# Inflation and Crisis

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Inflation is a subject which has caused deep divisions of opinion within the Left, both in Britain and elsewhere. There is little agreement about either its causes or cures, and the debate between rival schools of thought has been intense and at times bitter, which is not really suprising as the issues at stake are important, and the theoretical and practical questions involved are difficult. The complexity of the subject and the extent of disagreement are clearly visible in the *Marxism Today* debate on inflation which was originally sparked off by Pat Devine's article of March 1974.[1] It is not, however, my intention to describe or criticise the various positions taken in this debate, for many of the views expressed are correct in their own way and the problem is not to decide in favour of one side or another, but rather to find a wider framework within which their positive insights can be encompassed.

A start has already been made in this direction by Laurence Harris in his recent article in *Marxism Today* and by John Grahl and others in their joint contribution to the Party *Economic Bulletin*.[2] They argue that, in the advanced capitalist world, inflation is closely connected with the process of capital accumulation and with attempts by the state to regulate this process, and in consequence any adequate analysis of inflation must base itself on the more general theory of accumulation and crisis. This approach is in my opinion correct and it will be the main theme of the present article. The plan of the article is as follows. Part One describes the basic analysis of accumulation and crisis which is contained in the writings of Karl Marx. Part Two examines how this analysis must be modified to take account of the modern state which plays a far more active role than Marx assumed and seeks to control both the pace and direction of capitalist expansion. In the course of this discussion it argues that the state may deliberately foster inflation as a convenient way of handling problems which it is unable or unwilling to tackle in a more fundamental way. Part Three considers the practical implications of this view, and argues that the wages struggle must not be seen and must not be fought in isolation from the wider political struggle for an alternative economic policy which would make possible the satisfaction of working class demands.

[1] For clear summary of this debate up until the end of 1976 see James Harvey "Theories of Inflation", *Marxism Today*, January 1977.

[2] Laurence Harris "Economic Policy and Marxist Theory", *Marxism Today*, April 1977: John Grahl, David Curry, Sam Aaronovitch, *Economic Bulletin*, Autumn 1977.

### I. THE SELF-REGULATING ECONOMY

Marx states in a preface to *Capital* that his aim is to "lay bare the economic law of motion of modern society". To this end he identified two basic features of a capitalist economy which differentiates it from other kinds of economy. Firstly, there is a division of labour in which individual producers specialise in producing particular goods and services which they exchange in return for money. The activities of these various producers are not consciously co-ordinated by a central planning agency, as under socialism, but are blindly controlled by the market. Producers base their decisions on how they think the market will behave: how much they will pay for what they purchase, and how much they will receive for what they sell. What happens to the economy as a whole is not consciously decided by anyone, but is the result of independent decisions by countless individuals whose only links with each other are through the market. Secondly, a capitalist economy is divided into antagonistic classes: capitalists who organise production and workers who work under their control. Workers are not legally compelled to accept this subordinate position but in practice they have no choice. Capitalists own the factories, materials and other means of production without which it is impossible to produce, so workers cannot survive on their own and are forced to earn their living by working for others, or as Marx put it "by selling their labour-power".

Thus, Marx characterised capitalism as an unplanned economy divided into antagonistic classes, whose motion is determined by the interaction of countless individual producers and consumers, buyers and sellers, workers and capitalists, all of whom are legally free to pursue their own self-interest. At first sight it might appear that such an economy would be a complete mess without any coherent pattern, but Marx, like the classical economists before him, argued that this is not the case, that the economy obeys definite laws, and that out of the apparent chaos there emerges spontaneously a certain order. The interplay of supply and demand automatically co-ordinates the different parts of the economy and makes it function coherently. For example, when there is too much of a particular commodity its price falls and firms produce less, when there is too little its price rises and firms produce more, and in this way production is brought into line with social requirements. Thus, market forces automatically control the division of labour and the economy is able to regulate itself without external intervention. Now, Marx knew very well that no actual economy is allowed to function in quite such an automatic fashion and he mentions a number of ways in which the state may intervene in its operation. But his observations on the state are of secondary importance in comparison with his main theme which is concerned with capitalism's ability to regulate itself without state intervention and to generate spontaneously a particular form of economic development. For the most part, he keeps the state firmly in the background and assigns to it a minimal role; nowhere in his writing does the state intervene in a systematic way to control the rhythm and direction of economic expansion.

**Crises**

Bourgeois apologists always portray the process of self-regulation as a harmonious affair, in which supply and demand operate smoothly and painlessly to co-ordinate the various parts of the economy. Marx's picture is very different. Capitalist development is extremely irregular, and is characterised by wild bursts of accumulation interspersed with periods of crisis and depression, by a violent alternation of boom and slump. During the expansionary phase imbalances arise which eventually become unsustainable. The rate of profit falls sharply, expansion grinds to a standstill, and there is a crisis in which factories cut back production and workers are laid off. But this crisis does not last forever and, after a time, investment becomes once more profitable, the economy begins to expand, and the whole cycle starts once again. Now, to those who suffer their effects, crises appear like a terrible nightmare, a horrific accident, but within the brutal logic of capitalism they have a function. They are the means by which the economy spontaneously regulates itself and eliminates obstacles which have arisen during the course of expansion. In the crisis weaker firms are driven out of business, production is reorganised, the working class is disciplined, and the conditions for profitable expansion are re-established. In this way the path is cleared for a new burst of accumulation. As Marx says: "from time to time the conflict of antagonistic agencies finds vent in crises. The crises are always but momentary and forcible solutions of the existing contradictions. They are violent eruptions which for a time restore the general equilibrium".

There are many different kinds of imbalance which may interfere with the smooth accumulation of capital, and Marx himself mentions quite a few, although he gives prominence to just two of them: a rising organic composition of capital and rising wages, each of which may lead to a fall in the average rate of profit. Now, Marxists have argued interminably about which is the primary factor behind economic crises, but there is really no general answer, for any kind of imbalance of contradiction, if severe enough, can cause a crisis. Indeed most actual crises are the result of a combination of different factors, none of which is by itself sufficient to cause a crisis, but which collectively are able to do so by forcing the rate of profit down to the point where capitalists refuse to accumulate.

**Wages**

As an example of capitalism's ability to regulate itself, let us consider the question of wages. Marx's writing on this subject is not very consistent and he oscillates between a variety of different views. In *Capital*, for example, when he is dealing with accumulation and crises, he implies that wages are determined purely by supply and demand, they rise *automatically* when labour is scarce because capitalists are forced to compete amongst themselves for new workers and to keep their existing workforce, and when labour is plentiful wages fall *automatically* because workers compete for the few jobs available. This view is most clearly stated in the following passage where Marx is discussing the effect of the 'reserve' army of unemployed and semi-employed labour on wages:

> "Taking them as a whole, the general movements of wages are *exclusively regulated* by the expansion and contraction of the industrial reserve army, and these again correspond to the periodic changes of the industrial cycle" (my italics).

In other words, wages rise automatically in booms and fall automatically in slumps. This is a very extreme position, of course, and elsewhere, in his pamphlet *Wages, Price and Profit*, Marx replaces the rigid expression 'exclusively regulates' by the more flexible term 'depends upon'. He says:

> "the value of labour . . . always depends upon supply and demand, I mean the demand for labour on the part of capital, and the supply of labour by the working men".

This formulation allows for the influence of factors other than supply and demand. Indeed, the entire pamphlet was intended as a rebuttal of Citizen

Weston's view that trade unions cannot raise wages nor can they prevent wage reductions. Marx replies that, provided they are well organised, trade unions can do both of these things. In fact, he says that the actual level of wages is determined by the struggle between capital and labour, and that the "matter resolves itself into a question of the respective power of the combatants". Clearly, this struggle does not take place in a vacuum, and both the fighting strength of trade unions and the room for advance depend on economic circumstances. When times are good the balance of power is favourable to labour, and workers can achieve better results than when times are bad, but even so the outcome is not just a passive reflection of economic circumstances, and a well-organised trade union movement may operate quite effectively in the face of substantial unemployment.

No matter how strongly organised the trade union movement is, however, there are inherent limits to the effectiveness of purely economic struggle[3]. Capitalists control production and they will not invest unless they receive a certain 'normal' rate of profit. If wages rise too rapidly, either because of extreme labour shortage or because of militant trade unionism, the rate of profit falls below its 'normal' level, capitalists refuse to invest, expansion grinds to a standstill and there is a crisis. This crisis has two effects. Firstly, it brings about changes in the sphere of production so that weaker capitals are weeded out and there is a general improvement in production techniques. In consequence, when the economy eventually recovers, less labour is needed than previously and productivity rises sharply as the potential of these new techniques is exploited. Secondly, the crisis leads to a sharp increase in unemployment, which brings home to workers the precariousness of their position and forces them to moderate their demands or even to accept a reduction in wages. So the crisis restores profitability by affecting both wages and production. By terrorising the working class it holds their demands in check, and by forcing a re-organisation of production it increases the ability of capitalism to meet these demands.[4] In this way the crisis spontaneously regulates the relationship between capital and labour, and re-establishes the conditions for profitable accumulation. Naturally, this is not a permanent solution, and there will eventually be another crisis, caused either by the tendency for wages to outstrip productivity, or by some other factor or combination of factors.

To sum up. In the course of a boom the demand for labour may rise so quickly that the reserve army of unemployed and underemployed labour is reduced in size. This strengthens the bargaining position of workers and helps them force up wages. If wages rise so much that the rate of profit is forced below its 'normal' level, capitalists refuse to invest and the result is a crisis. During this crisis changes occur which make investment once more profitable, and after a time the economy will begin to expand once again. A strong and militant trade union movement may force up wages and resist wage cuts even in the face of high unemployment. In a boom situation this may squeeze profits and bring expansion to a premature end, whilst there is still a large surplus of labour; and in a depression it may delay recovery by reducing profitability. This may sound like a condemnation of the trade union movement, but it is not. It is simply stating the obvious fact that, so long as capitalists control production, they hold the whip hand, and workers cannot afford to be too successful in the wages struggle. If they are, capitalists respond by refusing to invest, and the result is a premature or longer crisis. To escape from this dilemma workers must go beyond purely economic struggle and must fight at the political level to exert control over production itself.

**Prices**

Crises occur when the rate of profit falls so low that capitalists refuse to invest. Now, if capitalists could fix prices at any level they chose, a crisis could never occur, because any tendency for the rate of profit to fall could be offset by an increase in prices. Higher prices would insulate the rate of profit from forces which might otherwise cause it to fall, such as higher wages or taxes, or a rise in the organic composition of capital. This would, of course, have serious consequences for Marx's analysis of capitalist development which relies on a falling rate of profit to explain crises. In preventing crises it would remove one of the basic mechanisms by which capitalism regulates itself and eliminates the imbalances which arise in the course of expansion. So clearly, if Marx's analysis is to remain valid, there must be something which prevents capitalists from raising prices and passing on higher costs (or taxes) to the consumer. And, indeed, there is. Capitalists are subject to a monetary discipline which prevents them from arbitrarily raising the overall level of prices. This works as follows. National currency is linked to gold at a fixed parity, so that its purchasing

[3] The argument contained in the following paragraph is never stated by Marx in so many words, and is a synthesis of his discussion of crises in *Capital*, and of trade unions in *Wages, Price and Profit*.

[4] Through its effect on wages (and the intensity and length of the working day) the crisis helps restore profitability by increasing the amount of 'absolute surplus value', and through its effect on productivity it works by increasing the amount of 'relative surplus value'.

power rises or falls with that of gold. To ensure that the national currency behaves in this way is the responsibility of the Central Bank, and Marx considers several ways in which it might achieve this objective. However, the details do not concern us here, for what really matters is that national currency is linked to gold and is, for practical purposes, interchangeable with gold. Marx argued that this would impose a discipline on prices, because gold has an intrinsic value of its own which regulates its purchasing power and thereby regulates the purchasing power of national currency.

Thus, the discipline of gold prevents capitalists from raising prices so as to maintain the rate of profit, and Marx's basic analysis is saved; when serious imbalances arise in the course of expansion the rate of profit begins to fall, capitalists cannot protect themselves by raising prices because they are prevented from doing so by the discipline of gold, and in consequence there is eventually a crisis. Later, we shall see how governments seek to avoid crises by relaxing the discipline of gold and allowing firms to raise their prices. Indeed, we shall argue that modern inflation is a means by which governments seek to raise the rate of profit so as to foster the accumulation of capital, and avoid or ameliorate crises. In this way they seek to block one of the internal mechanisms by which capitalism spontaneously regulates itself and eliminates obstacles to profitable expansion. Marx, however, was not primarily concerned with conscious attempts to control economic development, but with the automatic mechanisms by which capitalism controls itself, and for this reason he ignored the question of inflation and made assumptions which would ensure that prices remained fairly stable.

## II. THE MODERN STATE

We have seen how Marx rather neglected the state in order to concentrate on the automatic mechanisms of self-regulation which he considered to be so characteristic of capitalist economies. Let us now examine how the modern state seeks to obstruct, complement or replace these mechanisms so as to exert conscious control over the economy. We have already mentioned inflation in this context but, before dealing with the question of rising prices, let us consider other methods of control. Broadly speaking, these other methods seek to achieve one or both of the following objectives: (1) reduce pressures on the rate of profit by cutting costs or taxes, or (2) reduce the 'normal' rate of profit so that the economy functions with lower profits than was previously the case. Each of these aims may be achieved in a variety of different ways and, although there is no space to discuss them in detail, some deserve explicit mention. Costs may be reduced in a conservative or revolutionary way. The conservative way is to reduce the standard of living of the working class or some other section of society like the peasantry, either by reducing their income or making them work harder. This may be done directly through, for example, an incomes policy, or indirectly through redistributive taxation. The revolutionary way is to produce more efficiently by re-organising production and adopting more advanced techniques. This may require a systematic policy which includes such measures as the compulsory merger or nationalisation of certain existing firms, state support for research and development, the education of a skilled labour force, and so on. Instead of reducing costs the state may simply cut taxes levied on profits, and either shift the tax burden onto some other section of the population or reduce its own expenditure. These are some of the ways in which the rate of profit can be increased. An alternative policy is to accept a lower rate of profit as inevitable or desirable, and take steps to ensure that investment and expansion continue unhindered.[5] Short of nationalising most of the big firms or directly instructing them what to do, the scope for such a policy is, of course, rather limited. Even so, by a combination of investment incentives, direct controls, and negotiated agreements, it may be possible to produce some reduction in the 'normal' rate of profit which is required for expansion.

### The Limits of State Intervention

If state intervention of the above kind were always successful, there would be neither crises nor inflation, and expansion could be sustained indefinitely without any rise in the general price level. But such a scenario assumes that the state has unlimited power and that it exercises this power without any political constraints. In reality, the state apparatus is an historical creation which, at any particular moment, is only able to perform certain tasks, and to modify this may require time, and may be resisted by forces inside and outside of the apparatus itself. Moreover, the actual use of state power is a political question, for what is beneficial to some may be harmful to others, and particular forms of intervention may have far-reaching strategic consequences. And, finally, individual countries exist in a world economy over which many of them exert very little influence, and are often forced to adapt themselves to world events beyond their control.

The history of post-war capitalism contains all

[5] The 'surplus' of a nationalised firm has a different economic significance from the 'profit' received by a private firm. In the text, however, this difference is ignored, and the terms 'profit' and 'rate of profit' refer to both private and public enterprises without distinction.

these features. In the liberal environment of the fifties and sixties, capitalist states failed to develop the machinery required for a concerted intervention in the private sector, and in some cases even dismantled part of the machinery already in existence. Both the development and use of the state apparatus has been inhibited by the open or latent hostility of rival classes. Capitalists and workers have resisted changes which would have harmed them materially, or those long-term political consequences they found objectionable. For example, Tony Benn's proposals for modernising British industry made good sense, but they were seen as the thin end of the socialist wedge, and were bitterly opposed despite their potential benefit to many British firms. Indeed, the whole of post-war British history illustrates how class conflict may result in a stalemate: neither Left nor Right has been strong enough to impose its own definitive solution and create a state apparatus which is able to tackle the underlying problems of the British economy. And, finally, on an international plane, the problems of economic control have become greater with the decline of the United States as a world power and the collapse of the colonial empires. Here is an example. Just after the Second World War the United States provided assistance in the form of Marshall Aid to the old imperial powers such as Britain and France. In return they agreed to foster the exploitation of minerals and raw materials in their imperial territories. This ensured a cheap and plentiful supply of primary products during the 1950s and '60s. Such an agreement would be impossible today; there is no country able to control the development of primary products, and in consequence their future supply is very uncertain.

**A Dilemma**

Suppose the state is unable or unwilling to intervene on a scale sufficient to ensure both a sustained expansion and stable prices. Then it is in a dilemma and must abandon one or both of these objectives. It may decide to bring expansion to an end and provoke a crisis, in the hope that this will (a) spontaneously solve some of the underlying problems of the economy in the ways we have described above, and (b) make possible new forms of state intervention which were not feasible during the preceding boom, such as a draconian incomes policy or drastic industrial restructuring. Now, for obvious reasons, a crisis is not exactly an attractive proposition to either workers or capitalists, and the state may be tempted to choose the other alternative, and accept rising prices as the inevitable cost of economic growth. It will therefore create the conditions under which firms can raise prices, pass on higher costs and taxes to the consumer, and thereby maintain the rate of profit at a level which they regard as satisfactory. This is the inflationary way of fostering economic expansion.

During the post-war period most governments have used inflation as a deliberate instrument of policy. They have been unable or unwilling to intervene on a scale sufficient to resolve the basic contradictions of capitalist development, and yet they have been unwilling to face the consequences of a potentially very serious crisis. Where imbalances have arisen which threaten to squeeze profits and provoke a crisis, governments have used their control over expenditure to maintain demand. This has created relatively buoyant demand conditions and allowed firms to raise prices, and thereby maintain or even increase the rate of profit. In consequence the role of gold has changed, so that it no longer acts as a discipline on prices as Marx assumed it would.

As a rule, demand has not been maintained specifically to allow firms to increase their prices, but in response to some other pressure, such as the need to maintain full employment or provide cheap finance for industry. On the other hand, when firms have made use of favourable demand conditions in order to raise their prices, governments have not usually prevented them from doing so. Price controls, even where they have been imposed, have usually been applied in a half-hearted fashion, and firms have been allowed to pass on all or a part of any higher costs or taxes. So, it has clearly been government policy to allow higher prices, and to this extent we can say that inflation is a *deliberate* policy designed to foster the accumulation of capital by maintaining or even raising the rate of profit.[6]

**No Solution**

Keynesians used to argue that a little inflation is a good thing because it keeps up profits by reducing the real purchasing power of wages. As events have shown, however, this argument contains a serious flaw, for it ignores the inherently unstable nature of the inflationary process. At first, when prices rise, people are caught unawares and can do very little to protect themselves. After a time, however, they realise what is happening and take steps to defend themselves. Workers seek compensation for past losses and may even seek additional wage increases to offset the effect of *future* price increases; the interval between wage settlements becomes smaller,

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[6] This does not mean that inflation is a simple conspiracy against the working class, for there are times when it is in the interest of workers to support higher prices. For example, during the transition to socialism under a Left government there will still be private firms in existence whose operations must be profitable if they are to survive, and the best way of ensuring that may be to let them raise their prices.

and in extreme conditions wage rates may be adjusted every week or even every day; the unorganised begin to organise in an attempt to protect themselves; interest rates rise to offset the effects of a depreciating currency; speculators begin to hoard materials or purchase property in the expectation of future price increases. In this way inflation gets built into the system and to maintain a given rate of profit requires ever larger price increases. The result is an accelerating spiral of rising prices, taxes and costs.

No country can withstand such a process indefinitely, for if unchecked it will eventually destroy confidence in the national currency and cause severe economic disruption. Moreover, well before this point is reached, popular discontent begins to manifest itself and the state comes under growing pressure to stabilise prices. At a certain stage, inflation ceases to be a practical way of fostering economic expansion and evading the problems which expansion creates. These problems must be resolved, and the state faces a choice. Either it tackles these problems directly, by intervening in the private sector to produce the required changes, or else it must provoke a crisis in the hope that this will help set things right. There are various ways of provoking a crisis, but all of them have one thing in common. They all involve some restriction on the ability of capitalists to raise prices and keep up their profits. A deflationary budget does this by reducing the level of demand and creating a more competitive market environment in which firms are frightened to raise their prices for fear of losing their markets; direct controls achieve the same result by making it illegal for firms to raise prices by more than a specified amount. Whichever method the state chooses the result is the same. Profits are squeezed, firms refuse to invest and there is a crisis.

So inflation provides a temporary respite but it does not remove the basic dilemma. Capitalism's spontaneous way of regulating itself is by means of periodic crises, and the only long-term alternative is to replace this self-regulating mechanism so that crises become unnecessary. Indeed, inflation may actually make things worse in the long-run, for it allows the situation to drift and provides an excuse for doing nothing, so that when a decision must eventually be made the problem is even more difficult to handle, and requires either more intervention or a deeper crisis than would have originally been necessary.

**Summary**

We may summarise this discussion as follows. Inflation is a device for regulating the rhythm of economic expansion: it is designed to raise profits at the expense of other incomes and to foster the accumulation of capital. It is an alternative to other methods of control which involve direct intervention in the workings of the economy, either to reduce costs so that profitability is increased, or to alter the way in which decisions are taken so the economy can function with a lower rate of profit. Governments resort to inflation because they are (1) unable or unwilling to tackle the basic problems which arise in the course of economic development, and (2) are unwilling to face a crisis of sufficient magnitude to resolve these problems. But inflation deals with symptoms and not causes, and the economy adapts to take account of rising prices, so that ever larger doses of inflation are required to keep the patient healthy. Eventually, this approach becomes impractical and the state is faced with the choice it originally tried to avoid. Either it must intervene to tackle the basic problems, or it must provoke a crisis in the hope that this will cure the patient. In reality, of course, governments usually take an intermediate position and opt for a combination of intervention and crisis. Indeed, intervention and crisis are not simple alternatives, for the crisis itself makes possible new forms of intervention which were not previously feasible.

Thus, crisis, intervention and inflation are all associated with the general problems of economic expansion, and are all, in some way or other, methods of regulating this expansion: crisis acts as a purge which periodically clears away obstacles to further expansion, state intervention is a form of surgery which removes these obstacles directly, and inflation is a palliative which provides temporary relief and allows the economy to tolerate these obstacles for a time. The modern state relies on all of these methods, and the exact combination in use at any moment depends on the nature of the economic problems, the character and effectiveness of the state apparatus, and the political situation.

## III. WORKERS AND CAPITALIST DEVELOPMENT

It should be obvious from what has been said, that the working class is always a factor in the situation. Slogans like 'Their crisis, not ours', or 'Wages do not cause Inflation' express the determination of workers to resist capitalist blackmail and may help in mobilising much resistance. But, by themselves, they are inadequate and may even be counterproductive if they prevent a correct understanding of the role of the working class in modern capitalism, and its ability to influence events.

The most elementary way in which workers can influence events is by defending themselves, and resisting measures designed to solve the problems of capitalism at their expense. For example, if prices are raised or new taxes are levied on them, workers may seek higher wages in compensation; or if capitalists try to make them work more intensively, workers may refuse. Quite apart from its obvious and immediate economic effects, such resistance has important political effects. Suppose the government is pursuing a strategy whose success depends on a reduction in working class living standards. A determined defence of these living standards may make the whole strategy impractical and thereby provoke a political crisis. The outcome of this crisis depends, of course, on the actual circumstances under which it occurs, and may be either favourable or unfavourable to the working class.

**Economic Offensive**

At a more advanced level, workers may go beyond purely defensive struggles and launch an economic offensive designed to win them higher wages (or better conditions). As we have seen earlier, there are a variety of ways in which the state can respond to such an offensive.

(1) The state may create the conditions under which firms can raise prices and take back some of what they have conceded in the wages bargain. However, if workers are determined, this is not a permanent solution because it leads to even greater wage claims and ultimately to an explosive inflation.

(2) The state may prevent price increases so that capitalists cannot pass on their higher costs to the consumer. This will have the immediate effect of squeezing profits, and capitalists may respond in several ways. They may reorganise production and adopt more advanced techniques so that costs are reduced and the rate of profit is restored to its old level. Thus, pressure for higher wages may act as a stimulus which forces capitalists to modernise the economy. But, clearly there are limits to this process, and, beyond a point, higher wages lead to a reduction in profits. At first this may be accepted by capitalists and cause no real problem, but, if profits are severely squeezed, capitalists refuse to invest and the result is a crisis. So clearly, after a certain point, higher wages result in crisis rather than growth.

(3) The state may decide that a more positive policy is required, and may take concrete steps to satisfy working class aspirations. This may involve a re-allocation of existing resources, away from such items as arms expenditure and upper class consumption in favour of wages or social services. Or, at a more fundamental level, it may involve a whole new strategy of intervention in the private sector to promote faster economic growth.

Thus, depending on the response of capitalists and the state, the outcome of a wages offensive may be inflation, crisis, or a faster rate of economic growth.

**Britain's Decline**

As an example of the significance of economic struggle consider Britain during the 1950s and '60s. During most of this period British governments gave a rather low priority to domestic economic development, and devoted both resources and energies to the creation of a world role for British capitalism. This involved rebuilding the City of London as a world financial centre, facilitating overseas investment by big industrial firms and supporting a huge military establishment. It absorbed resources which could have been used productively at home, and was accompanied by a laissez-faire economic policy of non-intervention in the private sector. As a result, British industry failed to keep up with its rivals and economic development was relatively slow. Clearly, such a process of relative decline must eventually lead to severe problems and, indeed, in the late 1960s Britain entered a prolonged period of crisis. Now the crisis itself is no surprise, but what is strange is that it took so long to manifest itself, and that for 15 years our ruling class was able to follow a strategy which is now widely agreed to have been suicidal. Why was this? Part of the answer lies in the behaviour of the working class. British workers, despite propaganda to the contrary, were not very militant in this period and put up with a rather modest increase in their living standards. Wages rose fairly slowly and the state responded by allowing prices to go up at a moderate pace. In consequence, profits remained fairly high and the whole system remained viable. So, the suicidal strategy of our ruling class was made possible by the quiescence of British workers.

Suppose workers had been really militant and demanded a much faster rise in their living standards. What would have happened? At first, the state might have responded by increasing the rate of inflation so as to protect capitalist profits in the face of rising wages; or it might have simply provoked a crisis to 'teach the workers a lesson'. However, if workers had persisted in their demands, neither inflation nor crisis would have been an adequate answer and the state would have been forced to do something more positive. It would have been forced to abandon its pretentious strategy for overseas expansion, and given priority to the domestic economy. Thus, a more militant stance by workers would have forced the government to step in and modernise the economy. So we reach the paradoxical conclusion that British capitalism declined, not because workers were too militant, as many people say, but because they were not militant enough and were willing to foot the bill for a suicidal strategy which put overseas expansion before domestic development.

**The Alternative Policy**

The preceding example of post-war Britain may suggest that blind economic struggle, provided it is militant enough, will in the long run always succeed, and that really the working class has no need for politics. Nothing could be further from the truth. In the first place it is difficult to unify the working class in a prolonged economic struggle unless this is linked to a broader political perspective which gives workers some idea of how their demands can be met. Without such a perspective, workers are, like anyone else, easy victims for bourgeois propaganda which preaches that there is no alternative to the present situation and that, instead of battering their heads against a brick wall, workers should reconcile themselves to the inevitable and submit to the dictates of capital. Thus to sustain an effective movement for economic advance or resistance, the left must of necessity adopt a political approach. This does not mean simply preaching socialism in the abstract; it also means putting forward a concrete set of proposals for dealing with immediate economic problems—the so-called "Left Alternative". Under present conditions in the advanced capitalist countries such a left alternative would not be a revolutionary programme, but rather a set of reforms which, if implemented, would bring certain material benefits to the working class and, by challenging the undisputed authority of capital, would destabilise the political situation and lead to demands for further change.

Quite apart from its use in mobilising workers in the economic struggle, an alternative policy has several other benefits. It helps create a *political* movement in the working class by raising wider questions of political power and making clear the actual limitations of economic struggle. It also helps organised workers escape from their isolation and forge links with other elements of society, such as unorganised workers, pensioners, students or the 'middle' strata. To the extent that workers fight a purely economic struggle, they often appear to these other elements of society as a purely sectional group whose interests are not necessarily those of the population as a whole. The existence of such a division between organised workers and the rest of society both weakens the internal cohesion of the trade union movement, and prevents the emergence of the broad popular alliance which is required to establish socialism. An alternative policy can help overcome this division by placing the economic demands of workers in a wider context—and linking their economic struggle to the more general battle for political change. The proposals contained in the alternative policy would not just benefit organised workers; they would also benefit other sections of society. If these other sections can be convinced that the alternative policy is in their interest, their attitude towards organised workers will change and they may become valuable allies, rather than the actual or potential enemies which many of them are at present.

Thus, an alternative economic policy is beneficial in at least three ways. It helps mobilise and sustain workers in economic struggle; it raises their political consciousness; and it helps build an alliance between organised workers and other sections of society.

**The Wages Struggle**

The above discussion has important implications for how the wages struggle should be fought. The trade union movement contains many diverse elements and there is a strong temptation to avoid or play down political questions so as to avoid controversy and unify the movement. This approach, however, has major limitations and in the long run is disastrous for the left. In the first place, as we have already mentioned, sustained working class unity in the economic struggle is only possible if politics is placed firmly in command. Unless this is done, the sought-after unity will either never materialise or will soon disintegrate. In the second place, if politics is pushed into the background, the left is forced to appeal to purely sectional interests within the working class. This is not only divisive within the movement, but it stores up trouble for the future by creating traditions of struggle which make the transition to socialism more difficult.

These failings have been seen in the recent campaign against the social contract. There has been a widespread, although by no means universal, tendency for the left to submerge its politics altogether and appeal to purely sectional interests, or else to put forward political positions in an abstract way without linking them properly to the economic struggle. The demand for higher money wages and for a return to "free collective bargaining" have often been made as though they were simply ends in themselves, unrelated to questions of political change and an alternative economic policy. As a result, instead of achieving victory based on maximum unity, as it hoped, the left has suffered a setback and the working class movement is deeply divided. This is, in my opinion, the inevitable result of the left's failure to link economics and politics in a coherent way. The "Left Alternative" is not merely something to be tacked onto the end of a string of economic demands, it is the essential framework upon which economic demands should be based and within which economic struggle should be fought.

# The Sixtieth Anniversary of the October Revolution

Bert Ramelson

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1977 marks the Diamond Jubilee of the October Revolution.

No other event in the history of civilisation has ever been commemorated by as many and varied peoples in all parts of the globe as will be this anniversary of October 1917.

And rightly so. For that great revolution was a major watershed in the history of humanity. It marked the beginning of a new epoch in the history of humankind.

October 1917 most certainly has specific significance for the peoples of the Soviet Union. It marked the smashing down of the prison bars of the "Prisonhouse of Nations"—the old Czarist Empire—and laid the foundations for new forms of co-operative relationships between its many nationalities and peoples.

It made possible the transformation of a vast semi-feudal, semi-capitalist country peopled in the main by an impoverished, illiterate population, into one of the most advanced industrial countries, with the highest rate of literacy, one of the highest proportions of graduates per head of the population, and the total abolition of poverty: above all, it made possible the rational planning of all its resources, thus enabling as a consequence of socialist planning, continuous expansion of its economy for over half-a-century once the post-civil war effects were overcome. As a consequence it ensured a continual improvement in the living standards of its people.

But it would be fundamentally wrong to see the events of October 1917 as being of importance only, or even mainly, to the peoples of the former Russian Empire.

Above all, the significance of October 1917 for the mass of the world's population lies in the fact that the October Revolution was the starting-point of an irreversible process whose culmination must and will lead to a qualitatively different world than has existed hitherto.

It unleashed forces which will not come to rest until the realisation of humankind's dream of a world free from "man's exploitation by man"; of the weaker nations dominated by the more powerful ones; of the creation of divisions amongst the people on the basis of religion, colour, sex, or age, facilitating the domination of the minority over the majority; above all, with the emergence of a classless society on a world scale, the root causes of war will have been eliminated.

If hundreds of millions on every continent will be celebrating the 60th anniversary of the 1917 Revolution—as undoubtedly is and will be the case —it is precisely because millions of non-communists and also millions who may at the present stage of their development not have a socialist objective, nevertheless realise the tremendous beneficial impact that that great historic event had on their lives.

### Colonialism

Tens of millions of men and women of all colours and inhabitating all points of the compass, who have succeeded in their struggle to shed the yoke of colonialism and gained their national independence, are well aware that their success in their liberation struggles is closely related to the successful revolution 60 years ago.

The emergence of the USSR following October 1917—the first break in world imperialist hegemony—not only weakened imperialism's ability to withstand the various liberation struggles, but the USSR, by its principled moral and material aid to those fighting imperialism for their independence, ensured their victory.

That is why the liberated millions who may not as yet be committed to construct socialism, nevertheless see a direct link between their successful ending of their colonial status and the October Revolution.

The ending of colonialism does not, of course, automatically end the exploitation of the previously enslaved peoples by their previous imperialist overlords.

Imperialism doesn't give up so easily. Having been compelled to grant political independence to most of their previous colonial possessions, imperialism has and is striving to perpetuate its economic exploitation. "Colonialism is dead! Long live neo-colonialism!" became its slogan.

The struggle against neo-colonialism is in many ways even more difficult than that against colonialism—because the issues are often blurred, and