and recognised leader of the movement, Suzuki Tomin, was a journalist with a liberal outlook but an intransigent fighter. (Even during the war he had been exiled to his village because of acerbic criticism of the paper's warlike and ultra-right wing political stance. After the capitulation he returned to the paper and immediately set about organising the struggle. There is some information that he quite soon joined the Communist Party and quickly became an important leader of the movement. Later he went back to the countryside to organise peasant struggles. Unfortunately I have no information about his ultimate fate, nor that of the other workers' leaders.)

The occupying authority, SCAP, which kept a very close eye on things, opposed all strikes, particularly in the media. At the same time the reactionary management resisted any of the "democratisation" which SCAP was supposed to be aiming for. In this contradictory situation, the strikers reasoned:

*" ... why don't we put out the paper by ourselves? If we do that we don't have to worry about bankrupting the company. And if we gain the support of the readers by putting out an excellent newspaper, then we can reconstruct **Yomiuri** as a democratic paper ... "* (Moore p.51.)

The paper instantly became a focus of interest for workers and their organisations around the country. But the government got interested too, and immediately appointed a special mixed arbitration committee (capital-labour) in order to paralyse this independent movement. From the labour side, besides the union leader at another paper (*Asahi*), the *Yomiuri* workers also sent Suzuki Mosaburo, a member of the right-wing leadership of the Socialist Party and Tokuda Kyuichi, general secretary of the Communist Party of Japan. The two workers' representatives, Kikunami from *Asahi* and the Communist Party leader Tokuda Kyuichi, demanded the setting

up of a production control council through which the workers would run *Yomiuri*. In other words they were demanding a system of permanent production control. The management representatives wanted to prevent this. More exactly what they wanted was the same collaboration between capital and labour as before, while the right-wing social democrat concretely proposed a joint management in which the representatives of labour and of capital could co-operate on an equitable basis to resolve the paper's problems. Tokuda argued for workers' control but in the end he withdrew that proposal in favour of another, i.e. a management council with equal numbers of capitalists and workers.

Even if – a lot later – Tokuda explained that he withdrew his initial proposal out of fear that it would fail and that there it would play into the hands of the employers by dividing the united front of workers, we shall see that actually his compromise proposal, which was in the end agreed, fitted in with the Communist Party's political line. (Before I deal with this policy in detail, let me immediately note that this hesitant policy rested – leaving aside any “theoretically worked out” Stalinist line – on a defeatist and pessimistic appreciation of the working class mobilisation completely at odds with the tempestuous way workers' struggles were developing.)

But before that I must agree with Joe Moore on the need to emphasise that this struggle at *Yomiuri* reflected what was at stake in all the post war workers' struggles in Japan aiming to extend production control. That is why masses of workers and activists from every corner of the country came to *Yomiuri* to study and learn how to organise their struggles. *Yomiuri* was an eloquent example because the journalists, printers and other workers made highly important gains and, moreover, without going on strike – something which the authorities would not have tolerated – they had gone straight over to a higher level, to production control. But then an increase in production was essential for the whole of that ruined country. Radical social and economic change was also highly important. The struggle at *Yomiuri* showed workers that they could win at every level by maintaining production under their own control.

Joe Moore is a conscientious American historian who honestly studied events and actions in Japan in the immediate aftermath of the war. Even he could explain clearly that production under the joint leadership or control of both the capitalist proprietors and the workers was not viable because it would be based on conflicting interests.

“Equal labor-capital cooperation was inherently unstable for one basic reason – the pursuit of capitalist profits and the pursuit of workers' control were contradictory ... Capitalist profits or workers' self-realization – one could not

*have both; and joint labor-management participation in capitalist enterprise as a means of pursuing **production** on a **democratic** basis remained an illusion.”*
(p 55-56. – Author’s emphasis.)

Exactly!

Nevertheless – perfectly understandably – such an illusion did exist among workers. They had to raise themselves step by successive step in the extraordinary and rapid awakening and tempestuous development of their class consciousness. What was fundamentally at stake in the process of their emancipation was the conquest of their own class independence. They crossed one initial and very important threshold in the lightning speed with which they set up their class unions and formulated their programme of demands. This decisive leap had two specific characteristics. The first was the close relationship between what they said and what they did, which expressed the profound unity of the movement as a whole. But the other was the specific difficulties involved in shrugging off completely and at a stroke all the petit-bourgeois prejudices about an imagined community of interests with capital. However rapid their progress, many workers were still at the first step, half-way through freeing themselves from the leading-strings of the bourgeoisie, at an unstable point involving some sort of cooperation. So it was really quite something that they had got so far so fast on a path rendered particularly hard, painful and awkward by the propaganda, traditions and century-old customs which chained Japanese workers to the barbarous lords and masters in the town and in the countryside, where the company unions – peculiar specimens because they were Japan’s own invention – enmeshed them in reactionary ties from a previous epoch and made sure they were “educated” in that spirit.

One thing they had to do to continue and complete their liberation movement was, of course, to assimilate a wide range of experiences of struggle touching not just on the real nature of their class enemies, but also their own ability to fulfil both day-to-day and long-term tasks which arose along the way. The other indispensable thing was obviously to have a political organisation, their own party, at their side, able to express and generalise their aspirations and struggles and at the same time illuminate and explain the approaching and historical tasks inherent in their struggles, and show the way to successfully achieving them. In short: a genuine Marxist party.

The struggle at *Yomiuri* directly stimulated the workers at Keisei Electrical Railway where, on 5 December, 2 000 workers (out of a total of 2 500) held a con-

ference to formulate their demands, more or less in line with the others we have heard about. Without going into details about this struggle, the point is that, faced with an evasive and fragmentary response from the management, the workers' first idea was to go on strike. But when they realised how urgently the capital's workers needed the trains to go to look for food in the countryside, they gave up the idea of a work stoppage. Instead of a strike, on 11 December they took control of production and, together with the white-collar staff, ran the trains in the service of the population. Among the demands they re-formulated towards the end of the month, they included one for the recognition of the union's participation in a management council for the firm, alongside the company's representatives. Now the latter rejected any such mixed council (merely proposing a meaningless round-table conference), thus revealing their fear of any such council, even mixed. The capitalists realised that at this stage in the escalation of workers' struggles, the dynamics of the struggles would quickly burst apart any such unviable "co-management" – in the workers' favour. The imperatives of the class struggle will not permit any such artificial equilibrium, nor a blind alley left unresolved.

And indeed, when management rejected this demand, a conference of the whole Keisei workforce on 28 December decided to carry on regardless. It voted to go for all the demands and, on top of that, a bonus for the workers and substantial benefits. That last vote directly put in question the existing social order. And that is why, even if the workers could overcome the outraged and semi-hysterical reaction of their local bosses, they were still stuck half way, since they were disarmed in relation to the implications of the decisive step they had taken, which required a further step forward to the level of society as a whole.

It is also very instructive to see how the miners went about establishing production control, starting at the Mitsui Bibai mine on Hokkaido island. SCAP simply banned strikes in the mines on the grounds that it was in the general interest to maintain coal production. The miners therefore naturally responded by occupying mines and establishing production control as a weapon with which to fight for their demands. Since under the miners' control (and in the teeth of zaibatsu sabotage) coal production increased, the SCAP tolerated this situation. As we have seen, the miners' struggle was led by Murakami Yukari but also under the direct influence of Mizutani Takashi who, meanwhile, had become president of the Hokkaido Miners' Federation (it was a few months later that the Zentan, the National Federation of Miners' Unions, was formed and he became its president). Anyway, he was at the conference the workers called to decide what to do next in the struggle, since

negotiations with the company had stalled. (This was the mine where a short time previously the Chinese and Korean miners had kidnapped the mine manager. Even though he had subsequently been released, he still feared for his safety and ran away and hid, which is why the negotiations had come to nothing.)

The majority of workers at the conference, including their union leaders, wanted to call a strike. But in his contribution, Mizutani explained that a strike would deprive the company of the money needed to pay wages. With galloping inflation, the company would not lose out from the mine lying idle, while a strike could go on indefinitely and cause the workers a lot of suffering. So then Mizutani put forward workers' control, but simply as a pragmatic solution to a concrete problem that arose in the struggle (to avoid a damaging strike), and not as a higher form of it, arising out of its development, even though he mentioned production control at *Yomiuri* newspaper and at Keisei in Tokyo, which he knew all about, as an argument in its favour. In an earlier account, a Japanese author noted that at the time of this conference Mizutani was not yet a member of the Communist Party. Whereas all the Party members had wanted a strike, Mizutani was the only one who – rightly – spoke in favour of production control. In the end, the conference came over to his view. The same Japanese source who noted the difference in views between the Communists and Mizutani, observed also that:

“... production control in this case was something which grew up spontaneously based on the peculiarities of Japan's economic situation after the lost war and on the position into which the working class had been placed.” (Quoted in Moore p.60.)

Like the way Mizutani couched his argument, this observation too emphasises the pragmatic and spontaneous character of the step up to a higher level of struggle which production control represented. That was how the Japanese working class, out of the inner logic of its struggle, met up with Marxist teachings on the successive phases of struggle and thus raising workers' consciousness and their level of organisation. This movement was a real achievement of the Japanese working class, a clear sign of their high degree of mobilisation.

But at the same time this high point in the struggle that production control represented was itself marred by weaknesses resulting from the pragmatic and spontaneous manner of its birth. The great experts on the theory and programme of Marxism did not explain to the workers that what looked like (and actually was)

a peak in the struggle was also at the same time only one of its intermediate stages. This inadequacy is what very often determined the equivocal, or to more precise dual and double-edged character of the great majority of these production control committees. But in the Mitsui Bibai mine the workers went much further, keeping the employers off the control committee. Sadly they also kept the white collar staff off as well when they set up the production control committee, involving only trade union representatives, on 14 December.

Kept out of the production control committee, as was the case in all the Hokkaido mines (because they were ahead of the rest) the owners and their officials nevertheless managed to sabotage the transport of coal (so that it could not be sold). They were kept out of the control committee, but they still owned the mine, and the white collar staff operated within the law. So the company merely had to squirrel away the freight waggons, and the coal could pile up indefinitely at the mine. This situation demonstrated, from a different side now, that the very important act of seizing production control was merely an intermediate stage (considerable, but transitory and unstable) in the struggle, and that they ought to have gone further. Lacking a clear perspective, this magnificent working-class movement came to a halt at this point and started marking time.

It was at this moment that the government administration in Hokkaido intervened to “mediate” in the conflict at Mitsui Bibai mine. In late December, it got an agreement based on meeting most of the demands, as a prelude to turning the situation to their advantage.

American “trade union” agents to divert the workers’ movement

To clarify the general context within which workers were acting, it is necessary to spell out the policy which determined how the military occupying authorities intervened in conflicts between workers and capitalists (and also what they “recommended” to the government). We have already seen that the SCAP very frequently, in fact almost always, intervened in such conflicts – always on the side of the employers and always to put a brake on workers’ actions. Even while the war was still underway, the USA’s diplomatic services carefully prepared active and effective intervention in the workers’ movements of those countries which fell under their influence and occupation. I need not dwell on the fact, although it is significant, that a foreign power thus arrogated to itself in advance the right to intervene in another country’s class struggles. This cynical hypocrisy is common currency among all these great moral teachers. I merely mention it to contrast it with their well-known hypocritical hand-wringing over the Soviet occupiers’ comparable intervention in Eastern Europe.

After several drafts from various US government agencies, the Foreign Economic Administration’s Enemy Branch finally worked out a guide to labour relations, eloquently entitled “Trade Unions and Collective Bargaining in Japan” (they also prepared similar guides for what were called “sensitive” problems in Germany and Korea). The guide for Japan was written by Theodore Cohen under the direction of Irving Brown, head of the Labor Division of the Foreign Economic Administration’s Enemy Branch. Now this man Brown was a sinister personage well known to the post-war international workers movement. A close collaborator of George Meany, head of the infamous right-wing American Federation of Labor, which under his leadership degenerated into a “yellow” trade union in unconditional support of the bourgeois state, Brown had been sent by the AFL into the state administration precisely in order to prepare and carry out a “labor” policy of violently anti-Communist class collaboration at an international level.

There was a time long ago when the armed occupation of distant countries might be followed by the arrival of missionaries. Now the missionaries of yesteryear were replaced, after World War II, by the agents of the pro-capitalist trade union AFL working together with (or rather under the auspices of) the CIA. In Japan, SCAP policy towards trade unions and the workers’ movement in general

was inspired and led by the American "workers" organisations, personally on the spot by Theodore Cohen. He described himself as "violently anti-Communist all through the war and for years before ..." (Quoted in Moore p.63. His book exposes all these machinations).

As for Brown, he worked under the vigilant direction of the AFL's Free Trade Union Committee ("rabidly anti-Communist", Moore notes), whose chief was none other than Jay Lovestone. Immediately after World War II, it was he who co-ordinated the AFL's world offensive against workers' movements and their left-wing organisations, co-operating closely with the CIA.

But unlike his subordinate, Cohen, for example, Jay Lovestone was not just anybody. He had been one of the leaders of the US Communist Party set up in 1920 from its very earliest years until his expulsion in 1929. One of the founders of that party, James P. Cannon, had been a militant worker in the famous IWW – Industrial Workers of the World (a trade union but also revolutionary organisation from before World War I), and of the left wing of the American Socialist Party, who became a co-founder of the Communist Party and then, having broken with Stalinism in 1928, organised and led the American Trotskyist party. He knew Lovestone very well. One of his books contains a devastating description of this individual as an adventurer quite foreign to the workers' movement. He paints a vitriolic portrait of Lovestone and others who came "... into prominent positions of leadership (of the party) without having any previous experience with the workers in the daily class struggle". (Cannon 1980 p.155.) He learned to distrust "Lovestone, the sinister stranger in our midst" who "seemed to practice skulduggery maliciously, for its own sake." Even in comparison with his resolute opponent William Z. Foster, Cannon found Lovestone worse because "Never was a man more destructively alien to the cause in which he sought a career." (p 156).

Lovestone finally found his true vocation as a main leader of the AFL's international "trade union offensive" on behalf of world capitalism. He was in constant touch with his underling Cohen in Japan. As for Irving Brown, having steered the struggle of right-wing trade-unionism in Japan against the radicalisation of the movement and to tame it under the bosses' yoke, he went on to perform similar duties in western Europe. He played a considerable role in France, for example, in 1947 in the famous split in the united trade union movement, the famous communist-led CGT, and the creation – with the complicity of the right-wing union leader Léon Jouhaux – of the schismatic "yellow" union, Force Ouvrière. So much so that the latter still bears the schismatic and right-wing stigma of its birth-parents

AFL and CIA and its godfather, their agent Brown. Later, in the 1950s, he went to great pains to influence the trade union movement in Morocco and Tunisia as they gained independence, to avoid left-wing tendencies and elements and adopt a pro-capitalist line.

These are the people through whom American imperialism attempted to establish in Japan more or less the same “yellow” unions that existed in the USA and able to achieve a significant rise in wages (as Cohen explained it) in order to cut the profits of Japanese capitalism – a dangerous competitor for the US variety – and make her exports more expensive. At the same time they wanted to tie the unions to the Japanese capitalist system. True to its mission, the SCAP often banned strikes or at least “advised against them”. To do so, it hoped to be able to use the unions “in reconstructing a liberal but capitalist Japan” (Moore.p.68.) (Of course in Japan the pro-capitalist unions could not become completely like the American type, but were rather more right wing in a way determined by older Japanese “traditions”.)

The high point of the revolutionary wave in Japan and its limits

Undeniably the working class movement was on the rise in Japan following the capitulation. Within a few months it had built up a significant network of class trade unions replacing and opposing the ultra-reactionary company unions of former times. Then it had gone over to a higher stage of struggle by establishing a proliferation of attempts to control production. By January 1946 the movement for production control involved almost 30 000 workers, and it continued in a sustained flow. It faced representatives – of every stripe – with an implacable choice.

A *Yomiuri* editorial of 12 December 1945 announced a new situation which had been won in a consistent struggle on the part of its employees. “Heretofore”, it said, “the newspaper has been the organ of capitalists, it has oppressed the people ... Now the *Yomiuri Shinbun* has been freed from this *yoke* of capital ... we proclaim that from this day *Yomiuri Shinbun* will become truly a friend of the people and an organ of the people for eternity”. After this somewhat pompous start, the newspaper announced that it had achieved its demands, particularly for the democratisation of the daily “through the separation of capital from the management and through worker participation in management”. (Moore p.94.) The editorial argued that political democratisation was meaningless without economic democratisation. What was therefore needed was to achieve *economic liberation from below* through the people’s fight for a *real democratic revolution*. (In fact the typesetters, compositors and printers, together with the journalists, had rejected the system of oppression introduced in the 1920s and taken over production of the paper.) It therefore advocated a popular and radical economic reconstruction based on workers’ participation, the completion of Japan’s democratic revolution through a popular front capable of leading a powerful mobilisation of workers based on establishing their production control.

The long references to and quotations from that fundamental article in *Yomiuri* allow us to grasp the irresistible élan of the popular mobilization and its high degree of consciousness and organisation. But at the same time they reveal gaps in and limits to its conscious political programme which numbed and dulled them and froze them half-way. Before looking at them more closely, it would be highly instructive to get to know more experiences of them.

In the centre of the country in the great Tokyo-Yokohama industrial belt, workers at Toshiba Rolling Stock and then those at Japan Steel Tube (two powerful

concentrations with numerous plants) tried to take the struggle to a higher level.

At the end of December 1945 the recently-established trade union at Toshiba Rolling Stock set up a joint struggle committee to coordinate and lead the struggle at *six* Toshiba company plants in Kanto. It presented their joint demands, including the request for workers' participation in personnel administration and in matters relating to their welfare. When the company refused, the union went on regardless to establish workers' production control directed by the joint struggle committee. Meanwhile the number of workers and plants taking part grew considerably. By the time the management rejected their demands, the committee already involved *twelve* trade unions at Toshiba enterprises representing a total of 30 000 workers.

On 17 January 1946 they organised a combined mass meeting addressed by Tokuda Kyuichi, the Communist Party leader who was actively involved in the struggle at the daily *Yomiuri*. This time, swept up in the irresistible élan of the struggle, he passionately harangued the workers. I must tell you now that we shall shortly see how far his enthusiasm actually stretched, but this 17 January was a time of rising and very rapid mobilization which inspired its leaders and impelled them forward. Immediately after that highly-charged meeting, the workers went out on a mass demonstration in the nearby city of Kawasaki. This demonstration was significant enough on its own, but at the same time it took the workers' mobilisation up to a previously unknown level.

Besides the Toshiba unions, other unions and other plants as well as two other powerful regional Labour Union Councils also joined the demonstration. The struggle, then, went far beyond the confines of the each individual enterprise. The various Labour Union Councils wasted no time in setting up a single council of delegates from factories in the region. On 20 February this council joined with several recently established national federations (such as the miners' Zentan) to form the Preparatory Council for the National Congress of Industrial Unions, the direct forerunner of the Sanbetsu central body of left-wing trade unions.

As for the Toshiba plants, the struggle took on an unparalleled breadth. On 29 January, the panicking owners, directors and plant managers accepted almost all demands, including a joint (labour-capital) management council similar to the one at *Yomiuri*. A little later three regional federations saw the light of day in Toshiba plants alone, increasing the employers' fears at a national level. The one in Kanto brought together *thirty* unions, another in Kansai *fifteen*, and yet another in Tohoku *nine*. Thus the extraordinary level of workers' mobilisation, spurred on even more by rejection and temporisation on the part of the company chiefs, led to the

organised centralisation of workers' struggles, as well as welding it together with outside organisations. Within a few months the workers' mobilisation spread like a bush-fire and its very rapid centralisation set it in direct conflict with capital.

Faced with a real danger that the whole capitalist edifice would come tumbling down, towards the end of January 1946 its guardians at Toshiba abandoned their previous tactic of frontal opposition to production control and started to cooperate with the workers on and through joint management councils. This shift in tactics at Toshiba signalled a similar one on the part of the bourgeoisie as a whole towards the workers' movement as it grew stronger.

The unremitting struggle and direct and violent confrontation between workers and the authorities at Tsurumi Steel Works of Japan also inclined the bourgeoisie to change its tactic of head-on opposition. At first the people running Tsurumi tried to impose a company union which the workers, on the alert, immediately rejected, forming their own union with radical demands. To defuse and torpedo their struggle, the employers replied by rejecting these demands, but at the same time proposed a joint labour-capital committee to deal with employee welfare. The new union rejected this "offer" and on 10 January informed the overall management of Japan Steel Tubes (a vast national conglomerate which included Tsurumi) that it was entering into production control. The company's response, while still rejecting the workers' demands, was to propose mediation. The angry workers in the union saw that quite rightly as a diversion and wasted no time in getting on with specific measures to control production. They ejected from their posts all section heads and other servants and henchmen of the management and replaced them with an extensive network of nominees headed by a leading "brains' trust" of six members elected by a control committee of the nominees and by the executive committee of the union.

This detailed description of how production control functioned at Tsurumi is necessary to explain its character, which in general was more advanced than the others, that is, it went beyond simple (and fake) workers' "participation" in management. It went much further than that co-agulation of collaboration between capital and labour, a hybrid form that was the first (and as yet unripe) fruit of a powerful but spontaneous working-class mobilisation that was still full of ideological residues from the past.

But the rot had already set in. Workers quickly realised that because of the high degree of integration in production, that is, a very advanced division of labour within the immense whole that was Japan Steel Tubes, their part, Tsurumi was no more than a simple link in a vast production chain. Therefore the overall man-

agement of Japan Steel Tubes, which was still in place and fully functioning, was isolating the revolt of the Tsurumi workers. These therefore no longer received the stock manufactured at other plants in the chain which they needed as raw materials and on the other hand they could no longer sell what they made which other plants needed as their raw materials. Moreover, it was the head office of Japan Steel Tubes which managed the finances for the whole group, including payment of wages.

When a number of different attempts to get around these obstacles failed, the workers turned to direct action. To the extent that they never actually questioned the owners' right to run the factory, these actions came into conflict with that conception. Indeed, the workers realised that there was no solution for them within the framework of so-called capitalist legality. They recognised that they would have to go further. But lacking a clear perspective for their spontaneous struggle, deprived of a genuinely Marxist conception and programme, and prisoners of a heritage which weighed particularly heavily, aggravated by the false prophets of an "inopportune and unrealistic socialism" the workers reacted in their spontaneous fashion against the capitalists, wishing literally to beat them – with their fists

They invaded the main Steel Tubes head office en masse and forced the president to negotiate in public, a method and procedure which became widespread in the movement. In a brutal confrontation they used physical violence against the leaders of the business and their staff.

Faced with a development and generalisation of the movement and above all the way it had risen to a higher level than production control, with the workers more determined than ever and turning to violence, the bourgeoisie and its government were forced to revise their tactics. Under the growing influence of their so-called "progressive" elements, they had to abandon all-embracing opposition in favour of a more flexible tactic of co-opting the workers' movement within the framework of co-operation between capital and labour.

Over the spring and summer of 1946 the movement for production control took off to an exceptional degree. According to official statistics, in January alone the numbers of workers engaged in such actions quickly rose to about 30 000. The figure varied over the following months up until the autumn, peaking at 38 847 in May. Significantly Doyukai, the supposedly liberal progressive organisation mentioned above, was also born that same spring of 1946.

The general spread of production control was intimately bound up with its radicalisation. Once more, it is useful to quote Joe Moore, who wrote:

“The central issue of the emerging workers’ movement in Japan, where the demand was for democratization and participation, was not unionization but workers’ control, and the attack on the prerogatives of employers which had long been virtually total and absolute. Production control called into question the capitalist system in its most fundamental aspect, private property, however legalistic and temporary the early struggles were ... (it) represented the disintegration of capitalist relations of production, not their modification. As such it was a transitory phenomenon ... (which) could end in only two ways – in Soviets and a revolutionary struggle for power or in the total defeat of workers’ control and the reimposition of unquestioned employer authority over the process of production.”
(p.103.)

The author also points out that during the first six months of the occupation, production control was by far the most widespread action workers took. Between January and May 1946, the highest point in this struggle, 139 148 workers were engaged in this movement compared with 109 410 who took part in other types of strike.

In the course of these movements, further radicalised by their effective take-over of management and ejection of the employers, the workers realised that they do not need employers and can run the factories better than the capitalist owners themselves. Having thus in the course of their struggle got rid of a lot of ideological baggage inculcated over decades of obedience and submission, workers gained a self-confidence which was an indispensable source of vigorous struggle. The historian Moore contrasts the use of the slogan of production control and its practice when they were held down at the level of a simple tactic – which happened in several workplaces in Japan, often because of a lack of experience and education – with workers’ control raised against the capitalist order. He wrote:

“When workers began making a frontal attack on the legitimacy of management rights based on private property, as they soon did in heavy industry and mining, production control stood forth as a revolutionary act animated by the will to dispossess the capitalist owners and institute permanent workers’ control.”
(p.106-107.)

The workers' parties channel the movement towards a defeat

At this point it is essential to look more closely at the conceptions and programmes of the political parties claiming to represent the working class.

The Japanese Socialist Party quickly sprang into action, inspired by its extreme right-wing leaders Matsuoka Komakichi and Nishio Suehiro who both (with others), and even during the war, had been members of the Diet, the semi-fascist Japanese imperial system's rump parliament. For all that time, the left opposition of this party, together with members of the Communist Party, languished for years in the warrior dictatorship's infernal jails. Meanwhile the right-wing majority of that same "socialist" party, led by these party bosses, did all they could to dragoon the workers into the company "unions" of the right wing Sodomei confederation, which was a vehicle for the reactionary Sanpo ideology of semi-feudal submission to the rapacious system.

There was one substantial difference between this party and even its social democratic brothers in Europe. In general, the great majority of the latter opposed fascism and the stunted monstrosities that were its pseudo-trade union corporations, whereas in Japan the overwhelming majority of that same party played exactly the same role in enslaving workers as the fascist corporatist leaders did in Europe. However, as far as I know, not a single socialist voice was ever raised – nor from the ranks of the communists, for that matter – against the obvious fact that after 1945 the Japanese "socialists" simply carried on with the job as if nothing had happened. This fact, which became one of the defining features of the situation in Japan, was pregnant with dramatic consequences.

On the very day the capitulation was signed, 15 August 1945, Nishio was already involved in negotiations to re-organise the "socialist" party and the unions. A few days later we glimpse them sorting out a division of labour: Nishio to reorganise the party and Matsuoka the right-wing unions. That same month they started to debate their ideas with a group of right-wing politicians of the imperial system such as Hatoyama and Ashida – together with the leaders of the pre-war right-wing peasant movement, the extreme right-winger Hirano. Finally the resurrected Japanese "socialist" party actually came into being on 2 November 1945, with Katayama Tetsu as president and Nishio Suehiro as secretary general.

Interestingly, the “new” party’s programme formally speaking lined up word for word with workers’ central demands: a) recognition of unions and collective bargaining; b) establishment of a system of minimum wages; c) the 48-hour week; d) blue and white-collar workers’ participation in company management; e) introduction of policies to prevent unemployment with the aim of full employment.

As the historian Joe Moore notes, this programme anticipated the stand soon to be taken by the so-called “progressive” leaders of capital and government a little later (particularly in the Doyukai organisation). Its two most important points included objectives such as recognition of company unions and workers’ participation in company management. The first thing to emphasise is the obvious contradiction, even antagonism, between these company unions and the industrial unions the workers themselves were quickly organising. Moreover, for these “socialists”, workers’ participation meant:

“... a system of joint labor-management councils stressing workers’ responsibility for increasing production but denying them any control over the processes of production of the profits derived therefrom.” (Moore p.108.)

The other old collaborationist fox, Matsuoka also entered negotiations with zaibatsu leaders, conservative politicians and government figures, insisting on the need to dissolve the largely-discredited Sanpo and, at the same time, set up a similarly collaborationsist trade union, and arguing, like his colleague Nishio, that if they were not helped to do this, the Communists would set up their own trade union federation.

Oddly, but characteristically, the left-socialists seem to have been *taken by surprise* by these negotiations. Their leader Takano Minoru wrote:

“... what surprised us at the time was Matsuoka turning towards the gang of big zaibatsu leaders including Isaka Takeshi, [head of the Japan Economic League, one of the big four business federations consulted by Nakajima, and subsequently first chairman of the Keidanren Committee] ...” (the big bourgeoisie’s spearhead. – Quoted in Moore p.109.)

As if he had seen and learnt nothing from the painful recent past ...

Matsuoka got the dissolution of Sanpo on 30 September. He immediately called a conference on 10 October to re-establish company unions. At the same time he

got the support of these “left” socialists by telling Takano in mid-September that he accepted that current’s principal demands. Once again these left oppositionists swallowed everything ...

There is little point in getting lost in the details of how this well-known old right-wing national centre was rebuilt. They had already quickly re-established a number of company unions. Then, having gone through several stages, at the beginning of 1946 they finally got the old Sodomei confederation back into working order with Matsuoka as president and an apparently changed programme. These apparent but purely *formal* concessions to workers’ movements that were already mobilised *once more* fooled the left current in the party, which therefore fully participated in the reorganisation of Sodomei.

But from the very outset the former “labour bosses” in Sodomei worked to re-establish the company unions in the service of the employers. Moreover, although they were not able to stamp out workers’ movements for production control everywhere and completely, they did all that they could to change it into “worker participation” in management. It is pointless to keep harping on about how the left current in the party tamely swallowed the right-wingers’ deceitful promises hook line and sinker, while the workers’ movement was struggling for total liberation before their very eyes. Even the serious revolt by the party rank and file in 1946 came too late and achieved nothing. The organisation of Sodomei had already consolidated the “labour bosses” right-wing policies. With their zealous assistance, whole industries, such as shipbuilding and the merchant navy, as well as textiles, came under the total domination of Sodomei. Moreover, the spirit of class collaboration that these wretched “socialists” revived infiltrated and poisoned the whole working-class movement.

The Japan Communist Party made their job enormously much easier. The party’s policy was based on the old Stalinist dogma of the “two stage” revolution, the same theory which had been causing havoc for years in China and elsewhere. Japanese communists applied this disastrous policy despite the generally recognised fact that the country’s economies had decades since – despite strong and tenacious feudal remnants – become fully capitalist and even reached its imperialist phase (as Lenin had long ago established). The 1932 Theses of the Japanese Communist Party confirmed and reinforced this wrong Stalinist conception but, to appease its leftist elements, the party tried to “soften” the bitterness of this poison by saying the preliminary passage from the bourgeois revolution to the socialist one would be “very rapid”. Of course despite this lame conjuring trick it kept the dogma essentially unchanged, particularly

the idea that the revolutionary forces should collaborate with the bourgeois liberals and the social democrats for a bourgeois democratic republic.

This absurd and stupid dogma derived directly from the *same* narrow *nationalism* which gave birth to the Stalinist credo of the possibility of socialism in one country, i.e. the denial of the international character of capitalist-imperialism, a *unified* system appearing and functioning in and through the *unequal* degree of development of its national elements. Trotsky's fundamental contribution to classical Marxism in the theory of permanent revolution rests precisely on this *unified* character of imperialist capitalism. It was on this basis that he formulated his conclusions and teachings that in our epoch only the proletarian revolution, the power of the working class, can fully carry out bourgeois-democratic tasks. From this it follows that this class's revolution becomes uninterrupted, permanent, in passing on to socialist tasks.

But against this Marxist conception, the supporters of a Stalinist "two-stage" revolution determine its nature according to the supposed level of socio-economic "maturity" in this or that country, and not the international character of the capitalist system. Thus on the basis of feudal survivals (or other specific features) in one country or another, they declare that a bourgeois revolution is a necessary pre-requisite as a first stage. The profession of "socialist" faith (in a "second stage"), abstract and free of any content, is exactly what it appears to be, i.e. a purely verbal concession forced on it by mass movements, since in practice the Stalinists replace a world revolution (not necessarily concomitant and simultaneous in every country) with at very best a mosaic of bourgeois revolutions. In any case, this policy relegated the working class to the role of auxiliary to what was supposed to be the main class leading the revolution – the bourgeoisie.

Obviously, in 1945 Japan's Stalinist party had no easy task in maintaining its claim that Japanese imperialist-capitalism was "immature". Even in 1932 this incredible thesis had monstrously distorted reality. In 1945 the party, acting under the leadership of Tokuda Kyuichi and Shiga Yoshio (the same Tokuda we saw on several occasions in workers' movements), instead of accepting reality, grasped at anything in the current situation, however ephemeral, which might prop up the rickety Stalinist dogma collapsing under the blows of the mass movement. They soon found something. This time the party explained why a socialist revolution, and therefore policies leading towards it, was impossible – because of the defeat and military occupation. So, far from fighting for socialism, it saluted the SCAP as an army of liberation and announced its determination to co-operate with the occu-

piers to complete the so-called bourgeois revolution in line with the agreements reached at the recent Allied conference in Potsdam.

The Fourth Party Congress, hastily convened on 12 December 1945, ratified this infamous strategy and Tokuda became president of the party. They had gone full circle!

However, the party activists as a whole could not simply follow this opportunist line like a well-drilled army. Just as president Tokuda felt vigorous pressure from the mass of workers, so in practice the Party's attitude appeared ambiguous and unclear, full of contradictions, zig-zags and volte-faces. In some actions we have seen the indecisive, vacillating and hesitant attitude of president Tokuda, who wanted to go along with the workers while hiding the Party's official political line. The real content and meaning of such an ambivalent, indecisive and timorous policy – to put it no worse – was a total bankruptcy of leadership. It was to abandon the leadership of the working class at the very moment where it had the greatest need of it to illuminate and trace its path to the socialist revolution. At the very least it meant disarming workers completely, leaving them open to their enemies' attack.

In reality, the Stalinist party made several attempts to construct a popular front behind the backs of big working class movements but struggling to ride them out. With this in mind, as early as 19 October 1945 Tokuda tried personally to convince the right-wing "Socialist" Party leader Matsuoka to form a popular front with their respective parties and bourgeois liberals. Of course the right-wing "Socialists" contemptuously declined his proposal. There is no point going through the whole distressing history of these deplorable attempts, but the fact remains that once it had started, the Communist party solemnly and obsequiously renewed the proposal no less than three times in just a few months, and on each occasion the arch right-wingers in the Socialist party declined. Each time it got turned down, the Stalinist party launched a semi-hysterical attack on "these war criminals".

All the same, the Tokuda-Shiga leadership tried to reconcile the Stalinist political line of the so-called bourgeois democratic revolution with that of the socialist revolution. Tokuda thought that the "two stages" were probably not very far apart. As a participant in the great movement of the masses he was influenced by them and mixed up the two orientations. Joe Moore convincingly shows that:

"The JCP leaders had yet to decide whether they were committed to turning the inter-factory councils into revolutionary bodies uniting the individual production control struggles in the enterprise into a national movement, or whether they

were going to promote them as the framework for a national federation of labor unions". (p.117.)

In short, the Tokuda-Shiga leadership and particularly Tokuda himself was trying to square the circle.

The powerful workers' movement for production control was a genuine groundswell which created organs both within and between plants and firms, and thus went far beyond the trade-union framework. By setting up genuine workers' councils (soviets), it clearly expressed the determination of a large number of workers to move towards socialism. It explicitly challenged capitalist ownership of the factories. But Tokuda and his supporters, imprisoned by the Stalinist dogmas of 1932, reaffirmed in 1945, while renouncing this as an immediate objective, nevertheless tried to preserve and maintain the popular spirit of support for a socialist revolution that in their eyes was, if not distant, at least somewhat "postponed". So they used this movement and its slogans but relegated it to the rank of a means and a tactic to build and strengthen the unions.

Now Stalinist hardliners thought that even this Stalinist policy of making concessions to the mass movement while aiming for bourgeois democracy was ambiguous and hesitant and thus unacceptably dangerous. They therefore urgently wanted leading "Communists" to get back from Moscow as quickly as possible. So Nosaka Sanzo was sent back to Japan, just as Thorez and Togliatti were returned to France and Italy and others like Rakosi and Gottwald to Hungary and Czechoslovakia. These "Muscovite" emissaries and agents of Stalin immediately firmed up the Stalinist line of resolutely anti-revolutionary class collaboration. They were more strongly and directly linked to the Moscow bureaucracy than to their own people, and lacked any sort of revolutionary impulse.

On January 14 1946, under Nosaka's influence, the Party Central Committee published a trenchant and ringing declaration. Stating that its goal was to stabilise and improve people's living standards, it proclaimed: "... it is essential that all democrats who have the same aims form a democratic popular front". Moreover, on 16 January 1946 Nosaka and the Party CC explicitly wrote that: "The party is demanding a people's republic but that does not at all mean the formation of a soviet government". (Quoted in Moore p.123.)

Under pressure from the Muscovites, the Party, drums beating, called the Fifth Congress at the end of February, which endorsed and hardened the political line formulated by Nosaka. It emphasised "completion of the bourgeois-democratic revolution as the Communist party's primary task". (p.123)

The policy of the Tokuda-Shiga leadership had been hesitant but nevertheless left the door open to the possibility of being transformed in the direction of some sort of socialism. It was now definitively rejected. The new leading nucleus also refused to recognise the legitimacy of the committees of struggle for production control – these genuine workers’ councils (soviets). In their place the Nosaka leadership merely “approved” a system of *management* councils in and through which the workers could *participate* in management but not control it at all!

Back to the international context of Japanese workers' revolutionary struggles

At this point it is essential to place the intense class struggle in Japan in its general, that is, international, context. This in turn requires a fresh look at the immediate post-war international situation around the globe. Much earlier in this text I already spoke of the world revolution whose irruption towards the end of the war, and immediately after it, forced the European bourgeoisie to make significant concessions in order to sidestep it. I also mentioned how that same revolution burst out in Asia at the same time. But as a mere rough sketch, this portrait of the world revolution which forms the backdrop to my analysis turns out to be too general. It is necessary to go further. Therefore we must now approach this world revolution retrospectively and more concretely, in greater detail, beyond simply indicating that it was something real. Three fundamental reasons amply justify such a return.

The *first* is that the desire (here and there negligence and ignorance also play a role) to hide, deny and bury (or underestimate) this powerful international revolutionary wave means that it has to be presented in detail in the face of these persistent endeavours.

The *second* obliges me to show the respective strengths of the revolution and the counter-revolution and their leaderships as significant, indeed decisive, elements in the evolution of their mutual relations which determine the outcome of the struggle between them

The *third* reason is the need to demonstrate why and how the outcome of these struggles determined the subsequent development of world capitalism-imperialism in all its variety and nuances, and thus, obviously, the situation the world working class is in now.

Taken together, these urgently require as minute and detailed an exposition as possible of that immense revolutionary post war wave. Understanding that wave and what happened to it will – I hope – help to give us a better understanding of the economic and social developments that followed.

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