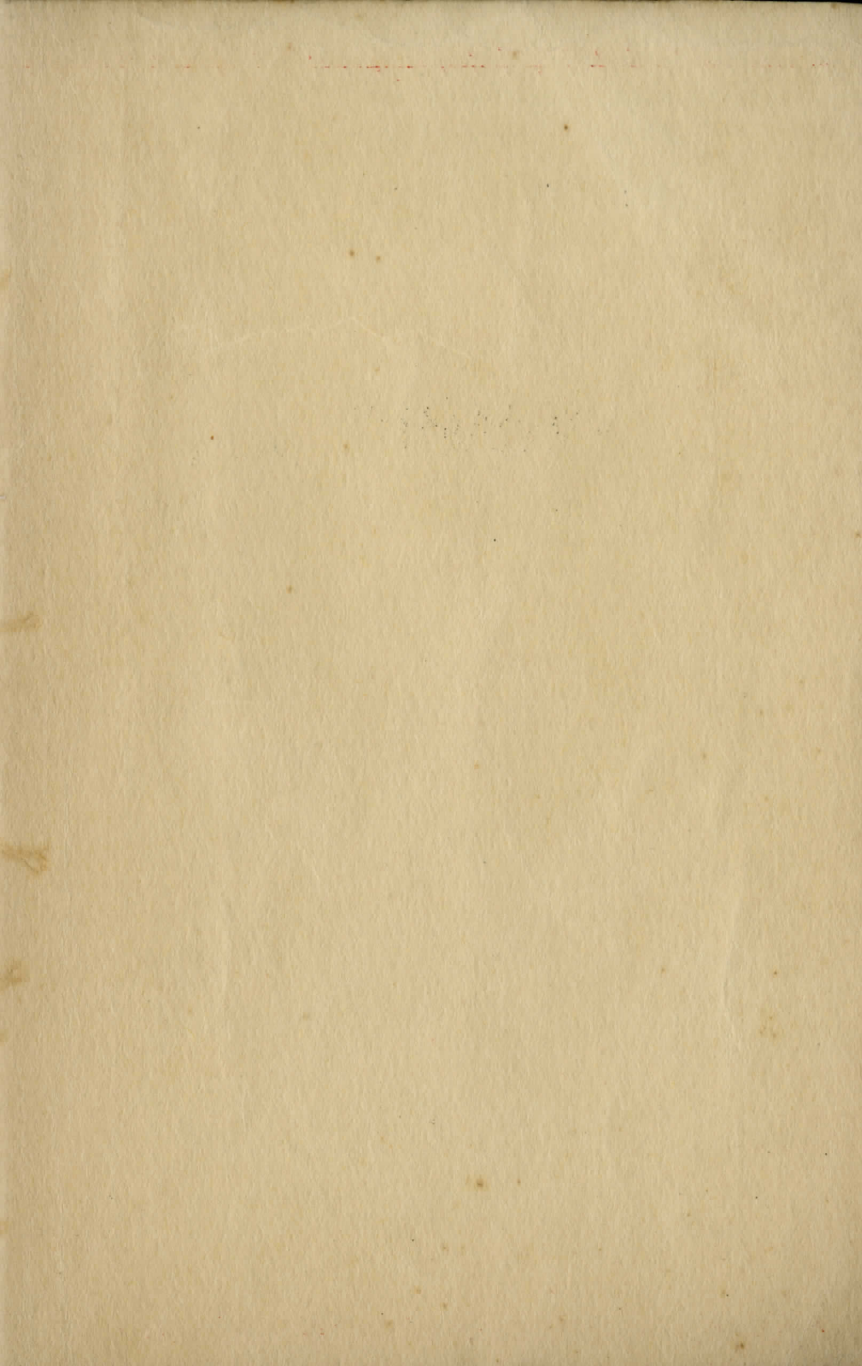


**SOCIALISM AND THE
LIVING WAGE**



R. PALME DUTT







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S O C I A L I S M A N D T H E
L I V I N G W A G E

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PREFACE

The immediate aim of this book is to deal with the so-called "Living Wage" policy at present put forward by the Independent Labour Party as the line of solution for the British economic crisis and as the line of advance for the Labour movement. (The policy is also sometimes loosely spoken of as a policy of "Socialism in Our Time").

In pursuit of this aim it has been necessary to cover a wider field than the immediate subject, and to examine with some care the present economic situation in Britain and the consequent tasks of the working class struggle. In particular, attention has been concentrated, both on the conditions of capitalist decline in Britain, and on the theories and policies of "revival"—Americanisation, lower wages, rationalisation, Fordism, transference to light industries, etc.; and on the consequent special problems of the trade union struggle in the present period—trade union policy in a period of decline, wage policy, lessons of the miners' struggle and general strike, etc.; as well as on the main political tasks of the working class struggle in the period of capitalist decline.

It may be objected that this is an excessively long treatment for such a flimsy policy as is gaily presented by the Independent Labour Party in the course of a hundred inconsistent articles, ten-page pamphlets and—even in its longest "expert" exposition—in a fifty-page booklet. But realities which are complicated need more time and labour to sort out and demonstrate than it takes to spin dreams and weave pleasant lies. The justification for such treatment at relatively greater length of the question involved lies both in the character of the questions and in the position of the Independent Labour Party.

The Independent Labour Party still occupies an im-

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portant position in the British Labour movement. It contains in its ranks the greater portion of the Labour Party and trade union bureaucracy. By its policy of sham "leftward" phrases and practical support of the reformist bureaucracy in all real issues, it constitutes the principal safety-valve of the existing bureaucracy against the real leftward drive of the workers, and therefore the principal obstacle to the advance of the working class.

In addition, the questions involved are of general importance in the present period. The illusions of capitalist revival and a possible period of working class prosperity, the myths of Fordism and America, the magic panaceas to solve poverty by financial measures, credit tricks, redistribution of the national income, and every other conceivable means except the conquest of industry by the working class—all these are in the air, and not only float down from capitalist propaganda, but pervade current "labour" and "socialist" literature in a thousand forms. The tendencies here examined are international tendencies, not peculiar to the Independent Labour Party in Britain, but taking one form in the more subtle pseudo-Marxist phraseology of a Bauer or Hilferding, another in the crude commercialism of the German trade union leaders, and another in the woolly utopia-spinning of the Independent Labour Party: but all in the end reducing themselves to the same thing—the service of capitalism in the name of socialism.

Finally, although the treatment is polemical, it is hoped that the actual contents of the book may have a positive, constructive value as an examination of the present period and the problems of the working class struggle in Britain. As Bukharin declares in his "Economic Theory of the Leisure Class":

"The process of evolution of the proletarian ideology is a process of struggle. . . . By means of our criticism of hostile views, we not only ward off the enemy's attacks, but also sharpen our own weapons;

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a criticism of the systems of our opponents is equivalent to a clarification of our own system.”

The I.L.P. ideology gathers into itself all the confusion, relics, middle-class illusions, veiled imperialism, pacifist make-believe, constitutionalism, utopianism and defeatism, which still shackle the advance of the working class in Britain. Only by the conquest and smashing of this ideology can the working class free its path forward, and Communism be established in its future position as the theory and practice of the British working class.

R. P. D.

July, 1927.

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SOCIALISM AND THE LIVING WAGE

I.

THE LABOUR MOVEMENT AND THE WAGE QUESTION

THE General Strike and the miners' struggle have brought the workers face to face with big questions.

The fight of a million miners for a bare living wage has been defeated. Capitalism has declared—and used all the power of the State machine to enforce its declaration—that there can be no living wage for the workers under existing conditions.

To-day new attacks are threatened, attacks on trade union organisation, on political rights, and renewed attacks on the wages and hours of the workers. This is accompanied with talk of economic “revival,” of a “new era” in industry, of new methods of organisation and technique, of imitations of American prosperity, etc. But the reality behind all this talk, for the workers, is the worsening of their conditions. For seven years the workers, under the existing reformist leadership, have been driven down to lower wages and longer hours. For seven years there has been wholesale unemployment. And to-day the question is becoming insistent: What is to be the outcome of this? Where is this process to stop? What must be done?

The answer of capitalism and of reformism is to declare that the present crisis is a temporary question of “bad trade,” due to external world causes beyond control; that the only solution lies in the harmony of capital and labour to increase and cheapen production; that the workers must make “sacrifices” to assist in capitalist reorganisation (although capitalist wealth and the powers of production are greater than ever before in history); that it is necessary to meet foreign competition, etc.

This answer is becoming more and more obviously threadbare and inadequate, as the long continuance of the crisis is forcing to the front the realisation that there are deeper causes at work, inherent in the whole social and economic structure, and only to be met by fundamental changes. The conception that increased and cheapened production within capitalism will solve the crisis ignores the fact that intensified competition on the part of one country can only lead to intensified competition on the part of other countries, and thus to a net intensification of the world crisis. The supposed way out of capitalism and reformism is only a blind alley.

In consequence of this situation, a crisis is taking place in the Labour movement, corresponding to the capitalist crisis, and affecting the whole position of the reformist leadership. The Labour movement is being brought face to face with fundamental issues at every turn (the General Strike, the tasks of a Labour Government, the Trade Union Act). A growing division is manifest between the reformist leadership and the vanguard of the workers, as the demands of the class struggle become more insistent, and the unreadiness of the reformist leadership to face them becomes every time more obvious. This division shows itself, both within the Labour Party on fundamental political issues, and also in the trade unions on issues of the daily struggle and wage questions. It is characteristic of the present period that the current daily issues and wage questions take on a revolutionary significance, and provide the first acutely conscious form of deeper issues.

The reformist leaders declare that it is impossible to struggle in the existing trade depression; that the workers must accept every wage-cut as it comes "in the interests of the industry"; that the workers must assist in capitalist reorganisation such as the Samuel Report, etc. On these grounds they deserted the miners' struggle

and their own pledged word in the General Strike and after, as they have deserted every struggle of the workers against the capitalist attack during the past seven years.

What is to be the policy to-day? To-day the reformist leaders preach industrial peace as the path to prosperity. They take part in industrial peace dinners and banquets; they go on Government missions to America and the colonies; they sit on Government Committees; they preach the propaganda of new methods, of revival and reorganisation, of the "new era" in industry. They preach, that is to say, docile acceptance of the very capitalism that has struck down the workers and led to the present economic decline and breakdown.

But in the working class ranks a very different process is taking place to the industrial peace "new era" propaganda of their leadership. To the workers, beaten down by the wholesale capitalist attacks, worsening of conditions, unemployment and victimisation, this preaching of their leadership is a mockery.

The workers are moving more and more towards revolt against the conditions of capitalism, to united struggle against capitalist class power, as the General Strike and miners' fight have shown. More and more workers are recognising that capitalism to-day offers them no hope of a decent existence, but only lower wages and longer hours, more and more attacks on wages and hours, widespread unemployment, foul housing and conditions, and the prospect of war. Despite increased wealth and increased powers of producing wealth, multiplied by new inventions more than ever during the past ten years, the struggle for existence grows more difficult; and the capitalists declare that the workers' standards must be driven yet further down, by the supposed necessity of economic laws.

Thus the wage question to-day has become desperate, and goes to the heart of capitalism. The failure of

capitalism to provide a living wage leads straight to the fight for Socialism.

The "Living Wage" has been the watchword of the miners' struggle, of the fight of 1926. By pressing the demand for a living wage in the conditions of declining capitalism, in the face of capitalist and their own leaders' denials of its economic possibility, the workers are in fact raising a revolutionary challenge to the whole foundation of capitalism in its present period; they are advancing, more and more consciously, to the fight for the conquest of class power and the socialist reorganisation of industry. Capitalism in its decline is incapable, within the limits of its own system of property rights, of paying a living wage to all the workers. The economic issue to-day inevitably raises the whole political issue of class power, as the General Strike showed. The living wage is only the first objective in the massing of the workers against the capitalist class. As the struggle develops, it must inevitably give way to wider slogans of a Workers' Government and the socialist reorganisation of industry.

The new leadership arising in the working class to-day finds its conscious expression in the Communist Party and the militant Left Wing organised in the Minority Movement. The Communists and the militant Left Wing are alone in declaring that the workers can and must fight the capitalist attack, that by united action under a new and fighting leadership they can drive back the capitalist attack and convert it into a working class advance, that the only way forward for the workers in the present capitalist decline is to attack directly capitalist profits without regard to the capitalist supposed "interests of the industry," and to advance to the working class conquest of power and the working class reorganisation of industry, which can alone bring a solution of the existing economic crisis.

But at this point comes forward a new school of Re-

formists, to endeavour to meet the new conditions and replace the failure of the old school. This New Reformism attempts to reconcile the basic reformist programme of capitalist reorganisation with the appearance of a fighting policy, with the slogan of a living wage. The new school preaches the possibility of a living wage in a reorganised capitalism. This utopian "Living Wage" is to be achieved by a series of legal and administrative changes within capitalist society, reviving trade by the development of the home market, ensuring larger profits than ever to the capitalists, etc. Thus the propaganda is a propaganda of capitalist reconstruction. But the attempt is made to conceal this propaganda of capitalist reconstruction under the slogan of a "Living Wage," the slogan under which the workers have fought capitalism, but which is now used to mean the reorganisation of capitalism.

The Independent Labour Party is the organ of this new reformist propaganda.

The Independent Labour Party, which preached defeatism in the miners' actual struggle for a living wage, (as the examination in subsequent sections will show), comes out with a legal administrative scheme for a living wage under capitalism. The whole reformist leadership is gradually taking up this propaganda of illusory hopes as an alternative to the class struggle.

For the workers the living wage is an immediate aim in the fight against capitalism. It is not a final aim. The final aim is the abolition of wage-slavery by the conquest of class power, the expropriation of the capitalist class and the socialist organisation of industry. The living wage is a fighting demand, which can at best only be partially realised by the fighting strength of the workers in the daily struggle between the capitalists and the working class: it is not a social ideal or system.

For the Independent Labour Party the living wage is a constructive aim within capitalism: a realisable social

system, combining capitalism with a tolerable existence for the workers, and providing the means for a subsequent peaceful and painless transition to socialism.

This new reformist propaganda is not peculiar to the Independent Labour Party or to Britain. A similar type of propaganda is currently conducted by the German Social Democrats, who have actively supported the introduction of capitalist "rationalisation" in Germany, and have at the same time held out hopes—not realised—of higher wages for the workers as a result of rationalisation, bringing out the usual arguments of the development of the home market, the model of Fordism, etc. Thus this type of propaganda is the characteristic form of reformism in the present period.

This New Reformism corresponds to and reflects the present period of capitalism. Capitalism after the war is endeavouring to re-establish itself by a process of re-organisation or "rationalisation"—concentrating production, scrapping less productive works, intensifying the labour process, restricting production and raising prices by monopoly, lowering wages and lengthening hours, dismissing superfluous workers, etc.—which is, in fact, nothing less than an attempt to give declining capitalism a further lease of life at the expense of the workers, by driving the workers further down. The "socialist" trumpeters of this process are the new reformists of the I.L.P. type, who hold out illusory hopes of improved conditions for the workers from the re-organisation of capitalism, international trusts, selling agencies, Samuel Reports and the like, and put forward this propaganda of make-believe to hold back the workers from the plain tasks of the class struggle.

The Communist Party fights with all its force this propaganda of illusion, which is represented by the living wage propaganda of the Independent Labour Party (Wheatley, Brailsford, Maxton, etc.), and which only serves to confuse and draw off the awakening workers

from the urgent direct needs of the class struggle and from a clear socialist consciousness.

In the following pages some of the aspects of this propaganda are examined. The sources taken are solely the official publications of the Independent Labour Party: (1) the book "The Living Wage," by H. N. Brailsford, J. A. Hobson, A. Creech Jones and E. F. Wise; (2) the pamphlets "Labour's Road to Power" and "Families and Incomes," by H. N. Brailsford, and "Socialise the National Income," by J. Wheatley; and (3) explanatory articles in the "New Leader" during the past two years. To these however might easily be added the recent capitalist publications of a similar type: Bertram Austin and W. Francis Lloyd "The Secret of High Wages," and Henry Ford's "My Life and Work," and "To-day and To-morrow."

II.

CAPITALISM AND LOWER WAGES

*Capitalism to-day has reached a point at which it can find no way forward save by continually renewed attacks upon the standards of the workers.**

To understand this situation, why it is so, and how it is so, is the first beginning of any serious attempt to tackle the current problems facing the working class.

§1. *The Attack on Wages*

The fact of the attack on the workers' standards is clear enough to all. Between 1921 and 1926 it is estimated that the workers have lost over five thousand million pounds in wage reductions (the Government figures, which cover about one-half of the total number of wage-earners in the country, show a total loss of roughly £2,900 millions for this half). This fall is not covered by the very much slower fall in the cost of living; about half of it represents a fall in real wages. In the same period the profits of industrial companies, as shown by the "Economist's" figures, have steadily increased year by year (average dividend on ordinary shares 8.4% in 1922, 9.3% in 1923, 9.8% in 1924, 10.3% in 1925, and 11.3% in 1926—leaving out of account the concealment of greater increase by watered capital, bonus shares, reserves, etc.); while the return on all capital bearing a

* This does not mean that there are no ups and downs in the process, such as from time to time can give a basis for illusory hopes of revival; although the customary capitalist propaganda of revival during the past seven years has so far been on every occasion baseless. But it does mean that the main line of capitalism in Britain is to-day a line of decline; and this decline shows itself primarily, not in capitalist profits to begin with, but in wages and the workers' standards, so long as the capitalists are strong enough to enforce this.

fixed rate of interest, such as preference stock, debentures, government bonds and war loan, as well as all rents and royalties, has been automatically increased by the return to the gold standard enhancing the value of the pound. Thus the incomes of the capitalist class have increased, while the real wages of the workers have gone down. The figures of income tax returns, the fortunes left at death, and similar figures all show the same result: the growing concentration of wealth in the hands of the capitalist class, and impoverishment of the working mass of the nation, *i.e.*, the growing division of classes.*

* The increasing division of classes in England is, of course, contested in capitalist propaganda, although the evidence is overwhelming (see "The Two Nations": Labour Research Department). The myth of "high wages" as compared with pre-war is still sedulously spread in the capitalist press, though without foundation in facts: and Government Committees and professional statisticians frequently quote the special rates of sections to show a wage increase exceeding the increase in the cost of living. These figures are, however, worthless for the working class as a whole: since they represent only the full-time rates of special sections, and not the aggregate wage of the working class, including the unemployed, the casually employed and those on short time.

The official figures of the Ministry of Labour estimate for September, 1925, show a rise in the general level of nominal wage rates of 75 per cent. on pre-war, as against a rise in the cost of living of 76 per cent. Thus even this official figure of full-time rates shows a fall in real wages, even if every worker were continually employed full-time throughout the year. It is, therefore, obvious that, when the effect of unemployment (diminishing the aggregate wage of the working class by over a tenth), casual employment and short time is taken into account, the actual fall in real wages is very great.

In the recent work "The Nation's Income, 1911-1924," by Professor A. L. Bowley and Sir Josiah Stamp, an attempt is made to argue that the share of the workers in the "national income" has on the whole been maintained or even increased.

This process is not peculiar to the after-war years, although it has become intensified to-day. Ever since the beginning of the present century, the real wages of the

The argument, as in all the work of these apologists of capitalism, is based on a long series of partisan special pleading, which would require special treatment; but for present purposes it is sufficient to note two points :

(1) To reach their result, the professors reject the Ministry of Labour estimate of the general rise of wage-rates in 1924 at 70-75 per cent., and replace it by a figure of their own of 94 per cent., on the ground that actual earnings are higher than full-time wage rates (an allowance is made for unemployment, but no effective allowance is made for short time, and none for irregular and unregistered unemployment).

(2) Even so, they reach the result that the workers' share in the aggregate national income has decreased from 42 per cent. in 1911 to 40 per cent. in 1924 (p. 50). It may be added that in a previous work, "The Change in the Distribution of the National Income, 1880-1913," Professor Bowley reached the result that the share of the national income going to wages fell from 41½ per cent. in 1880 to 35½ in 1913. The initial estimate has been raised in the new work, but the basic line of direction remains inescapably the same—downwards.

In the same work Messrs. Bowley and Stamp find that the share of aggregate national income received as unearned income increased from 26 per cent. in 1914 to 29 per cent. in 1924. The tendency of concentration of wealth at the top is suggestively indicated by the latest Inland Revenue returns for 1925-26, which show a heavy fall in the number of those above income tax level (from 5.2 millions to 4.6 millions, or a drop of 600,000 in a year), but an increase in the number of super-tax payers (from 940,000 to 970,000, or a rise of 30,000).

The questions involved are too complicated for detailed discussion here : but it may be noted that there is no country which affords such an abundance of evidence as England of the whole process of capitalism—the concentration of wealth in the hands of the few, and the depression of the working mass of the nation.

working class have in the aggregate been going down. It is estimated by the Labour Research Department that between 1900 and 1925 the real income of the working class, that is, wages in relation to prices, has gone down by one-fifth or 20%. Thus, whereas during the nineteenth century real wages were on the whole moving slowly up—though very much more slowly than the gigantic increase of capitalist wealth, so that the relative division was always growing greater—in the twentieth century, for the past twenty-five years, not only has the relative position of the workers been going down and down, but even the real wages of the workers have been going steadily down. The path of so-called “progress” of the nineteenth century for the workers has come to a stop. Capitalist wealth has increased. The powers of production have increased. Even the actual volume of production, despite the war destruction and break, has increased and is already considerably higher than the level of 1900. But the share of the workers has not only gone down in relation to the increased wealth: even the actual amount received by the workers has begun to be cut into; and the capitalists declare that it must be further cut into and diminished, by the necessity of “economic laws,” for the “salvation of industry,” etc.

What is the meaning of this process? What are the forces causing it? Can these forces be reversed within capitalism, or are they inherent in the whole process of capitalism? These are clearly the first questions to consider in approaching the problem of working class wage policy, of a living wage and of socialism.

To understand the actual situation and process taking place, of desperate importance for the workers, the actual lowering of wages and its causes (which involves the whole situation of post-war capitalism), and above all the actual attack on the workers' standards and further threatened attack, and the consequences to be drawn—this is manifestly the indispensable starting-point for

any serious consideration of modern wage questions and working class policy.

It is characteristic of the whole Independent Labour Party's "Living Wage" propaganda and programme that it makes no attempt to face the realities of the actual situation, but instead starts out from a supposed "ethical principle" which is assumed to be accepted by capitalists and workers alike. The living wage is declared to be an "ethical principle" which is "accepted as one of the foundations of our civilisation."

Thus the official explanatory book on "The Living Wage" sets out as follows in its first sentence on its first page:—

*"That industry should pay to all engaged in it 'a living wage' has become in our generation an ethical principle, accepted as one of the foundations of our civilisation. Neither of the capitalist parties ventures to dispute it, and it has stimulated the Labour Movement to some of the most stubborn and passionate efforts in its history. In defence of this principle, indeed, when the coalowners defied it, millions of wage-earners faced on behalf of the miners the risks and privations of a National Strike." ("The Living Wage," p. 1:)**

This initial statement contains within itself so completely and glaringly the most typical confusions and contradictions of the whole Independent Labour Party outlook that it is worth while examining it with some care.

What is here stated? The living wage is "an ethical principle." It is "accepted as one of the foundations of our civilisation." "Neither of the capitalist parties ventures to dispute it." Nevertheless it is mentioned that

* In this and subsequent quotations, italics have been given to salient passages of importance for the argument, and should not be regarded as in the original.

certain social rebels known as "the coalowners" ventured to "defy" it. It is not explained whether the whole of "our civilisation" rose up to smash them for their defiance. It is only mentioned that the Labour Movement opposed them. The result is not stated.

At a time when one million miners are being driven down to desperate levels, 30% and more below even the meagre pre-war wage; at a time when ten million wage-earners, according to the estimate of the authors of this book themselves (page 32), are receiving in the aggregate less than two pounds a week each; in the face of all this it is coolly stated that the principle of the living wage is "accepted as one of the foundations of our civilisation."

This book was written in 1926; its Conclusion is dated September, 1926. At that time the whole forces of the Government, the whole forces of the State, the whole forces of the three official parties in Parliament, and, for that matter, the whole forces of the General Council and of the I.L.P. leaders themselves, were directed to inducing the miners to accept a reduction of their already less than a living wage. The will of capitalism was being enforced with the weapon of starvation, with the law courts and E.P.A., with the police and the military, with bludgeonings and the imprisonment of thousands of workers. In September the struggle was reaching its most desperate point. And at that point it is coolly stated with regard to the living wage: "Neither of the capitalist parties ventures to dispute it."

"When the coalowners defied it." In this casual parenthesis occurs the sole reference to the whole capitalist attack. The reference is thrown in incidentally to illustrate the loyalty of the Labour Movement to the principle of the living wage (it is not mentioned that the whole of the reformist leadership of the Labour Movement were hostile to this loyalty and in favour of a wage reduction). How this fact that "the coalowners defied

it" can be reconciled with the fact that "neither of the capitalist parties ventures to dispute it" is not explained.

Was it only the coalowners? Was the Baldwin Government in opposition to them? On the contrary, the attack came from the most highly concentrated and combined forces of capitalism, directly led by the State machine. But if this is true, if the attack came from the whole forces of capitalism and the State, and if the attack was admittedly a "defiance" of any principle of a living wage, and if this "defiance" was successful, what happens to all the "accepted foundations of our civilisation," "neither of the capitalist parties ventures to dispute it," and the rest of it? The whole flimsy fabric of confusion falls to the ground.

But this typical farrago of lies, hypocritical make-believe, shoddy idealist phrases and self-contradiction (one example of which should save us from henceforth having to waste time in detail on the myriad others which abound in every page and sentence of Independent Labour Party propaganda) is the actual starting point and foundation of the whole argument. From this follows the conception of an ideal fixing of an ethical wage within the capitalist State by scientific wage commissions, the imagined Eldorado of stabilised prices, wages and trade within the volcano of capitalism, the blind confidence in the benevolence of Baldwin, the bland ignoring of all the realities of the class struggle, of all the real issues facing the workers.

Against this deliberate blindness and confusion the first necessity is at the outset to state and face the plain facts.

Wages under capitalism are not fixed by "ethical principles," but by economic forces and relative class strength. The American miner may receive his six pounds a week, the English miner his two pounds, and the Indian miner his five shillings, not for any "ethical" reasons, but as a result of definite economic and histori-

cal causes, which include among others the relative wealth of American Imperialism, the gradual retrogression, but stubborn resistance, of the English working class, and the colonial subjection and weakness of organisation of the Indian workers.

The historical and "moral" element which undoubtedly enters into the determination of wages, that is to say, the varying conception of the "standard of life" in different countries, is only the expression of the outcome of these economic and class forces: it is not an independent super-economic creative force. Thus no "ethical" conception that the wages of Indian workers "ought" in abstract justice to be equal to those of English workers, however passionately preached and advocated, will make them so, unless and until the conditions of production in India and the class organisation of the Indian workers have reached such a level as to compel such a result.

The fact that in modern advanced capitalist States the old fixing of wages by the "free competition" of the market has given place to elaborate systems of wage regulation, with or without the intervention of the State, does not mean that the old battle has disappeared and given place to the rule of "reason." It only means that the class struggle has developed from the old piecemeal scattered forms to the modern concentrated confrontation of classes. The basic struggle, on the battleground of which wages are raised and lowered, still remains, in more gigantic form than ever, as the history of recent industrial conflicts has shown. Capitalism is ready, as the miners' lock-out has shown, when its power is strong enough and need drives, in spite of all its modern "ethical," "civilised" forms and professions, to drive down the mass of the workers below any current recognised minimum "standard of living."

The serious working class fighter will therefore begin, not from an abstractly considered ideal standard to be achieved within capitalism, but from an actual con-

sideration of the existing forces and stage of the class struggle, and of the condition, development and policy of capitalism. And in the case of Britain in the present period this consideration will lead him to very different conclusions of the real struggle and tasks urgently confronting the British working class, far removed from the achievement of a stabilised-wage Utopia within the crumbling fabric of British capitalism.

British capitalism to-day, driven ever more and more recklessly by the accumulating forces of break-up (intensification of powers of production and shrinking world market, advance of new and more highly developed capitalist Powers, weakening hold on the Empire, loss of financial supremacy, burden of debt, taxation and inflated capital, technical backwardness through the trammels of private ownership, etc.), and unable to counteract these forces within the limits of capitalism, is inevitably making more and more inroads into the living standards of the workers as its sole means of cheapening production and endeavouring to maintain its position in the world market.

The policy of capitalism is typically expressed in the statement of W. L. Hichens, the Chairman of Cammell Laird and Co. :

“Wages in this country at the present time could not be settled by the criterion of some ideal standard of living. They must be settled by consideration of foreign markets and to a large extent by what our rivals were paying. Employers and workers should get together and see what could be done to try to bring down costs to the level of our foreign markets. They must try to produce cheaply.” (W. L. Hichens on “The Industrial Problem from the Employers’ Point of View” : *Times*, 2-3-25.)

The practical expression of this policy is embodied in Baldwin’s “apocryphal” statement that “the wages of all workers must come down”—a statement, which, despite

his own belated and ambiguous denial a year and a half after, was publicly endorsed at the time by his own Cabinet Ministers—and is equally embodied in the public declarations of all the leading capitalist statesmen, business men and financiers, as well as in the numerous resolutions and manifestoes of the Association of Chambers of Commerce, National Union of Manufacturers, Federation of British Industries and similar bodies.

Here, and not in the parson's accents of the I.L.P. about "ethical accepted foundations of our civilisation," is the authentic voice of capitalism as it is, the real enemy and the real struggle that the workers have to face.

§2. *The World Economic Crisis and Britain*

Why is the policy of British capitalism to-day inevitably the policy of attacking and lowering the workers' standards, so that within the limits of capitalism any other policy or programme is in practice out of the question (as the universal agreement of the whole reformist leadership with wage reductions as a "temporary necessity" has correctly shown)?

Why has the nineteenth century gradual advance in the workers' standards in Britain, which was the whole basis of the old policy of liberalism and reform in the working class movement, given place to the twentieth century deterioration and increasing conflict, so that the old policy of reform, which was built on nineteenth century conditions, is to-day impotent and obsolete?

This issue is the crucial issue for the British working class movement in the present period.

This question raises in fact the whole question of the development of capitalism to imperialism—that is to say, to the present modern period of trusts and finance-capital, of world exploitation, of rivalry of the Great Powers, of intensified trade competition and concession-hunting, of the artificial restriction of production, and of growing contradiction and decline. But the question

can be answered simply, for present purposes, with reference to the immediate facts of British capitalism, which does in fact mirror and reveal most sharply the declining aspect of world capitalism to-day.

In the nineteenth century (until the last quarter) British capitalism held a virtual world manufacturing and trading monopoly, and on the basis of this a world financial supremacy. There was room for apparently unlimited expansion. As fast as capital was accumulated out of the workers, industry could be extended; the colonies and America supplied raw material; the world supplied a market. Capitalism was on an ascending line. There were "crises" regularly recurring with the so-called "trade cycle" (temporary over-production owing to the anarchic character of capitalism); but these pre-war crises did not prevent the general ascending line; in fact they were, as Marx showed, part of the machinery of the ascent, and thus differed fundamentally from the present post-war crisis, which belongs to the declining period of capitalism and has much deeper causes than the trade cycle.*

* The confusion of the pre-war trade crisis and the present crisis is continual in reformist propaganda, and is responsible for the simple attempts to treat the present crisis by proposals for "ironing out the trade cycle." A mere consideration that the present crisis has already lasted over six years with over a million registered unemployed, and that the majority of capitalist authorities consider such unemployment henceforth "endemic"—in Baldwin's phrase—*i.e.*, permanent, should indicate that there is something different involved. Pre-war crises were crises of over-production; the result was the weeding out of smaller inefficient concerns, and the increased concentration of capitalism to rise on the new basis to a higher level of production. But in the present crisis, production itself is hanging back: the already trustified industries cannot occupy their plant; hence "Rationalisation" or the artificial limitation of production as the typical capitalist "solution" of the post-war crisis.

On this old basis of world exploitation and industrial monopoly, British capitalism was able to supply relatively improving standards (though not so fast as its own increase of wealth) to the workers in Britain, mainly to the skilled minority—in very much the same way as American imperialism is able temporarily to do to-day to its own workers, though for a much shorter run this time. The consequence of this process of improving conditions was the establishment of the policy of liberal reformism, or co-operation with capitalism, in the working class movement, as in America to-day. "No Socialism" was considered in nineteenth century Britain, as to-day in twentieth century America, a peculiar "national" characteristic.

To-day it is clear to every one that this whole position is changed for Britain. New capitalist Powers have arisen all over the world, which since the last quarter of the nineteenth century (as Marx and Engels foretold, but as the complacent British Victorian statesmen, and the no less complacent liberal-labour leaders who followed them, and the subsequent superficial Fabian anti-Marxists were incapable of guessing) have increasingly challenged and overtaken the British monopoly, and thus destroyed the basis of "progress" and reformism. Already in the eighties Germany and the United States were pressing Britain hard in iron and steel and engineering; since then Japan has come to the front; France has developed after the war as an industrial power; Canada, Australia, India, South Africa have all rapidly advanced. The result is increased productive power, intensified competition, and a diminishing market in the main industries.

The increasing conflict of the imperialist State trusts has become the dominating character of the first half of the twentieth century. The first open bursting out of this conflict was the first World War of 1914-1918, in which British capitalism endeavoured by diplomatic and

military means to smash its principal antagonist, German capitalism. The war, however, could not solve the conflict, but has extended it; it accelerated the development of new Powers; and at the same time, the smashing of German capitalism, although carried out with every known means of severity and enforcement, has already proved temporary (German exports, which in 1913 were 113% of British, and by 1922 had been brought down to 42% of British, were by 1925 already 60% of British, and in the abnormal conditions of 1926 have leapt forward to 80%, and are again anxiously complained of by British traders).

Thus the war was not the accidental, catastrophic, unforeseeable *cause* of the present crisis, as the capitalist economists and politicians pretend, but was in fact itself a consequence of the developing crisis, and has greatly intensified its rate of advance.

The net effect of the war has been, not to solve the crisis, but to intensify it.

In the first place, it has hastened the decline of European capitalism, and especially of British capitalism, by its destructive effects, by the disorganisation and new divisions it has caused, and by the burden of debt and obligations it has left which fetter capitalist recovery.

In the second place, it has hastened the advance of the new capitalist Powers outside Europe. United States production of industrial goods has increased between 1914 and 1924 from 24 to 43 billion dollars or 78%, and exports from 2.4 to 4.3 billions or 87%; Australian production of manufactured goods between 1913 and 1923 from 161 to 348 million pounds or nominally 116%; Canadian in the same period from 1,393 to 2,781 million dollars or 99%; South African, between 1915 and 1920, from 40 to 98 million pounds; and Japanese, between 1913 and 1919, from 747 to 2,630 million yen. All these increases are considerably in excess of any allowance to be made for reduction to gold values in the case of some

of them, and of the general increase in world prices (about 50%). On the other hand, in the same period, European industrial production, in gold values, has gone down; British industrial production, in 1913 values, is estimated to have fallen 12 to 20% (Lord Weir's estimate for 1921-1926 in the House of Lords debate, 14-12-26), 13% (London and Cambridge Economic Service estimate for 1925); and British exports of manufactured goods, in 1913 values, have fallen 27% (Balfour Committee). All this means a permanent transformation in the position of Europe in general, and Britain in particular.

In the third place, the war and the economic weakening of Europe have intensified the class struggle in Europe, have opened the way to the revolution with the victory of the Soviet Union, have stimulated the colonial countries to fight for independence and no longer submit to be passive sources of raw material and markets, and so have led to the further weakening of capitalist Europe, which in its turn has led to further intensifying of the class struggle in a continuous progression.

All these factors have constituted a prolonged economic crisis for European capitalism, and especially for British capitalism: inability to use productive power; unemployment; intensified competition; artificial restriction of production; desperate attempts at modernisation and cheapening of production, but hampered by the burdens from which European capitalism cannot free itself (war debts, Dawes, results of inflation, national divisions, etc.); and in consequence repeated attacks on the standards of the workers as the sole means of saving the position. European capitalism has ruled out of the question even such a limited degree of a "living wage" as the newer countries like Australia and partially the United States are still able to pay. This is the inevitable working out of capitalism in its latest stages, and this is why the European working class is brought closer and

closer to the issue of revolution. The temporary stabilisation of capitalism in Europe is based on the worsening of the workers' conditions, lengthened hours and intensified exploitation. Within capitalism there is no alternative under the modern world conditions.

§3. *Technical Development and Illusions of Capitalist Revival*

At the present time it is fashionable to suggest that new technical development will prove the means of solving the existing crisis; and that the new powers let loose by the more recent developments of electro-chemistry, etc., and the modern processes of scientifically organised mass-production, will let loose a flood of prosperity that will submerge all existing wage questions in a wave of higher living standards, comparable to and exceeding the nineteenth century advance. This view is not only advocated by capitalist spokesmen, but is also frequently to be found—sometimes in the form of an expressed “fear” of a possible alternative to Socialism—in Labour propaganda.

This view reveals a complete inability to understand the character of the present crisis as a crisis of *capitalism*, not of production in general. The present crisis is not a crisis of poverty, of inability to produce; it is a crisis of the capitalist inability to organise production in the face of the increase of productive power, which goes beyond the limits of capitalist property rights and cannot be organised on the basis of private property. It is not a *technical*, but a *social* crisis. The increase of productive power, so far from solving, sharpens the whole problem, as every industrialist knows.

Increased powers of production, new technical development, new inventions, speeding up, extended and concentrated organisation, mass production—all called forth and accelerated by the intensified competition—all in turn intensify the competition and the crisis.

The modern situation is described in practically identical terms by all the leading spokesmen of capitalism. The British President of the Board of Trade declared in 1925 :

“Every country has far greater industrial capacity than before, but in a far poorer world.” (Sir P. Cunliffe-Lister, House of Commons, 6-7-25.)

He is echoed by the German Chancellor Luther, addressing the German Annual Trade and Industrial Congress in 1926 :

“It is a phenomenon of the war and post-war period that the total productive capacity of the world has risen far above the demand.” (Reichskanzler Luther, *Times*, 29-4-26.)

These statements can be paralleled from every financial and industrial spokesman and journal. In November, 1926, the German industrialist Felix Deutsch estimated the world's industrial capacity at 40 to 50 per cent. higher than before the war; production, however, was still only just approaching the pre-war level. This is a measure of the world capitalist decline.

Certainly in a rational or organised economic order (socialism) increase of productive power would lead to increase of abundance, diminution of labour and increase of leisure. But in the anarchic or competitive order (capitalism), increase of productive power leads to intensified crisis, longer hours and lower standards of living for the workers in order to face the intensified competition and eventually war as the only “solution.”

It is characteristic of the confusion of the reformist socialists (who are led by the nose by the capitalist economists) that they see in the new and gigantic technical developments accompanying the present stage the possibility of a “revival” of capitalism. Thus Snowden speaks of a “Second Industrial Revolution” :

“He did not agree with the statement of some of their socialist friends that the capitalist system was

obviously breaking down. He believed that we were to-day in a position very much like the industrial revolution that took place about 120 years ago. Then the steam age was ushered in.

“ ‘Now we are entering in, I believe, the new age of electricity and an age of chemistry. Wideawake capitalists are seeing this, and they are taking steps to appropriate for private profit and private ownership the exploitation of these great forces. *If they succeed in doing that, then the capitalist system will be given a new and long and more powerful lease of life.* ’ ” (Snowden, *Daily Herald* report, 17-4-26.)

This idea is to-day fashionable with most of the reformists, who—correctly—see that their only chance of salvation against the obvious growing justification of the revolutionary view lies in the possibility of the revival and strengthening of capitalism, and therefore identify their interests with the strengthening of capitalism. But they fail to see that the progress of invention and technical advance, so far from providing a solution, intensifies the whole problem for capitalism, and is in fact the supreme revolutionising factor.

Is there any basis for the suggestion of a possible repetition of the nineteenth century advance, of a second industrial revolution saving capitalism? A moment's serious consideration of the real factors behind the industrial revolution and the subsequent nineteenth century advance will show that these factors are no longer present. The situation is basically different from that of the industrial revolution a century and a half ago.

The industrial revolution took place in the comparatively early stages of capitalism. Capitalism was developing in advance in a single country in the midst of a capitalistically undeveloped world. The new industrialisation developed in advance in this single country, which consequently enjoyed a virtual monopoly. Vast areas were available for the gigantic extension of large-

scale agriculture and production of raw materials during the nineteenth century; the replacement of the old hand industry all over the world provided a seemingly boundless market. The history of the nineteenth century was the history of the capitalist exploitation and conquest of the whole world. Only in the later stages came the beginning of rapid capitalist industrial development in the other countries, limitation of the colonial raw material and market areas, and beginnings of serious manufacturing competition and crisis, and a check to the rapid advance.

To-day the new processes and forms of concentrated production come into a world of already advanced and acutely antagonistic imperialist Powers. They develop in half a dozen or a dozen centres simultaneously or almost simultaneously all over the world. Every cheapening of production by new methods of letting loose a flood of products accentuates the problem of markets, and so leads to attempts to restrict production by State action or private monopolist agreements, closing down of works, unemployment and superfluous labour, and intensive overwork of the remainder in the conditions of increased competition within the restricted area of production. Thus every advance of productive power in the period of declining capitalism, while giving a momentary advantage to whichever Power is first in the field, results in a net effect of only intensifying the existing antagonism and accelerating the crisis.

In consequence the new technical developments, so far from providing a solution for capitalism, constitute its death conditions. The new forces, the more they develop, the more they can only burst the bonds of private ownership (though not until after ruinous world destruction and warfare, if the issue is de-

layed). They can be organised only by the proletarian dictatorship.*

§4. *The Decay of Capitalist Britain*

But this intensified antagonism and competition of the capitalist world, making impossible the full use of modern powers of production save through the sole "solution" of war, and therefore already bearing the character of decline, affects most heavily British capitalism. British capitalist industry has inherited a structure based on

* With this school of Reformism must be grouped the curious would-be "Marxist" section of the I.L.P. (Price, Newbold, etc.), who preach the Revival of Capitalism. Their expression consists mainly of open-mouthed and naive admiration of the new technical developments, Fordism, etc., and pitying references to the obsolete communist (*i.e.*, Marxist) notions of capitalist decline, the possibility of proletarian revolution, etc., which they apparently consider sufficiently refuted by the simple description of the new technical advances—thus showing their complete failure to understand the Marxist conception of capitalist decline and revolution. They make no serious attempt to consider the problem of modern imperialist antagonisms in relation to the development of capitalism. Instead, they base themselves in practice on the profoundly un-Marxist position that technical advance is a stabilising, and not a revolutionising force in capitalism. On the contrary, as Engels declared: "It is precisely the revolutionisation of time-honoured conditions through the development of industry which also revolutionises people's brains." (Engels, letter to Sorge, 3-12-1892.) The political counterpart of this economic muddleheadedness is to be found in Newbold's support of Snowden's appeal for class peace against "this squalid and mutually demoralising struggle" of the classes, endangering "the whole fabric of West European social and economic life"; "there are men on the other side who are beginning to see it, and there are some of us on this side who seeing it are not afraid to make a gesture." (*Daily Herald*, 1-7-26.) So much for I.L.P. "Marxism."

the conditions of world monopoly which no longer exist; it is burdened more than any other modern country by an historical accumulation of feudal dues, rents, royalties, obsolete functionless property rights, bondholders and sleeping dividend drawers; its plant has fallen badly behind its more recent and modern equipped rivals; it is relatively less organised; the still powerful traditions of the old skilled aristocracy of labour hamper (and correctly, so long as the alternative is the degradation of the workers' standards) rapid modification of methods; the preponderance of world financial and imperial interests, built up on the profits of nineteenth century industry, make now for the neglect of home industry, and even for the building up of more profitable foreign and colonial industry in direct competition.

In consequence of all these causes British capitalism is inevitably driven backward under the new conditions. British trade and industry has registered a heavy decline, while its rivals have advanced. The Balfour Committee on Trade and Industry found that in 1923 (the most favourable year of the depression), British exports of manufactured goods amounted to 73% of 1913 values; while in the same year French exports of manufactured goods amounted to 117% of 1913 values, and United States exports of manufactured goods amounted to 148% of 1913 values. Thus Britain had gone back 27%, while France had advanced 17% and America had advanced 48%. These typical figures, which can be indefinitely paralleled, sufficiently illustrate the process.*

* For propagandist purposes British official sources have sometimes endeavoured to issue figures to counteract the impression of decline. These figures mislead no one except the very young, innocent and unwary. A favourite trick is to give the percentage of world trade. Thus it is pointed out that in 1913 British exports were 13 per cent. of world exports, and in 1923, 14 per cent. On this showing, British trade has actually improved relatively to world trade! It

This economic crisis of British capitalism has continued unbroken from the winter of 1920 up to the present year 1927. During the five years 1921-1926 production, according to Lord Weir, has averaged 80 to 88% of pre-war (House of Lords, 14-12-26). When it is remembered that the population has increased by 10%, is only "world depression" that is the trouble. This hoary fallacy has done countless service in Government Ministers' speeches. On this it is only necessary to note:

(1) The year 1923 British exports include the abnormal coal exports consequent on the Ruhr occupation; already for 1924-25 the British Memorandum to the Geneva Economic Conference of 1927 has to give the British proportion of world exports as 12½ per cent., or a fall even in percentage on pre-war (the fall in volume is given as 20 per cent.), as well as on 1923.

(2) The conception "world trade" is misleading. The picture of a general reduction of world trade in which Britain has more than maintained its position, conceals the fact that British trade has absolutely gone heavily back, whilst its industrial rivals, with whom alone comparison is important, have gone heavily forward (Britain - 27 per cent., France + 17 per cent., U.S.A. + 48 per cent.);

(3) The fallacy of the aggregate of world trade lies in the fact that the decline of Eastern and Central Europe as exporters is used to enhance the British percentage. Thus the economic blockade of Russia is used to prove the prosperity of British industry!

It would be unnecessary to deal with this flimsy apologetic, which no capitalist authority would think of treating seriously when actually tackling the British economic problem, if it were not that the naive socialists of the I.L.P. are completely taken in by it. Thus we find the innocent editor of the *Socialist Review* solemnly quoting this official percentage figure as a complete refutation of Trotsky's analysis of the facts of British decline (*Socialist Review*, February, 1926)! The actual realities of the British economic crisis, however, are not to be so easily exorcised, as the I.L.P. Ministers will find every time they return to office.

and that the power of production has considerably increased, it will be seen that the actual decline revealed by this figure is very much greater, and represents, taking the average increase in productive power as only 20%, and taking the highest estimate of the actual production, an effective decline of over one-third in the output of capitalist Britain as compared with before the war.

This decay of capitalist Britain is further aggravated by the fact that the net decline of production here revealed is very unequally spread, so that secondary and luxury industries have actually expanded (motors, artificial silk, chemicals, hotels, drapers and big stores), while all the basic industries have gone heavily down (coal, iron, steel, engineering, shipbuilding, textiles). This reflects both the changed conditions and also the increasingly parasitic and rentier character of British capitalism. The Census of Occupations of 1921, compared with 1911, reveals the same picture. A larger number of workers is employed to-day than before the war, but for a less total production. This does not mean, as Lord Weir and his associates argue, that the workers are "lazy": on the contrary, it is notorious that the speeding up and output in the workshop were never more intense ("In the process of steel smelting and rolling," reported A. Pugh, Secretary of the Iron and Steel Trades Confederation, in 1925, giving evidence on the effect of the eight hours leading to increased production, "the numbers employed had declined by 34% in comparison with the pre-war total, but the output per man had risen by 37%"). *What the decline in production reveals is that the productive workers are being thrown on the scrap-heap, while an ever increasing proportion of the working force of the nation is being consumed in unproductive parasitic occupations.* "Personal Service" occupies to-day 12%, or one in eight of the employed population (1921 census). For every 1,000 persons "gainfully occupied" in England and Wales, it is reported that only 489 are

engaged on "production, repair and maintenance." Less than half the working population, that is to say, is engaged in direct production. The largest single group—the principal "industry" in modern Britain—is "Commerce and Finance," with two and a quarter millions, or roughly six millions of the population living by the jugglery of exchange, speculation, selling, advertising, and the network of world and imperial financial exploitation. Near to it, the third largest group—the third principal "industry" in modern Britain—is "Personal Service" (service to whom? not to the workers, who form four-fifths of the population) numbering actually over two millions of the working population in England and Wales alone, or for the whole of Great Britain nearly two and a quarter millions, of whom nearly one and a half millions represent "private domestic service." And this is leaving out of account the unproductive weight of unemployment of over a million of the best workers, the industrial productive workers. This is a picture of decay without parallel since the beginning of capitalist history, and the tendency that it represents is inevitably increasing within capitalism. It is the working out of an advanced stage of imperialism in its effect on the home country or "metropolis."*

* The returns of the 1924 Census of Production bear out this tendency very strikingly. The returns are still incomplete at the time of going to press: but those already published show:

(1) An actual decline in the volume of production of coal, iron and steel, and cotton between 1907 and 1924;

(2) Very large increases in the net value of the output per worker, even in the declining industries: coal is the only case in which the increase, 38 per cent. is below the general rise in world prices; iron and steel shows a rise in the value of the net output per worker of £103 or 72 per cent., shipbuilding of £66 or 67 per cent., and cotton of £80 or 101 per cent.

§5. *Imperialism and Home Industry*

This decline of Britain under capitalism does not mean that the capitalist class is growing less rich yet. In spite of all the depression and talk of "ruin," the capitalist class is able to maintain its wealth and income at present higher than ever, as all the statistics show. It has already been noted that the *Economist's* tabulation of industrial company results shows a rising average rate of net profits of 8, 9, 10 and 11 per cent. right through the crisis. The value of estates subject to Estates Duty, a useful indication of private fortunes during the period, has increased steadily: 1920-1, £372 millions; 1921-2, £402 millions; 1922-3, £431 millions; 1923-4, £441 millions; 1924-5, £461 millions. Since the purchasing power of money increased during the same period by 40 per cent., the actual growth of wealth of the capitalist class during the crisis is very much greater.

But the British capitalist class is to-day maintaining its wealth by means which are not primarily based on the expansion and advance of British industry, but are in fact directly hostile to the interests of British industry and to the livelihood of the mass of the population in Britain. This is the basic fact behind the sharpening of the class struggle in Britain, which no sermonising can get round, nor any "schemes" that leave the ownership of capital, and therefore the effective control of production, in the hands of the capitalist class.

What are the means by which the British capitalist class is maintaining its wealth in the midst of decline? Of many means the two or three most important and most significant of the modern period of decline may be noted. All these will be found to turn on the imperialist position of Britain.

The first is the restriction of production, and exaction of monopoly prices on a limited production. Wherever the opportunity offers, either by dominant possession of

a special material (rubber under the Stevenson scheme has been the glaring example), or of higher grades of skilled workmanship (finer textiles or special machinery) or by dominant control of a particular market (India, partially the Dominions through preference, the colonial empire, and certain client countries), the occasion has been taken to limit, where necessary, the actual production and to exact monopoly prices. Thus the *Times* writes :

“It would appear that some industries have been able to restore a margin of profit on a level of prices and output *that does not permit the full employment of the labour in the industry.*” (*Times*, 23-2-25.)

This is borne out by price figures. The Survey of Overseas Markets reports that in 1923 British export prices were 90% above 1913 prices, whereas the general level of world prices was only 55% above 1913 prices, and British import prices were only 50% above. The difference between 90% and 50% reflects the monopolist and imperialist position of Britain, and shows that the already enormous “adverse” balance of trade is nothing like the full measure of the tribute that imperialist Britain draws from the world. Thus the capitalist class finds a means to combine high profits with low employment of labour, and therefore with severe competition and lowered wages of the employed workers, and a heavily lowered aggregate wage of the total working class, when employed and unemployed (who are maintained mainly at the cost of the employed workers) are reckoned together.

The second means is the increasing role of Britain as a financial rather than as a manufacturing centre. This process combines with the export of capital; and the interests of both are reflected in the return to the Gold Standard, which was directly hostile to the immediate interests of British industry, but favourable to the inter-

ests of the investors, banks, bondholders and international financiers. The growing role of world financial interests in contrast to home industry is measured in the growing role of "invisible" exports (revenue from foreign investments, financial commissions, shipping and other services) as against visible exports of goods. Dr. E. C. Snow, in a paper to the Royal Statistical Society in 1926, pointed out that whereas before the war, in 1913, 80% of imports were paid for by exports of merchandise, in 1923 the proportion had declined to 78%, in 1924 to 70%, and in 1925 to 66%. On this he comments :

“ ‘Invisible’ and ‘visible’ exports are to some extent in competition in paying for imports, and in present circumstances the ‘invisible’ people are getting the business. *We may feel that it would be better for twelve men to be engaged in making boots for export, rather than that one insurance broker should be making commissions of £5,000 a year on foreign business;* but the fact seems to be that those from whom we buy prefer the invisible to the visible method of payment, and we shall have to recognise the fact.”

The conflict of interests between the financial imperialist interests of the modern British bourgeoisie and the interests of the working mass of the nation could not be more clearly stated.

The third growing source of income, closely connected with the former, is the development and expansion of foreign and imperial industrial production, largely on the basis of underpaid enslaved labour in Asia and Africa, or in bankrupted semi-colonised countries in Europe, but also in the new industrialised Dominions behind their tariff walls. The net income from foreign investments, as estimated by the Board of Trade, shows a steady rise: 1923, £200 millions; 1924, £220 millions; 1925, £250 millions; 1926, £270 millions. This is agreed

on all sides to be an under-estimate: already in 1925 the *Times* City Editor suggested that the actual figure was probably well over £300 millions; and on the experience of 1926 the Westminster Bank chairman drew the conclusion that the real figure of "invisible exports" "must be greatly in excess of any estimates that have been put forward."

Before the war the bulk of new capital invested was steadily going abroad to the extent of about four-fifths. The war and its immediate effects checked this process; but by 1921 already the majority was again going abroad. In 1921, according to the *Midland Bank Review*, of £216 millions new capital, £116 millions went abroad; in 1922, of £236 millions, £136 millions went abroad; in 1923, of £204 millions, £136 millions went abroad; in 1924, of £223 millions, £134 millions went abroad. The embargo on foreign and colonial loans during the greater part of 1925 in order to re-establish the Gold Standard brought down the proportion to £87 millions out of £219 millions; but by 1926 it had risen to £112 millions out of £253 millions.

The actual proportion of British capital interested in the direct exploitation of foreign countries is very much greater than these figures indicate; since they refer only to publicly advertised issues of capital directly for abroad, and the large number of home-registered companies, operating from London, but with their actual interests and sphere of operations abroad, appear as home enterprise. A clearer light is thrown by an analysis of the "Economist" (1-1-27), which divides new capital issues into (a) British Government issues; (b) Foreign and Colonial Government; (c) British, Colonial and Foreign Corporations; (d) Foreign Railways; (e) Mines, Finance, Exploration, etc.; (f) Rubber, Oil, and (g) Balance, described as "mainly home industries." This "Balance," comprising "mainly home industries," shows £58 millions out of a total of £389 millions in

1921, 69 of 573 in 1922, 64 of 271 in 1923, 70 of 209 in 1924, 89 of 232 in 1925, and 81 of 230 in 1926. The total for the six years is thus £431 millions out of £1,904 millions, or *less than 23%* for "*mainly home industries.*" The secondary role of British home industry is here clearly indicated.

No less striking is the indication that the rising balance of profit comes increasingly from foreign production, the profits of which serve to counterbalance and actually to outweigh decrease at home. Thus in the crisis conditions of the fourth quarter of 1926, the "Economist" reports a net increase in profits of the 440 industrial companies analysed to the extent of 3.8% on the previous year. But *this increase is entirely based on "certain undertakings such as oil, rubber, tea and nitrate producing companies, whose fortunes do not directly reflect British industrial conditions."* If these are omitted, there is an actual decrease of 3.7%. Of the £38 millions of profits recorded, £9 millions or nearly one-quarter come from oil, rubber and tea.

Thus the British capitalist class is increasingly drawing its wealth and income in purely parasitic form, not even from the nominal direction of home enterprise and production, but from its imperialist holdings and interests, from the tribute of the colonial empire. The increasingly passive, parasitic character of the income of the British bourgeoisie is strongly suggested in the fact, elicited from the Treasury in the Colwyn Committee enquiry, that 70% of the present yield of income tax comes from invested income.

§6. *Divorce between the Interests of British Capitalism and of the Working Class*

It is sometimes argued that this process of foreign investment and industrial-financial development of new countries, which is the keynote of imperialism, in reality benefits home industry by the placing of contracts and

the securing of advantages in raw materials and markets, and therefore represents the interests of the working class in the home country. This argument is at all times false in relation to the permanent interests of the working class as a whole, despite the temporary advantages secured by sections. The real interests of the working class are injured by the burdens of imperialism, armaments and war; they are further injured by the division of the workers into sections, which follows on imperialism, and above all by the division of the workers in the home country and the colonial workers, who are played off against one another ("white" versus "coloured" workers, etc.). But of even more immediate importance this argument overlooks the fact that imperialism has entered on to a new and culminating stage in the final *industrial* development of the new areas, in which even the short-sighted opportunist argument no longer applies.

What this short-sighted argument overlooks is that, while the early stages of railway development and export of machinery have an apparently harmonious connection with home industry, the later stages, which we have now reached, of direct industrial development and expansion of the new countries, directly depress the home industries of the imperialist country, leaving scope only for the secondary and luxury industries or the parasitic service of the imperialist tribute-receiving class, and leading straight to the "economic necessity" of lowering wages in the basic industries in order to enable them to "compete."

The real process can be made vividly clear with a couple of examples. The first may be taken from textiles, the second from engineering. The example of textiles concerns Australia :

"Some British textile manufacturers, anticipating future possibilities and meeting present difficulties, have already established themselves in Australia, and

invested capital in Australian companies. I need only mention the names of W. C. Gaunt, Salts, Patons and Baldwins, and Kelsall and Kemp, to show that some of the leading firms in the British textile trade have seen the wisdom of this step, and incidentally profited accordingly.

“A substantial number of Australian textile companies are paying regular dividends of 10 per cent. and more (many on substantially watered capital) and placing large sums to reserve each year. *They escape freight and handling and other charges involved in the shipment of raw material to England and the importation of the manufactured article from the same country.*” (*Manchester Guardian Commercial*, 12-3-25.)

In 1923-4 British textile exports to Australia amounted to £25 millions, or 40% of the total British exports to Australia. Now, however, the British textile capitalists count on making bigger profits—“regular dividends of 10% and more on substantially watered capital”—by direct production in Australia without the costs and burdens of British production (which costs, be it noted, raise no question in the present case of “too high wages” in Britain, since wages in Australia are higher). But the big profits of the British textile lords mean unemployment and slow ruin for the Lancashire operatives—and then on the basis of this the textile lords come to demand from these same operatives sacrifices of short time and lowered wages in the name of “bad trade.” Thus here is a working model of imperialism in its practical effect upon the workers, and of the close connection of imperialism, unemployment and the attack on wages.

This example from a high-wage country serves to show that the imperialist expansion of industrial production overseas at the expense of British home industry, which leads to lower wages in Britain, can take place

equally in a high-wage and a low-wage country, provided that country is free from the extreme capitalist burdens which weigh down British industry.* The next

* Thus the Labour Imperialist propaganda, which attempts to treat the problem of increasing international competition against British production as primarily a problem of "foreign sweated-wage competition," to be met by Imperial Preference and a tax on sweated goods or exclusion of sweated goods, is completely irrelevant to the real issues.

In the first place, sweated goods are produced as much in the British Empire as outside (India, Africa, West Indies, East Indies, etc.—the greater part of the Empire), and are not therefore excluded by any measure of Imperial Preference, which on the contrary excludes or attempts to limit high-wage American goods: so that to advocate Imperial Preference or Imperial Economic Unity in the name of high-wage standards is a typical piece of Labour Imperialist hypocrisy.

In the second place, a British tax on or exclusion of sweated goods (is British coal to-day a sweated product?) leaves completely unaffected the real problem of the world market, on which British industry in its present structure under capitalism must necessarily depend.

Finally, the hypothesis of an international agreement against sweated goods (which is in practice out of the question, since all the Great Powers, and Britain most of all, are built up on the Imperialist exploitation of colonial sweated labour, and will allow nothing to check it, so long as their power remains), even if it were practicable, would still leave the basic questions behind the increasing international competition and inevitable decline of British industry under its crushing capitalist burdens unaffected, as the successful competition of high-wage capitalist countries like Australia and the United States (free from the extreme deadweight capitalist burdens of Britain) shows.

None of these tricks and devices, which endlessly occupy the imaginations of the reformists as supposed alternatives to the actual fight, can get round the real issue of British capitalist property rights, which to-day irrevocably confronts the British working class.

example is from a low-wage country. In the spring of 1926, at the same time as the refusal of the engineers' pound increase demand, and on the eve of the attack on the miners, came the announcement of a new issue in London of two and a half million pounds $7\frac{1}{2}\%$ debentures in the Skoda engineering works in Czecho-Slovakia. The issue price was 95, so that the actual return was nearly 8%. The basis of this enormous new issue in the midst of engineering depression was readily visible, when wages were compared. According to the official returns of the International Labour Office, engineering wages showed: Fitters, Czecho-Slovakia, 32s.; London, 62s.: Labourers, Czecho-Slovakia, 19s.; London, 43s. Thus here is the complete position ready made for the patriotic British investors, while pocketing their 8% from Czecho-Slovakia, to appeal to the British engineers to make a sacrifice for the sake of the higher "national" interest and accept a reduction in wages in face of the "inexorable necessity of economic laws."

These examples illustrate the process reaching up to the characteristic modern situation, in which the growing wealth of the capitalist class is no longer based on the advance of British industry, and accompanied by the slower, but gradual, advance of the workers' standards; but instead takes place amid the visible stagnation and decline of British industry and the deterioration of the workers' standards. The divorce of interests between the capitalist class and the working class in Britain is now complete. The working class can only advance by the direct attack on capitalist property rights and eventually on the whole capitalist control of industry. The capitalist class can only maintain their control of British industry in the face of modern world conditions by driving down the standards of the workers.

The modern British situation was vividly and ominously revealed in Churchill's Budget speech on the eve

of the General Strike. On April 26th, 1926, within five days of the attack on the miners' already desperately low wages, and of the conflict of the whole forces of the State with the working class on the issue of a further lowering, the Chancellor of the Exchequer declared:

"The nation is richer this afternoon than it was a year ago. The profits on which future calculations of income tax may be based show an increase, a substantial increase."

But at the same time in the same speech he had to declare:

"The basic industries of the country, those which employ the largest number of workpeople, nearly all continue obstinately depressed under their heavy burdens." (House of Commons, 26-4-26.)

He did not show any consciousness of the seeming contradiction between these two statements, still less of the real connection by which the second is largely dependent on the first. For him, as for all bourgeois statesmen and non-Marxists, the facts of the situation are a collection of accidents in water-tight compartments; and he can in the same breath explain the regretted "economic necessity" of the lowering of the workers' wages and the growing wealth of "the nation," *i.e.*, of the capitalist class.

§7. *Can Transference of Industries Solve the Crisis?*

At this point it is necessary to deal with a view that is sometimes put forward as an adequate treatment and solution of the British economic crisis. This is the view that the admitted decline of the basic industries in Britain does not represent any decline of capitalism in Britain, but simply a necessary process of transference from those basic industries to newer and light industries, and that along this line, the line of the development of the

new industries and light industry, the problem can be solved.

This view is not yet the view of the main body of British capitalism and financial interests, which recognise that their position is built on the basic industries and their exports, that their imperialist domination can only be maintained on the basis of these and the export of capital they make possible, and that retreat from this means inevitably relegation to a secondary position. But it is a view put forward in Liberal circles (Keynes, the *Nation*, the *Manchester Guardian*, the *Daily Chronicle*, the Liberal Summer School, etc.), representing a reversion of smaller industrial and financial interests, suffering under imperialism, to "Little Englandism"; and it finds a frequent echo in Independent Labour Party propaganda, which is always ready to take up any prospect of an alternative to tackling the capitalist issue.

What is the basis of this view? It is pointed out that in the years since the war, and particularly in the recent years 1923-1926, while the basic industries have gone backward, various secondary and luxury industries, production of higher grade goods, as in textiles, newer or newly developed industries, such as artificial silk, chemicals and motor-cars, have gone forward. On this foundation is evolved a theory of the transference of Britain from a basis of heavy to light industry, and of the existing crisis and depression as only the pains of the transition. In November, 1926, the Ministry of Labour published tables to show those industries in which employment had increased and those in which it had diminished. The first table, in which employment had increased, included as its principal groups trade and commerce, building, buses and trams, motor cars, minor metal products, artificial silk, etc. The second group, in which employment had diminished, included coal, iron, steel, engineering, shipbuilding—that is, the heavy

industries. With this process it has also been noted that there goes a transference of the centres of industry: the stagnation of the North Country, the Tyne and the Clyde; the emergence of the new minor industries in the neighbourhood of London and the South and the Midlands.

All this is undoubtedly a very significant line of development. It is a carrying forward of the process of imperialism in its culminating stages, as already described in previous sections. What it amounts to is that a special type of imperialist position is established in industry, by which not only the production of food and raw materials is left to the colonies, but in addition all the rough heavy industry is more and more left to the colonies, while only light industry, luxury products and the direct service of the imperialist parasites is left to the home country. It is not an attractive or ennobling future which is thus held out to the British population; and its success obviously depends on the maintenance of the whole imperialist domination. It depends, that is to say, on the tacit acceptance by the colonies of their inferior position and of the favoured position of the metropolis; so soon as the colonies rebel against maintaining the parasitism at the centre of the Empire, and extend their invasion from the sphere of heavy industry to the sphere of light industry also, the whole system collapses. Thus what is here put forward cannot represent any permanent or basic solution of the British economic problem.

But can it represent even a temporary solution? A moment's consideration of the real facts of the position will show that this is not the case. The suggested line of transference to light industries represents no solution of the British economic crisis.

The new industries and light industries, even under the most favourable conditions of development, cannot occupy more than a fraction of the population that has

hitherto been dependent on the basis of heavy industry. The whole silk and artificial silk industry occupied in July, 1926, 51,220 persons, an increase of 1,420 on 1923, Electrical supply, etc., occupied 87,910. Even the much quoted motor-car and aeroplane industry occupied in all less than a quarter of a million persons, 224,040 in all, an increase of 31,340 on 1923. These increases are not sufficient even to absorb the natural increase of population. The natural increase of population at present is about a quarter of a million a year; the total number of increases in all industries showing an increase for the three years 1923-1926 amounted to only 643,090. Thus there is a net loss even in relation to the increase in population, let alone the slightest beginning of absorbing or counteracting in any degree the heavy losses in the basic industries.

This conclusion is equally borne out by the fact that the entrants into the new industries are found to be new entrants and not migrants from other industries. Thus the "Economist" states with reference to the Blanesburgh Committee's Report:

"What of the 'shift' from the older to the newer industries which is said to be taking place? . . . The newer industries, as the statistics of age distribution show, seem rather to rely on new entrants than on migrants from other trades." (*Economist*, 26-2-27.)

The Balfour Committee on Industry and Trade also took into view the question of "compensation" for loss in similar and coarser goods by development of higher grade goods, and came to the conclusion that such "compensation" could not solve the problem:

"The new local manufactures are generally speaking concerned at the outset with the simpler and coarser classes of goods, and the immediate result is not only to restrict international commerce, but to drive it more and more on to the finer qualities of manufacture . . . *It is of course unlikely that any*

compensation of the kind indicated above would of itself be sufficient to counterbalance the decline in external demand for the commoner grades of goods." (Survey of Overseas Markets, p. 11.)

From all these considerations it is clear that the British population in the present period will have to find their living on the primary basis of the heavy industries, or not at all: and if this cannot be carried out under capitalism, as it no longer can, the necessary organisation of the older industries, as well as the social adaptation by progressive transference to new forms of industry, will be carried out and can only be carried out under the proletarian regime. The petty bourgeois liberal "solution" of the crisis by transference to newer light industries under capitalism, with the unspoken assumption of the continuance of the imperialist basis, is not only impracticable because it ignores the necessary condition of the continuance of the imperialist basis, namely the maintenance of the export of capital on the basis of the heavy exporting industries; but even if it were practicable, would mean the reduction of the population to half, and the starvation of the remainder (large-scale emigration under capitalism having been found unworkable, as the failure of the Overseas Settlement Act so far has shown, because emigration under capitalism means either requirements of capital that restrict it to a handful, or else the dumping of unemployed without capital into countries already possessing their unemployed problems).

The dominant forces of British capitalism, represented in the expressions of the City, the Big Banks, the *Times* City Editor, etc., are perfectly clear on this position, and are perfectly conscious that the British economic situation must be re-established on the foundation of the basic exporting industries or not at all. They know that the whole imperial system depends on the continual fresh supply of new capital for export; and

that if this continual new supply, which rests in the last resort upon the basic home industries, runs dry, the whole system collapses.

But it is just in the supply of new capital for export that the weakening has become most clearly visible, and with it the danger of the loss of the whole world position and control of the Empire. Already the embargo on overseas loans during the greater part of 1925 opened the way to serious financial penetration of the Empire by Wall Street. According to the Board of Trade Estimates, the net amount available for new investment overseas has steadily fallen during the six years 1920-1926:

Net Balance available for New Foreign Investment.

					£ millions
1920	...	...	...	...	252
1922	...	...	...	...	154
1923	...	...	...	...	153
1924	...	...	...	...	86
1925	...	...	...	...	54
1926	...	...	...	<i>minus</i>	12

If this net debit balance for 1926 is correct, it would mean that the process of actual decline of foreign and imperial holdings, as well as of home industry (of "*disaccumulation*," in Professor Varga's phrase) had begun in that year. This is the heart of the situation for modern British capitalism. This is the situation which the capitalists now hope to reverse and improve by the depression of the standards of the British workers, already carried through with the battle of 1926 and to be further carried through.

The maintenance of the imperial and world financial position depends on the raising of abundant fresh capital for export, especially in face of the teeming abundance and growing capital export of the United States, which is yearly making sweeping inroads into the British imperial and world position. But the raising

of fresh capital for export depends on the bringing of the British home industries to a profitable "economic" basis. Thus the policy of a modern capitalist imperialist Government in Britain, such as the Baldwin Government, turns on two fronts: first, the maintenance of the imperialist position in the face of the growing disruptive forces; and second, the bringing of British home industry to an "economic" basis, that is, the driving down of the workers. The whole policy in its economic aspect is expressed in a nutshell by the *Times* City Editor, writing on the eve of the postponed offensive of Red Friday, and referring to the raising of a hundred million dollar loan in New York:

"When our export industries are at last placed upon a competitive basis, and we acquire thereby a larger surplus available for investment abroad, we shall of course as in the past be able to finance all the requirements of the Empire." (*Times*, 9-7-25.)

Thus the central question of modern British capitalism is not the transference from the heavy to light industries.

The central question of modern British capitalism, on which its whole home policy turns, is the reduction of the basic exporting industries to a profitable "competitive" "economic" level.

§8. *Failure of Capitalist Reorganisation in Britain*

But how can the British basic industries be brought from their existing depression to a more profitable "economic" level?

For capitalism there is only one method, and that method is proclaimed by every capitalist spokesman and journal—to lower wages, to lengthen hours, to increase output, in short, to intensify the exploitation of the workers. It does not matter that this process can only in fact intensify the world capitalist crisis, so long as it

may bring an immediate increase in profit to the British capitalist class.

The capitalists cannot touch the real evils weighing down British industry, because these evils are inherently bound up with the existing capitalist organisation of industry, as it has grown in Britain.

In the first place they cannot carry through the large-scale reorganisation which is admittedly necessary. Reorganisation is admittedly necessary, for the unification of each industry, for the modernisation of technique, and for social adaptation between industries to meet changed conditions. All this goes beyond the scope of the relatively antiquated British capitalist structure, with its disorganisation and confusion inherited from the individualist era; with the result that British capitalist organisation and technique are to-day, as countless Government committees have testified, backward in relation to modern capitalist countries (in the new Electrical Era Britain ranks seventh).

In France, Germany, the United States and other countries large-scale technique reorganisation has been carried out in the years since the war. The cases of Germany and the United States are notorious. In the case of France a recent Government report may be quoted (comparing 1911 and 1925):

“Supplies of energy from thermic and hydraulic sources are both three times greater; her coal output is 25% higher and is increasing. Her blast furnaces and coke ovens are more modern and more numerous, the former by 25, the latter by 45%. The complete reconstruction of her devastated areas has caused the wholesale rebuilding or at least re-equipment of probably the majority of the undertakings in the linen, woollen, cotton, engineering, glass and other industries in what was and is the greatest of the three industrial zones of France.” (It is further pointed out that exports of manufactured goods,

measured in tons, have increased 83% between 1913 and 1925.) (J. R. Cahill: "Economic and Industrial Conditions in France," 1925/6.)

Why has this technical reorganisation been able to take place in France, Germany, the United States and other countries, and not in Britain? The answer lies in the older historic growth of British capitalism. The priority which was once an advantage is to-day a handicap. The newer capitalist countries were able to start later and more rapidly with a more modern technique and a relatively more planned organisation. The new colonies outside Europe were free from feudal remains. In France and Germany the semi-revolutionary effects of war and inflation cleared the ground for reconstruction. On the other hand British capitalism is tied and fettered with an accumulation and network of individualist, sectional and vested rights and interests. In its early days capitalism would have struck these obstacles out of its path, as the rights of the landholders were overridden by the advancing railways. To-day British capitalism is too enfeebled to take a strong line; the bourgeoisie is no longer the advancing class, but is menaced by the advance of the proletariat; the whole social and political situation is too delicate for any endangering of the social fabric, and every supporter of the existing order, however reactionary and parasitic, has to be preserved.

Hence the failure of all the schemes of capitalist reorganisation to be carried out in Britain. The breakdown of all the schemes of post-war reconstruction, the abandonment of State Control, the rejection of all the ambitious Lloyd George schemes of industrial rebuilding, mark the decisive passing of British capitalism to a purely reactionary, decaying force, fighting only for its possessive parasitic rights, and symbolised in the Baldwin era.

The whole process is most clearly expressed in the

record of the coal industry since the war, and the breakdown of every scheme of capitalist reorganisation in the face of the dead wall of proprietorial opposition and the blind refusal to face plain economic facts. The same process is visible in the timid and half-hearted railways amalgamation, and the belated and utterly feeble Electricity Act, which was even so whittled down by the conservative rank and file to the last extreme of "voluntary" ineffectiveness.

To all with eyes to see, history has already declared with letters large as life that only the working class dictatorship can reorganise British industry.

But if the capitalist control of industry is to-day incapable of carrying through the necessary reorganisation, it is still less able to cut down or remove any portion of the deadweight of parasitic burdens that weigh down British industry and handicap it in the international sphere. These deadweight burdens are without parallel in any other country. They are again the result of the historic growth of British capitalism, and to-day inextricably bound up with its continuance, so that only a change of class power can get rid of them.

Even the antiquated feudal dues, the rents, royalties, wayleaves and the rest, which have strictly no function in capitalist society (as Marx declared, a completely "pure" capitalist society would nationalise the land) must to-day be jealously preserved for fear of endangering the whole fabric. So a Duke of Northumberland, representing these antiquated parasitic pre-capitalist exactions, appropriately leads the modern conservative legions. It was stated by Pugh at a recent enquiry that of every pound in the price of steel ten shillings is represented by royalties. Nevertheless the whole capitalist press is at one in declaring that wages are responsible for the weakness of British heavy industry products in the international market.

The same applies to inflated capital, paper valuations

representing financial speculation, watered shares issued for nothing in boom periods, mortgages, bank claims and the whole load of unproductive debt. According to Sir John Hunter, the Director of steel production during the war, the iron and steel industry is to-day "carrying a capital indebtedness which it is no exaggeration to say is probably twice the actual present day value of the assets represented thereby." (*Times*, 28-10-26.) The inflation of textile capital by sales and new capitalisation in the boom period is notorious: it is recorded that something like half the plant in the spinning section of the cotton industry changed hands at a price six to seven times the original valuation; and on the new inflated capital dividends have to be squeezed out of the workers in the face of increasing overseas competition.

Heaviest of all the burdens on industry is the War Debt, amounting to nearly eight thousand million pounds, held as to 95% by the wealthy, and representing a social burden without return of three hundred and fifty millions a year or roughly £20 per worker.*

* It is sometimes argued—by so-called "Labour" apologists and economists!—that the War Debt represents no burden on the workers, since the interest on it is paid for, or very nearly paid for, by the income-tax and the super-tax: thus it is declared to be a "mere book-keeping transaction," representing the passing of money from one pocket of the rich to another. This is childish make-believe. In the first place, the income-tax has been greatly extended, both by the lowering of the limits and by the decreased value of money, so as to reach even incomes of £3 a week, (equivalent to 35s. pre-war) and to cover the greater part of the petty bourgeoisie, underpaid salaried workers, and a section of the industrial workers, who are not among the rich recipients of the proceeds. In the second place, the national revenue previously available from income-tax and super-tax, that is from the direct taxation of the rich, and now returned to the rich in the shape of debt interest, has in consequence to be raised from other sources, by the increase of indirect

Finally, British capitalism is not only unable to cut the deadweight burdens on industry, but on the contrary is compelled to increase them by the policy of the return to the Gold Standard. The return to the Gold Standard is necessitated by the international interests of British finance-capital, by the necessity to maintain the international value of the pound in the battle with the United States and the advancing dollar. But this return automatically increases all the deadweight burdens with a fixed nominal value (debt interest, debentures, mortgages, royalties, etc.), and thus increases the burden on British industry. Where the newer capitalist countries are relatively free from the same extreme proportion of deadweight, and the Continental capitalist countries, such as France and Germany, have in great part wiped it out by the process of inflation (amounting to expropriation of the holders of capital with fixed rates of interest), British capitalism has had to increase its already unequalled burden of deadweight as the inevitable condition of carrying through its policy, essential to its dominant financial interests, of deflation and the return to the Gold Standard. This contradiction is an acute expression of the whole dilemma of British capitalism.

Thus British capitalism is in the whole nature of its existing situation incapable of tackling the economic crisis. Only the working class will be able to tackle taxation falling on the workers and by the reduction of social expenditure on health and educational services. In the third place, it is notorious that the increased rate of profits and dividends extracted from industry more than covers—and in the “tax free” forms is directly calculated to cover—the increased taxation, so that after payment of the taxation the incomes of the rich are still above the old level, and then in addition they receive the full volume of the debt interest. Thus the debt interest is in fact an additional burden on the workers, wrung from them by intensified exploitation.

the economic crisis, in the face of the opposition of the capitalist class, and at the expense of the capitalist ownership of industry.

For British capital there is one course, and one course only, for endeavouring to re-establish industry on an "economic" basis, and that is to drive down the standards of the workers.

§9. *The Attack on Wages Inevitable*

From all this consideration of the whole position of modern British capitalism, it follows that the attack on the workers' standards, the attempt to cut wages, lengthen hours, increase output in the workshop and sack "superfluous" workers, is inevitable in the present period. Within the laws governing capitalism no other outcome is possible. This is the actual situation within which any policy of a "Living Wage" must be faced.

First, the British industrial decline consequent on the rapid advance of new capitalist countries creates a critical position for British capitalism.

Second, British capitalism is able to maintain its position for the present by drawing increasingly on its imperialist reserves. But the development of colonial industry reacts harmfully on home industry; the control of the colonial possessions is weakened by new separatist tendencies and the invasion of American capital; and the hold can only be maintained if the basic home industries can be successfully re-established for the export market and the export of capital.

Third, British capitalism is consequently compelled to re-establish the basic home industries for the export trade on an "economic" basis as the sole means of maintaining its position.

Fourth, British capitalism is incapable of reorganising the basic home industries by bringing technique up to the level of its modern competitors or getting rid of the deadweight burdens which hinder its efficiency,

because these burdens are inseparably bound up with the capitalist organisation of the industry.

Fifth, the only course therefore for British capitalism to reorganise industry on an "economic" basis is by worsening the standards of the workers, whether through lower wages and longer hours, or through speeding up production, scientific management, "American" methods, scrapping less productive enterprises and throwing the workers employed in them on to the scrap heap, etc.

This is the policy proclaimed and pursued by the whole forces of capitalism. On this basis, by the victory won over the miners with the whip of starvation in 1926, capitalism looked for a "revival" in 1927. Such "revivals," based on the worsening of the standards of the workers, are of necessity short-lived and illusory; they solve none of the real causes of the crisis. They are simply met by intensified competition from other countries, resulting in a net worsening of the situation, which leads to renewed attacks upon the workers.

Thus the attack upon the workers' standards in the present period is not an accident or a temporary phenomenon. It is not a question of a peculiar "plot" or "conspiracy" of certain individual or greedy profiteers, or sinister forces supposed to be working behind the Federation of British Industries or in control of the Banking Big Five (as the infantile myths of the reformists love to present).

The attack on the workers' standards is the perfectly systematic inevitable, predictable working out of the whole development of capitalism in Britain. The Federation of British Industries, the Bank chairmen, Baldwin and Churchill are only the agents of this development.

The sooner the workers see this clearly, the sooner they see clearly the real enemy, not in any isolated section of the employers or group of financiers or particu-

lar economic policy within capitalism, but in the whole capitalist regime organised through the capitalist State, their struggle a struggle against the united capitalist class and capitalist State for power, the better for the speedy success of their fight.

Once this actual situation of British capitalism is understood, once it is understood how every part of the situation is linked up with every other part to lead to the present outcome and policy, then there becomes clear at once the complete idleness and futility and childishness of appealing to the capitalists on "ethical" grounds that they "ought" to pay the workers a better wage, of arguing that the growing wealth of the capitalist class gives the workers a "just" and "reasonable" claim to a higher wage, of urging on the capitalists the "economic advantage" of paying the workers a higher wage and thus increasing the home market, etc.

All this completely ignores the realities of modern capitalist imperialist policy (which means the policy of the whole modern capitalist class). It ignores the fact that the whole interests and policy of the capitalist class to-day lie in an entirely different direction, not in the development of the home market, but in the maximum exploitation of the British workers as a basis for the imperialist exploitation of a quarter of the world. It ignores the consequent fact that the only effective change in British economic conditions can come not from the enlightened self-interest of the capitalist class and progressive reforms within capitalism, but only from the militant action of the working class, whose interests and livelihood are to-day bound up with the social reorganisation of industry, in direct struggle with the capitalist class—a struggle that can only be successful to the extent that it breaks into the bounds, economic and political, of the existing capitalist framework.

Only the direct attack on capitalist property rights can to-day improve the conditions of the working class.

§10. *The Working Class Answer*

What is the practical conclusion for working class policy from the foregoing analysis of the economic situation in Britain to-day?

Capitalism in Britain to-day has reached a point at which it finds itself incapable, within the limits of its own system of property rights, of paying a living wage to the working class as a whole, but on the contrary finds itself compelled to attack the already inadequate wages of the workers, even at the expense of driving the workers in consequence in a more and more revolutionary direction.

In this situation what must be the policy of the working class? There are only two alternative lines of policy possible.

The first is to submit to reductions of wages as an "economic necessity" of the existing capitalist structure.

The second *is to resist reductions and fight for increases, even with capitalism in its decline, by class strength at the expense of capitalist property rights; and eventually to advance to the wresting of industry from the capitalist class by the conquest of class power.*

The first policy is the policy of the reformist leadership, of the Labour Party Executive, of the General Council and of the Independent Labour Party.

For this policy there is no justification in fact. There is no "economic necessity" for the reduction of wages. There is only a capitalist necessity. There is no natural cause of poverty, or inability to produce, to make necessary "sacrifices" by the workers. The only cause is the capitalist inability to organise production. And it is just this which the working class movement exists to challenge.

To this policy of submitting to reductions in the name of capitalist necessities there is no end within capitalism save new attacks and new submissions.

The second policy is therefore the only adequate policy for the working class movement in the period of capitalist decline.

What is involved in this policy? There are three stages distinguishable, although these are not necessarily separate in time.

The first is the *defensive*. The whole working class movement needs to unite its strength behind the policy of No Reductions in Wages and No Increases of Hours, regardless of capitalist pleas of "economic necessities" and "what the industry can pay," and regarding only "what the capitalist class can pay." This is the policy that triumphed on Red Friday; this is the policy that was betrayed by the General Council and the reformist leadership in May, 1926, and the result of that betrayal was disaster. The lesson of this is that the united working class front needs to be formed anew, in spite of the reformist leadership and their sabotage, and under new and stronger leadership; and the work for this is the immediate task in front.

The second stage is the *offensive*. Once the united working class front is achieved, it is not sufficient merely to maintain the defensive, leaving to the capitalist class the initiative and the choice of the moment of struggle convenient to themselves. It is necessary to put forward positive demands, to fight to recover the lost ground, to fight for all-round increases, for shorter hours to absorb the unemployed, for 100 per cent. unionism, for rights of control within the workshop, etc.—again regardless of capitalist "necessities," and on the basis of the invasion of capitalist property rights, as the only possible basis of struggle in the present period of capitalist decline.

The third stage is the *struggle for power*. As the

events of May already foreshadowed, this stage inevitably develops sooner or later out of the former two. Once the issue of class strength is joined, it inevitably develops sooner or later into the full issue of ruling power. Whatever gains the workers may win for sections by their class solidarity and strength, these gains can only be partial and temporary within the period of capitalist decline, so long as the capitalist control of production remains. These gains do not solve the economic crisis; instead, they accentuate it. There can be no permanent solution save by the control of industry by the working class. The workers, in resisting the capitalist claims of the alleged "necessities" of capitalist production, in making demands incompatible with the normal process of capitalist production, are by so doing in fact declaring, and must be prepared to make good at the first opportunity, that they are themselves ready to take over the responsibility of organising production. This is the dominating final aim of the whole struggle. To carry out this, the workers require a Workers' Government, based on their own organisations, and able to impose their will upon the capitalist class.

In the first two stages of the struggle the slogan of the "Living Wage" serves to express the immediate aim of the workers' fight. In the last stage the fight goes beyond the living wage, and becomes in fact the fight for socialism—that is to say, for an organisation of society in which the whole system of wages, of employers and wage-earners, of class division, of the selling of labour power for existence is abolished, and common organised production and social provision for the needs of all are substituted. Within the aim of socialism the conception of the living wage has no place.

The living wage is thus an immediate aim in the daily fight with capitalism. It is not a final aim. Whatever the workers can win can only be won by their fighting strength, and can only be won as tem-

porary and partial gains. It cannot be achieved as a harmonious working system within capitalism. The only final aim is socialism, which implies the destruction of capitalist wage-relations and the overthrow of capitalist class power. The living wage is only a temporary aim in the mobilisation for this struggle.

This is the only possible working class policy in relation to the question of socialism and the living wage.

III.

THE I.L.P. LIVING WAGE POLICY

The modern British situation which has been described in the previous chapter raises critical questions of policy for the working class movement.

The old reformist policy, which was based on the conditions of the nineteenth century, that is, on the period of ascending capitalism, and which sought to win concessions for sections of the workers by co-operation with capitalism, is clearly to-day in the sight of all bankrupt and unable to assist the workers. Capitalism, so far from being disposed to grant new concessions, is withdrawing those which have already been given; and reformism, by its policy of co-operation with capitalism, is unable to meet the new concentrated attacks.

For this reason there are, as already explained, only two lines of policy before the working class.

One is surrender, and the acceptance of worse standards, in the interests of capitalism. This is the modern role of reformism.

The other is the advance to new forms and methods of struggle to meet the new conditions; to mass unity for defence and attack; to facing the revolutionary issues of capitalism and the working class inevitably raised; and so along the line of revolutionary class struggle to the conquest of power and the reorganisation of society. This is the line of communism.

Between these two the issue is raised. The conditions of capitalist society to-day, in which even wage issues have become in fact revolutionary issues, compel more and more sharply the issue between these two paths, between reformist surrender and revolutionary class struggle, between reformism and communism.

It is within the framework of this actual situation that the I.L.P. living wage policy must be considered.

§I. *The Failure of the Reformist Leadership*

The controversy over the General Strike, the miners' struggle and the role of the General Council, have brought into sharp relief the modern position of the reformist leadership.

The essence of that position is that *the reformist leadership stands to-day for the reduction of wages and the acceptance of worse conditions by the workers.*

In all the many questions of controversy this stands out as universally admitted. It is the whole self-defence of the General Council and their supporters that the miners ought to have accepted a reduction in wages. The Samuel Commission Report, which was officially pressed on the miners; the Samuel Memorandum, which was accepted as an adequate basis for ending the General Strike; all contained explicit provision for the reduction of wages. This was the official policy of the General Council, of the Labour Party Executive and of the whole reformist leadership.

The miners' policy of resisting a reduction of wages is condemned in the General Council Report as "a policy of mere negation." Already before the General Strike, prominent leaders such as MacDonald were advocating a "temporary sacrifice," for the sake of capitalist reorganisation. In his speech at Porth on May 22nd, A. J. Cook declared:

"I have had experience of being bullied in colliery offices; I had experience in 1920 and in 1921 in meeting the Government; but *never have we been bullied by the employers or the Government to the extent that we were bullied by certain trade union leaders to accept a reduction of wages.* ("Shame."). The Government knew that and the coalowners knew it. One man on the other side said to me: 'The Trades Union Council will help us,' and the Prime Minister on more than one occasion publicly thanked the Trades Union Council."

This policy of the reformist leadership was in direct opposition to the policy of the working class as a whole, as the process of the repeated public pledges on behalf of the movement and violation of these pledges has shown. On Red Friday, 1925, when resistance to any reduction was declared, the whole working class was in support. At the Scarborough Congress in 1925, the Chairman declared, not only for united resistance to any reduction, but for advance to an increase. On February 26 and April 14 the policy of resistance to any reduction was reaffirmed in public pledges. At the May 1st Conference which decided the General Strike, no repudiation was declared of these pledges, and the publicly declared policy was explicitly approved. The working class thus entered the General Strike explicitly for resistance to any reduction in wages. The policy of reduction was a behind-the-scenes policy of the reformist leadership (which is the reason why the May 12 surrender was not a mere disputable question of policy or tactics, but a direct and open betrayal of the working class).

This episode, which thus reveals in so sharp a form the growing division between the reformist leadership and the working class, is not an isolated episode, but is characteristic of the whole present period. The more far-sighted reformist leaders recognise and openly declare that what has happened to the miners has to happen to the workers in every industry, and that the only possible policy they can advocate in the present period is a policy of surrender and acceptance of worse conditions in the hope of capitalist reorganisation and ultimate revival. In this way MacDonal declares (writing in the *Socialist Review* for November, 1926, when the miners' struggle was at its most critical point):

“What use is there in remaining blind to obvious facts? Have we come to the Samson policy of pulling down pillars? Must we be heedless of the new combinations of capital which, having the wisdom to look

ahead, see that Samson may tug, but that any stone he can dislodge will fall first of all on his own head? *The balcony with the philistines will not fall. If it did, what then? It will be shored up; it will be rebuilt; the workers will be weaker than ever they were, and their standards lower.*"

With this final defeatism of the working class struggle should be taken a previous statement from the same writer, when, dealing with the miners' struggle, he declared that "the fight is degenerating into blind hitting out," and that it is necessary "to retreat temporarily in order to save something for a new advance":

"The time has come for a survey of the whole national position which includes not only mining but *every other industry*. A victory that does not lead to prosperity is a defeat; a defeat that retains the potentiality of prosperity is a victory."

Here is a complete philosophy of surrender for the present period. Capitalism cannot be overthrown. If it could be overthrown, it would only be rebuilt. Whatever happens, the workers will be weaker. "New combinations of capital" have come into existence and are stronger than the workers; they have "wisdom" to see ahead, unlike the blind Samsons of workers. Therefore, the workers must submit. The workers must accept lower wages, although the profits of the capitalist class as a whole are higher than they have ever been before. They must accept lower wages in the hope of future "prosperity," *i.e.*, capitalist expansion. This is the hope held out to the workers by the leader of the Labour Party in 1926.

This is the declaration of bankruptcy of the reformist leadership.

Such a collapse of the reformist leadership is a very significant feature of the present period. Time was when the reformists used to claim to stand for positive gains, for wages, for bread and butter, against the visionary

schemes and dreams, the theories and doctrines of the revolutionaries. That day is past. To-day the banner of the reformists is the reduction of wages. The fight for wages, the fight for bread and butter, is now declared by them to be "negative," a "theory," "doctrinaire," a "mere slogan." It is the revolutionaries who are leading in the wage struggle, at the same time as showing the way forward for the ultimate struggle. With this change a whole epoch has changed, and the leadership of the working class movement will inevitably change.

The collapse of reformist policy and leadership is inevitable in the present period. *In the period of capitalist decline a reformist leadership and party has no longer any basis, and can only maintain itself for a while by acting more and more openly as the decoy agent of the capitalist class in the tasks of repression and stabilisation on the backs of the workers, that is, in the tasks of capitalism in its decline.* (This is the entire role of the Second International since the war). Hence a growing division between the working class, who are driven by conditions more and more to the left, and the reformist leadership, who under the influence of the same social situation move more and more to the right. From this follow left wing revolts, machine discipline and repression, splits and exclusions by the right wing leaders as the sole means of maintaining their position, and similar features of disintegration.

The first stage of this process was already visible with the collapse of the once powerful Liberal Party in the second decade of the twentieth century. The Liberal Party once held the mass of the workers in its sway in the years of nineteenth century progress, and even in the beginning of the twentieth century was able to maintain its hold against the rise of independent working class politics by an active programme of social reform, in which the labour leaders co-operated. This policy of Liberal-Labour coalition and social reform came to an

abrupt break in 1914, thus proving the correctness of the Marxist conception of the decisive factors of capitalist development, as against the Fabian Liberal-Labour conception of continuous "progress." The Liberal Party, the party of class conciliation, broke on the rock of imperialism and the contradictions of capitalist development. At the present day liberalism, in England since the war, and on the Continent since an earlier date, has been largely replaced by parties based on the independent working class movement.

To-day the second stage of this process is taking place with regard to the reformist leadership which has succeeded to the Liberal Party and endeavours to continue liberal policy on the basis of the working class movement—the leadership represented by MacDonald, Snowden and Thomas in England, and by modern social democracy abroad. Here the process is still more rapid; because these leaders are compelled to endeavour to base themselves on the working class movement; and in consequence every development of the class struggle brings them into opposition to their own followers and weakens their position.

The whole line of development since the war shows this process at work.

Already the war revealed sharply their position as the servants of capitalism. After the war, when capitalism was shaking and the working class conquest of power was possible throughout Europe, the reformist socialists saved capitalism by joining with the capitalists and White Guards in suppressing the working class revolts, and preached the reconstruction of capitalism as the necessary task. In Britain they preached "produce more" as the path to prosperity. The outcome of this policy was the victory of reaction in Western and Central Europe. In Britain the result of "produce more" under capitalism was wholesale over-production and unemployment. It led, not to prosperity, but to crisis.

The economic crisis led to growing discontent of the workers and rising struggle, reflected in the gigantic rising labour vote. This process reached so high a point already by the end of 1923 as to compel the bourgeoisie to agree to the formation of the first "Labour Government" under MacDonald (in reality a Coalition Government), in order to forestall greater dangers in future. The reformists in the "Labour Government" were unable, with their policy of co-operation with capitalism, to act on behalf of the workers or meet the crisis. They could only act as the tools of the financiers, imposing such measures as the Dawes Plan of slavery on the German workers, the preparations for the Gold Standard in England or the repressive Special Ordinances in India.

In consequence the experience of the MacDonald Labour Government, so far from diminishing the discontent, increased it, led to new disillusionment and questioning, and to further sharpening of the class struggle. A widespread leftward movement developed, seeking for new weapons of struggle; and, confronted with the capitalist attack and repression under the Conservative Government, reached a new climax of struggle in the General Strike of 1926 and the miners' fight. Once again the reformist leaders, fearful for the danger to the existing order, did everything to prevent the struggle, refused all preparation by the workers to meet the government's preparations, and, when the struggle began in spite of them, took the lead only to end it in a sudden and disastrous surrender.

Since then, the Trade Union Act, the war on China and the attack on the Soviet Union are again revealing the helpless submission (and, in reality, actual collaboration with the Baldwin Government) of the reformist leadership.

All this experience has shown more and more widely to the workers that in the present period of capitalist

decline the policy of reformism can bring them no gain, but can only betray the workers' struggle.

The whole line of development since the war (and indeed since the beginning of the century) has shown a continually rising scale of movement, a succession of stages, in which at every stage the workers move closer and closer to mass struggle against capitalism, and at every stage the impotence, hostility to the unity and struggle of the workers, and subservience to capitalism of the reformist leadership are more and more clearly revealed. At every stage the issue grows sharper; the half measures, unreal alternatives and advances are more and more completely brought to the test of experience and found wanting; the real issue stands out more and more clearly as the issue between the policy of revolutionary class struggle and the policy of the reformist leadership, between, in the last resort, communism and reformism.

The failure of the reformist leadership, the open and admitted failure and discrediting of the reformist leadership, the necessity of finding an alternative to MacDonaldism—this is the common background of all “new” policies at the present day.

§2. *New Guises of Reformism*

At this point arises a new development within the reformist leadership.

The reformist leadership sees the masses moving away in revolt, and itself in danger of losing hold and getting entirely left behind. In consequence the reformist leadership endeavours to adapt itself to the changed situation by throwing out “new” policies and even “new” leaders with a so-called “left” colour, who still leave effective direction in the hands of the right reformist leaders, but serve to confuse and distort the new revolutionary tendencies of the masses.

This development is the development of *Centrism*. The centrists come to the fore in periods of revolutionary development of the masses, as in 1919-1921, and more recently in 1925-6 after the fall of the MacDonald Labour Government. They recognise that reformism ("gradualism" or "MacDonaldism") is badly discredited. But they do not want to face the alternative of communism or revolutionary class struggle. They still belong in spirit and in their actual positions, in their whole social and political outlook, to the old tradition, to the old bureaucratic machine, to the framework of capitalism within the working class movement. They shrink from any sharp break or struggle, from any real issue with the ruling right wing; but at the same time they do not want to lose contact with the new tendencies of the workers. Hence they put forth all their energies to evolve some miraculous "third" alternative, which shall be neither communism nor MacDonaldism, which shall promise everything and commit them in practice to nothing.* Their actual daily policy remains the same, but

* The clearest expression—which means in reality the most muddled expression—of this confusion is Maxtonism. This is how the Chairman of the Independent Labour Party expresses his political conception in opposition to both MacDonaldism and communism:

"The I.L.P. holds the view that neither of these theories is the true one. There is a third alternative presented to the working class. . . .

"That third alternative aims at securing political power by the ordinary political machine, at developing industrial power by the strengthening of the trade unions, and at increasing economic power by strengthening the co-operative movement. It aims at co-ordinating and combining these movements as they have never been combined before. It aims at inspiring them with a revolutionary and not a gradualistic objective. It tries to get their mass enthusiasm behind this united movement, and to give it life by making the living income for all a primary right of

they seek to make concessions in words to the new revolutionary forces. They know that it is useless to come out with the old promises of reforms. Therefore, they endeavour to find some alternative "new" policy.

Hence arises a host of "new" policies and "new" formulas, which are in reality nothing but the irrelevant froth accompanying a period of revolutionary mass development.

These policies all have the common characteristic of endeavouring to find a rapid change from existing conditions by some specific reform or other without having to raise directly the issue of class power.

Some bring forward proposals of money reform and credit control. These assume that the capitalist control of credit is separable from the capitalist monopoly of the means of production, instead of being simply the reflection of the latter and entirely dependent on the relations of class power; and they therefore assume that a parliamentary measure of reform in relation to credit can

every human being." (J. Maxton: "MacDonaldism, Communism, and the I.L.P." in the *New Leader*, 7-1-27.)

It is not surprising that this amazing definition of a supposed "new policy" evoked a chorus of protests from members of the I.L.P. themselves, demanding what on earth was meant distinctively by this alleged "third alternative," whether it meant anything, and if it did, how it differed one jot from MacDonaldism and the existing policy of the Labour Party since its foundation. (A study of Lansburyism, with its contradictory expressions, evasion of real issues, and subservience in practice to and shielding of the right wing, would provide a similar picture.)

It is clear that in these desires to evolve a "third alternative" differing from the discredited MacDonaldism, and yet not falling into the banned communism, there is more desire than performance: the eggs are not in the basket. Any serious attempt to reach a genuine alternative to MacDonaldism would inevitably land the honest inquirer into the camp of communism.

divert production to social purposes, without raising the whole issue of class power and the expropriation of the capitalist class.

Others bring forward proposals of a legislative minimum wage, family allowance, mothers' pensions, etc., as a means of raising the workers' share of the social product or "redistributing the national income," as if the question of distribution could be dealt with by administrative means separately from the control of production; without realising that, so long as the capitalist control of production continues, attempts at "equitable" redistribution invariably defeat themselves, and measures of this type work out in practice in a very different direction from the original intention, actually depressing the net return of the workers, while increasing and strengthening capitalist class control.

Others press forward experiments of productive guilds or the like within capitalism as the beginnings of new social forms, without recognising that, so long as class power remains unchanged, these experiments are only amateur attempts at capitalism, which can only end either in business organisation or the bankruptcy court.

Others endeavour to urge upon the capitalist class measures of reorganisation, international rings, selling agencies, social control, higher wages, development of the home market, etc.; as if the existing capitalist anarchy can be turned into organised production for social use by a little rational argument and plan, while the root of the anarchy, in private property and profit-making, remains unchanged.

All these propositions have one common basis: namely, the belief that it is possible to reorganise capitalism (which is irrational) by a rational plan; and that, therefore, the present task is, not to destroy capitalism as the necessary preliminary to reorganising production, *i.e.*, overthrow capitalist class power and expropriate the capitalists; but to reorganise capitalism as the first step in

the transition to socialism. The task of socialism in consequence becomes, not the brute material fight against a possessing class for the ownership of the means of production as the sole condition of any real change (once this is faced the only possible outcome is the line of communism), but a task of persuasion of the desirability of a certain rational plan, which can subsequently be adopted through the ordinary legal capitalist channels. In the words of their authors, these plans are "constructive" and not "destructive"—*i.e.*, constructive, and not destructive, of capitalism.

Hence all these plans belong in the end to the armoury of reformism, i.e., the proposals of reorganising capitalism. They only differ from MacDonaldism in being more utopian, i.e., in presenting more fantastic, glamorous pictures of immediate universal happiness by a panacea, without facing the class issue. MacDonaldism is in the end only this same utopian classless socialism grown "responsible," i.e., faced with the actual task of administering capitalism and the consequent ugly necessities of that task. The criticism of MacDonaldism from the standpoint of this utopian socialism is simply the criticism of irresponsibility. In any actual daily issue the exponents of these policies stand side by side with MacDonald against the path of the class struggle.

These proposals may be grouped together in the present period as the *New Reformism, i.e., the attempt to adapt reformism to the period of capitalist decline.* The old reformism presented a simple and naive picture of gradually improving conditions advancing to a socialist paradise. The new reformism, recognising the fact of capitalist decline and disorder and the discrediting of the old reformism, endeavours to present a glowing and fantastic picture of a sudden reorganisation, jumbling together ideas of socialism with facts of capitalism, while ignoring or obscuring the actual issue of class power and class ownership.

The New Reformism—this is the final bulwark of the right wing against the advance of the working class. And the organ of this is the Independent Labour Party.

§3. *The Present Position of the Independent Labour Party*

The New Reformism finds its organ to-day in the Independent Labour Party.

The Independent Labour Party, the representative party of reformist socialism in Britain, has been taking a new orientation during recent years. Since the end of 1924, since the fall of the MacDonald Labour Government, it has been publishing in its organs and utterances expressions of criticism and disapproval of "MacDonaldism" and "Gradualism." It has demanded a policy of "socialism," spoken of the collapse of capitalism requiring bold policies, and attacked the conception that a Labour Government should "administer on behalf of capitalism." In pursuance of this line, it has been evolving a series of new proposals and policies of the type already described as the "new reformism," and pressing these forward as a "constructive" alternative to the existing policy. In particular, a series of proposals has been worked out and issued under the general title of the living wage policy, and advocated as affording a new united policy for the Labour Party and for the trade unions alike. This programme, which has gone through a series of incarnations and changes, has been made the centre of propaganda under the slogans of "A Living Wage" and "Socialism in Our Time."

The fact of this criticism of the existing policy of the reformist leadership by the Independent Labour Party is a very important sign of present-day tendencies.

The Independent Labour Party is the party of MacDonald, Snowden, and the majority of the Labour leadership. It contains 107 of the 155 Labour members of Parliament. It dominates the organs of the Labour

Movement, containing the principal proportion of the officials of the Labour Party and of the trade unions, and of the individual middle class supporters. If any organisation could be responsible for the whole existing policy of the Labour Movement, it is the Independent Labour Party. Nevertheless the Independent Labour Party is to-day in its organs continually criticising the policy of the Labour Movement, and in particular the policy of MacDonald. This is a very significant outcome to have reached. It is the picture of the bankruptcy of reformism in the present period.

When the Independent Labour Party endeavours to repudiate the policy of the Labour Party and of MacDonald, it is endeavouring to repudiate its own policy.

This seeming inconsistency, resulting in the present anomalous position of the Independent Labour Party and expressed in its whole present line of policy, is not in reality difficult to explain, and does not yet represent any serious divergence. The Independent Labour Party has been in the past the principal instrument of propaganda of the reformist leadership in building up the Labour Party, and the mechanism of control within it. Since the war, however, the Labour Party exists now as a fully organised party, with its own individual membership and its own machine. The question consequently arose since the war, and was seriously discussed, whether the Independent Labour Party had not fulfilled its function and should now be dissolved, since there was no practical divergence of aim. It was decided, however, that it might continue as an instrument of propaganda and for the preaching of "pure socialism" within the Labour Party. At the same time the principal leaders, who had risen on its basis, now confined themselves in the main to the State politics of the Labour Party, and held aloof from the small-scale affairs and too close contact with the rank and file of the Independent Labour Party. In consequence the Independent Labour Party

became increasingly the organ of minor opposition sentiments, harmless enthusiasms, and the maintenance of the inviolate "purity" of the gospel of socialism, un-sullied by the daily compromises of the Labour Party, whose policy in practice it continued to support.

Thus the division between the Independent Labour Party and the Labour Party is in reality the commonplace division of labour within reformism. The Independent Labour Party is the safety valve, the "conscience," the utterer of pious protests, the pure and un-sullied—the necessary accompaniment of the daily official treachery and opportunism. The two are counterparts of the same policy. The one is the pious junior partner, who occasionally raises his hands in mild protest at the shady practices of his more experienced senior in the business, the profits of which both enjoy. As the more "popular" "propagandist" body, free from the "responsibilities" of official position, the Independent Labour Party can veer more rapidly to give an appearance of responding to working class pressure and feeling (as in the China agitation) while taking care not to commit itself to any practical policy. But as soon as any serious issue is involved, the Independent Labour Party is revealed in its true function as the mechanism of right wing control. Thus after all the heated and loudly displayed criticism of MacDonald and the MacDonald Labour Government in the party press, the Annual Conference voted a resolution of unqualified approval of the policy of the MacDonald Labour Government by a two-thirds majority, and re-appointed MacDonald as its representative to the Labour Party.* In the same way the

* At the 1927 Conference the Independent Labour Party at last omitted MacDonald from its delegation to the Labour Party and from nomination for the Treasurership (i.e., Executive), of the Labour Party. The decision was carried by 312 votes to 118. But this gesture was openly unreal, so far as the leadership of the I.L.P. was concerned. Not only was

Independent Labour Party has actively pushed forward and assisted to carry out the reactionary policy of expelling the communists and left wing organisations and splitting the movement. The "leftward" flirtations of the Party leadership remain very much on the surface; in practice the Party remains in their hands the *right wing* organisation in the Labour Movement, serving to dilute and make more palatable the actual policy of the right wing leaders under a dressing of centrist phrases.

it officially explained at profuse length that there remained the utmost personal devotion to MacDonald; but it was further officially explained ("Attitude of the N.A.C."; *New Leader*, 15-4-27): (1) that the gesture was only undertaken because it would be certain to have no effect; i.e., that the I.L.P. nomination was unnecessary, since 29 other organisations had nominated MacDonald the previous year, and his position could be regarded as safe; (2) that the Chairman and Secretary of the I.L.P. "have seen Mr. MacDonald and explained to him" all this; and (3) after the Conference vote, that "*the Conference decision does not prevent the I.L.P. delegation at the next Labour Party Conference voting in favour of Mr. MacDonald as Treasurer...* On behalf of the National Council, Brockway said he did not suppose there was any member of the Council who wished to see Mr. MacDonald removed from the Treasurership." (*New Leader*, 22-4-27.) Thus once again the I.L.P. "voices" opposition in order to canalise it into support.

This kind of comic-opera "opposition" is not likely to save the Labour Party from the consequences of MacDonaldism. Until the I.L.P. can come out honestly and plainly on open political grounds, either supporting or opposing the policy and leadership represented by MacDonald in the Labour Party, it would do better to give up pretending to play a political role, and constituting in fact an obstacle to honest politics in the Labour movement. These heroic "opponents" of MacDonald valiantly abjure the leadership of MacDonald in the Independent Labour Party, in order to swear devotion to him and vote for his leadership in the Labour Party. It is a pretty example of Mr. Facing-Both-Ways; but the politics of Mr. Facing-Both-Ways are of no use to the working class.

In consequence the new "left wing" tendencies of the Independent Labour Party need to be taken with very great care.

The growing left wing pressure of the working class, which has compelled this measure of response, the growing dissatisfaction with the failures and surrenders of the reformist leadership and policy, the growing clearness and understanding of the necessity of united struggle against capitalism; all this is an elementary, supremely important process of the present period, and a welcome sign of real and rapid working class advance, requiring only greater clearness of policy and stronger cohesion and leadership to achieve great results. There is no question also that this left wing advance of the working class is reflected in the ranks of the I.L.P., as the proceedings of recent district conferences have shown, and the one-third vote against the MacDonald Labour Government in the 1925 Conference also illustrated.

But the so-called "left wing" (actually centrist) leadership at present dominant in the I.L.P., which endeavours to utilise these left wing sentiments and tendencies in the working class, not in order to lead and concentrate a real fight against reformist treacheries, but in order to confuse and distract them with empty phrases and elaborate programmes for the distant future, which offers no positive leadership for the present struggle, but ends up all its left phrasemongering with actual support in all current questions for the existing reformist leadership—this is the greatest danger to the left wing advance of the working class, this is the principal bulwark and support of the right wing leadership, this is no part of the working class left wing, but the principal enemy the left wing must fight in order to win strength and victory. The open right wing traitors would not be able long to maintain their position in the working class movement, were it not for these "left" supporters. And this is the present role of the Independent Labour Party.

To carry out this role, the Independent Labour Party requires a policy which shall have a "left" colour and sound without any serious substance, which shall promise everything and commit to nothing, which shall appear "advanced," "uncompromising," "socialistic," and yet be perfectly compatible with complete support of the daily policy of the reformist right wing.

Such a policy is provided in the whole character of the plans and projects of the new reformism, the glamorous proposals which offer visions of a new heaven and a new earth without any regard to the actual realities and living issues of the class struggle.

Here, then, is the inevitable policy of the Independent Labour Party in the present period.

The expression of this policy, the expression of the present role and position of the I.L.P., is the living wage policy which is at present made the centre of its whole propaganda, and is presented as its "constructive" alternative to either MacDonaldisim or communism.

§4. *What the I.L.P. Proposes*

The living wage policy of the Independent Labour Party was originally adopted at the 1925 Conference, and subsequently revised and adopted in altered form at the 1926 Conference. The variations of the forms and expression of the policy, not merely in details, but in its broadest outlines, as propagated in the periodical literature of the party during the past three years, are very considerable, and show that the policy has more the character of propaganda than of a serious policy. At the time of writing, the official expression of the policy is the resolution of the 1926 Conference, described under the general heading "Socialism in Our Time" (reprinted in the appendix to this chapter).

This resolution sets out with the general declaration that capitalism ("the old order") is "breaking down,"

and that in consequence "a conscious and resolute socialist policy is necessary"; "the I.L.P. sets before itself the object of winning socialism for this generation." A policy is needed "to carry us rapidly through the period of transition."

The path to this is declared to lie through a "direct attack on poverty," which is explained as the demand for a living wage. "The whole Labour Movement should therefore bend all its energies to the achievement of a national living wage" (subsequently corrected to "living income"). This is a "first demand for justice," which has the power, "if we follow its logic with courage," to "carry us rapidly towards the realisation of a socialist State."

A series of measures are then outlined which "the demand for a living wage necessitates": nationalisation of banking, imports, transport, power, and land; public control of production "for the supply of the workers' needs." These measures "would lay the foundation of the new socialist State."

The means to achieve this programme are then considered and the following proposals made:

(a) A commission should be set up by the Labour Movement to fix a "living wage." (In the 1925 resolution it was proposed that the Baldwin Government should set up this commission.)

(b) The Labour Party in Parliament shall "make it clear that it will introduce this programme, whenever the opportunity to take office recurs."

(c) The trade unions should "stand behind every group of underpaid workers who struggle to attain the standard of civilisation demanded as a national minimum." In addition, the trade unions should prepare to help to administer industry, "when the necessary economic reorganisation takes place."

These are the means proposed.

Finally, I.L.P. members are called on to give "devoted

service" in order to "educate the public to understand the need for rapid and fundamental change."

An Addendum, ultimately incorporated in the resolution under the heading "Equal Chance for Workers' Children," advocates children's allowances, paid out of direct taxation, as a beginning of the "necessary redistribution of the national income according to needs," which would "curtail the luxuries of the rich in order to win for the children of the poor an equal chance of life."

This is the total policy. Lest this summary may be thought to be unfair, the text in the appendix may be consulted.*

* The final version adopted, published in the 1926 Conference Report and reprinted in the Appendix, contains some revealing variations from the text of the resolution as issued in the Final Agenda; a few examples of these variations have been noted above. The principal change is that "Living Wage," which was universal in the original, has been largely, but not completely, replaced by the supposed better-sounding expression "Living Income." This change was doubtless intended to satisfy fastidious tastes and give a more "socialist" appearance to the scheme. How profound the change is, may be judged from the fact that

(1) The expression "living wage" still remains uncorrected in several places, and used as completely equivalent to and interchangeable with "living income." Thus under the heading "Labour Living Wage Commission," the text declares that the Commission shall "estimate a living income."

(2) The whole text of the proposals deals with "wage-earners," "wages," "higher wages," etc.

(3) The whole debate at the Conference, as well as the current propaganda, deals only with the "Living Wage."

This attempt of the I.L.P. socialists to cover up the realities of wage-slavery under the more euphemistic title "living incomes" is closely parallel to the attempt of these same socialists to cover up the realities of imperialism under the title of "the British Commonwealth of Nations." A skunk by any other name will smell as foul.

An official summary of the resolution, setting out the policy, is published in the principal popular pamphlet of the I.L.P., explaining the living wage policy ("Labour's Road to Power"). Here the policy is described as follows:

"Briefly stated, it proposes that the industrial and political movements should jointly concert a strategy for a frontal attack on poverty. This should aim at winning for every worker a living income.

"A living income can be secured by (a) the extension of various social services—education, health and housing; (b) the payment to every working class mother, out of the direct taxation of high incomes, of a weekly allowance for the maintenance of her children; (c) ensuring for every worker a living wage.

"It is proposed that the Labour Movement should itself set up a commission to estimate what wage a civilised standard of life requires, and organise support for trades which are struggling to obtain it.

"When Labour again assumes office, it should, even if it is in a minority, take the first steps to realise this policy. It should include children's allowances in its first Budget, and seek powers to compel industries which are too inefficient to pay a living wage to re-organise themselves.

"Since high money wages would be useless without the means of controlling prices, banking must be nationalised, and the State must take over the importation of the chief foods and raw materials.

"Again, since industry cannot be made efficient without cheap power and transport, the mines, electricity and the railways must be socialised. For the re-organisation of agriculture, national ownership of the the land is essential.

"Thus the demand for a living income, if it is followed up with courageous logic, supplies a compelling

motive which will lead us to nationalise the key industries and lay the ground plan of a socialist society.”

In this summary the immediate reforms are brought more clearly into the front; the “socialist” proposals pass into the more distant goal.

It will be seen that the essence of these proposals lies in the conceptions

(1) That the transition to Socialism lies, not through the conquest of class power as the central issue and necessary preliminary of any real change, but through a series of changes within capitalist society which can give better conditions for all and prepare the way for socialism;

(2) That a “living income” or “frontal attack on poverty” can be achieved, or partially achieved, by a series of reforms within capitalism—taxation, education, health, social services and the reorganisation of industry;

(3) That at the same time this ideal process of reorganisation will necessitate the nationalisation of land, transport, mines, banking, trade and the key industries—all as a means to a “living wage”;

(4) That in this way the “ground plan of a socialist society” will be laid, without any reference to the class struggle or the class conquest of power.

Thus in these proposals are contained all the characteristic features of the new reformism or centrist outlook: the mixing up on the one hand, of proposals of reform within capitalism to bring immediate improvements, and on the other hand of general ideas of socialism put forward as a rational plan of reorganisation without reference to the class struggle or the class conquest of power: the whole put forward as an ideal, without reference to actual conditions, the actual tendencies of development of capitalism, or the actual struggle facing the workers.

This *confusion* of incompatible notions and policies is the hall-mark of Centrism. It will be necessary to fol-

low through some of the most important aspects of this confusion in detail, because only so can the utter hollowness, dishonesty and irresponsibility of this so-called policy for the workers become clear. It will be found that at times the policy is described as a policy of socialism and the abolition of the capitalist class. The living wage is declared to be only a "lever" or "motive" to induce the workers to fight for socialism without realising it—as if the workers needed a trick to enter a fight demanding the clearest consciousness, discipline and preparation. At other times the living wage is declared to be realisable within capitalism, and to bring prosperity to the workers and at the same time higher profits to the capitalists. At times it is declared that the policy can only be realised by the most desperate and bitter struggle in British history. But the actual issues of the class struggle and the conquest of power are never considered. At other times it is declared that the policy can be realised by the co-operation of all classes with general good humour and confidence. So the confusions and contradictions, not only of successive expositions of the policy, but of successive passages in the same exposition, go on interminably; and it would take endless space to run to earth a tenth of them.

What does this confusion mean for the working class struggle? It is just this confusion that is the greatest enemy to effective working class organisation and struggle. Confusion breaks the workers' ranks, leaves the workers unprepared, conceals real issues and betrays the struggle in every crisis. The open reformist reactionary leaders are rapidly discredited by events and exposed for what they are. But they are saved and maintained in their positions by the double-mouthed centrists, who use contradictory phrases in every minute, now playing up to the leftward sentiments in words, now following capitalism in actual policy, and so obstructing the way to the workers reaching clearness. The most dangerous enemy

to the revolutionary advance of the working class lies precisely in these "left" centrist confusionists.

These proposals of the I.L.P. were put forward in April, 1926. In May came the General Strike, the supreme struggle of the British working class, for which the I.L.P. had put forward no preparations or policy beforehand, and up to the last did not believe it was coming.

§5. *Does the I.L.P. Mean Capitalism or Socialism?*

The first question that these proposals raise is: Does the I.L.P. mean capitalism or socialism?

If the I.L.P. means socialism, then the decisive question is the conquest of class power, which alone can make any such change possible; and precisely with this question the proposals do not deal.

If the I.L.P. means the reorganisation of capitalism, then the whole scheme becomes only another of the utopian reformist schemes which seek to win universal happiness within capitalism, and entirely ignore the economics of capitalism and the realities of capitalist power.

Which does the I.L.P. mean? An examination of the propaganda of these proposals will reveal the fact that the I.L.P. means—or rather says—both. The phrases of socialism are used. The practical proposals are the proposals of capitalism.

It is so important to be clear on this confusion, which goes to the root of the whole policy, that it is necessary to set out some examples of the completely contradictory statements made in authoritative expositions of the policy.

First, to take the propaganda of the living wage policy as a policy of "*socialism*," dependent for its realisation on the overthrow of capitalism.

The living wage policy is propagated under the title "Socialism in Our Time."

In the editorial article "A Fighting Policy," issued after the Party Conference in 1925 had adopted the policy for the first time, the editor, H. N. Brailsford, one of the principal authors of the scheme, is at pains to explain that the living wage is *impossible* under capitalism, and is adopted only as a form of expression for socialism. He writes :

"With our eyes open we are asking for the impossible."

And in explanation of this

"So long as industry is organised in competing factories and mines, so long as a small owning class levies its tribute of interest and royalties and profit, so long as the energies of millions of workers are wasted in luxury trades, so long will society be powerless to provide this living wage."

The conclusion is drawn :

"To demand a living wage is in plain words to demand socialism." (*New Leader*, 17-4-25.)

Here is a definite position. The living wage is declared to be "impossible" under capitalism—not merely under the existing organisation of capitalism, but under any form of reorganised capitalism, under any form of capitalism whatever, "so long as a small owning class levies its tribute of rent, interest and profit," that is, so long as rent, interest and profit exist. The conclusion is correctly drawn that, if by a "living wage" is meant simply to be expressed improved conditions and an adequate standard of life for all workers, then this improved standard of life can only be won by winning socialism, *i.e.*, the social organisation of production and abolition of rent, profit and interest. This is a clear position, even though it is only a re-statement of the socialist position, marred by the term "wage" to express the socialist goal. The "living wage" becomes a synonym, pure and simple, for socialism—a very bad one, since socialism means the abolition of wage-slavery and of the buying and sell-

ing of labour-power, while the aim of a "wage" implies an aim within capitalism.

But this is only one side of the propaganda. Most often the living wage is put forward as an immediately realisable aim before the achievement of socialism, and as perfectly possible under capitalism, if only capitalism can be reorganised a little. Here the expression of the aim as a "wage" takes on its real meaning. The policy becomes a simple policy of capitalist reconstruction, which can solve immediate evils within capitalism, and provide the conditions for a subsequent peaceful advance to socialism.

The statements of the living wage policy as a policy of *capitalist reconstruction* are the most frequent, especially in all detail proposals.

In this way, the first "root idea" of the policy is declared to be to "add to the *purchasing power* of the masses" ("Labour's Road to Power"). This increase of "purchasing power," without changing the class control of production, is declared to be "the only radical cure for unemployment." (*New Leader*, 12-3-26.)

"We see no hope of struggling out of the depression and unemployment of 1926, unless at the start we increase the consuming capacity of the masses." (*New Leader*, 8-1-26.)

Here is a "way out" within capitalism; and the whole essentials of the scheme—"wages," "purchasing power," etc.—move within the framework of capitalism.

In the same way, in controversy with the capitalist press, the *New Leader* in an editorial on "The Living Wage," "briefly summarises" the scheme as follows:

"(1) We propose, by the enforcement of a flat-rate minimum wage in all trades (with children's allowances added to a basic wage), to increase the purchasing power of the masses in the home market. With a lowered bank rate, and some expansion of credit, there would follow a higher output of goods for the

home market. That market already employs two workers in every three. Its expansion should absorb those now unemployed.

“(2) Before the new wage scales were enforced, the trades likely to be hard hit by higher wages bills must be surveyed and reorganised. Some of them, notably agriculture, would need assistance from State funds. In return for this the State would have to impose conditions for control—preferably where possible for the amalgamation and control of the industry by itself.

“(3) Lastly, the funds for these temporary measures of State aid would come from the direct taxation of the higher incomes and profits which would be earned by the more efficient industries catering for the home market.” (*New Leader*, 29-5-25.)

In this complete scheme of capitalist reorganisation even nationalisation has passed out of sight. Instead is a complete apparatus of a lowered bank rate, a flat-rate minimum wage, temporary State aid, amalgamation, higher incomes and profits, etc.

So is reached the position in which the living wage policy is actually held out as good for the capitalist class, and likely to increase their profits. Thus at the I.L.P. Summer School in 1926, Mr. Brailsford is reported in the party organ to have explained the policy as follows:

“Mr. Brailsford then fearlessly advocated the I.L.P. policy of directly increasing the purchasing power of the workers as a means of turning the wheels of home industry and bringing *an immediate wave of prosperity to the country, in which even the capitalists would have their share*; and the approach to socialism be made in an atmosphere of confidence and good temper.” (*New Leader*, 20-8-26.)

Here we are a long way from the “impossibility” of a living wage “so long as a small owning class levies its tribute of rent, interest and profit.” Instead, capitalism is here painted in an idyllic picture. All the contradic-

tions of capitalism, the impossibility of a living wage under capitalism, the realities of the class struggle, have vanished. The I.L.P. is revealed in its true role as the preacher of all the Liberal myths of capitalist harmony and progress.

In the same way, in his recent propaganda of the living wage policy, Mr. Wheatley has explicitly made clear that nationalisation can wait until *after* the securing of the living wage.

“The idea behind that proposal ” (the I.L.P. living wage proposal) “is that the State should be the authority in fixing wages and incomes *even while industries are privately owned*. . . . Another way of stating the same idea is that we should begin our socialism by socialising . . . the purchasing power of the workers *before embarking on the nationalisation of the means of production*.” (J. Wheatley, “The Way to Socialism,” *Forward*, 30-10-26.)

“Mr. Wheatley, if we interpret correctly his speech at Dumbarton the other night, has come to the conclusion that *nationalisation of this or that industry might well wait*, until it has customers capable of purchasing the goods which the industry produces. And that means an assault upon poverty first.” (T. Johnston in *Forward*, 23-10-26.)

Thus the “direct attack on poverty” of the Easter resolution of the I.L.P. Conference of 1926, which “necessitates” the nationalisation of banking, imports, mines, railways, electrical power and land as the necessary condition of its realisation, has by October become the “assault upon poverty first” for which nationalisation is not at all necessary. It is clear that there is more cheapjack electioneering about this marvellously adaptable “policy” than serious economics, let alone socialism.

But there is not only this picture of *idyllic capitalism*, in which all such trifling evils as “poverty,” unemployment, etc., are readily curable under capitalism, without

the necessity of recourse to the troublesome remedies of the old-fashioned socialists who used to imagine that the cause of these evils was inherent in capitalism; and leading up to the elysian scene of increased profits for the capitalists and "a flat rate minimum wage" for all the workers and "an atmosphere of confidence and good temper"—a true I.L.P. millenium, to which Henry Ford, Selfridge, the *Times*, the Federation of British Industries, Baldwin, Churchill and Joynson-Hicks would all gladly subscribe.

There is also an element distinctly visible of *practical capitalism*, particularly when immediate details are approached, that is to say, of a conception of the living wage which is less idyllic, but which is intended to be completely practical and *compatible with what capitalist industry can pay*. Thus Mr. Brailsford writes:

"If we talked of a living wage of £8 or £12 for every worker, the agricultural labourer would most justly laugh at us. Nor would it be much more honest at this stage to talk of a wage of £4 for every worker. The whole of the wealth produced in this country to-day, however ruthlessly you divided it, would not yield such a wage all round. Ours is a poor country under the present management. Until industry has been drastically reorganised, it cannot pay a genuine living wage. *Any figure which we could honestly promise at once would mean a big gain in the basic wage only to men and women in the more depressed trades.*" (*New Leader*, 8-1-26.)

Here the living wage "which we can honestly promise at once" is made fully compatible with capitalist commercial ability to pay. To propose more than this would mean that industry must be "drastically reorganised" (*i.e.*, the capitalists must be driven out, and the workers must take over), and it would not be "honest" to propose this "at once." Thus the living wage which will actually be put forward as a practical proposal

("which we can honestly promise at once") is to be only such as can be paid *after* all the requirements of capitalism have been met, *i.e.*, the slave's minimum. This policy is the exact reverse of the socialist fight, which seeks in every demand consciously to drive into capitalism, instead of confining itself to an "honest" practical minimum suitable for wage-slaves.

But this policy is in exact accord with modern lines of capitalist wage-policy. Modern capitalist policy increasingly tends to drive all workers, skilled and unskilled, to a common minimum. To-day the *Times*, the organ of dominant capitalist policy in its most ruthless form, declares that there is "general agreement" that a minimum wage should be a first charge on industry, such a wage to be "*a wage somewhere about the lowest figure enforced by Trade Boards.*" (*Times*, 16-7-25.) Such a minimum wage, even in statutory form, may well be part of the next phase of capitalist development, as a means of bringing down the general level of the workers (for every industry, except where trade unionism is strong, the "State minimum" will be quoted as a certificate of having satisfied all reasonable requirements and as a basis for opposing trade union demands). And this is where the policies of the I.L.P. and of the *Times* work out in practical agreement.

It will be seen that, if the aggregate of these quotations and "explanations" of the policy is taken together, there is here a complete unlimited confusion, so far as the propaganda of the policy is concerned, although there is a very powerful capitalist character about the practical details of the policy. At one time the living wage is proclaimed as a possible reform within capitalism, which we can "honestly promise" before industry has been "drastically reorganised," which will be a "stimulus to industry." (*New Leader*, 8-1-26), and so forth. In this case the living wage has nothing to do with socialism. At other times the living wage is pro-

claimed as "impossible" within capitalism, as requiring for its realisation the abolition of the "small owning class" and of "interests, royalties and profit," *i.e.*, the overthrow of capitalism, and therefore as being in reality only a synonym (a very misleading and false one) for socialism. In this case the real issue becomes the fight for socialism, since the living wage is only a form of propaganda (and a very doubtful one, if it is held out to the workers as a kind of illusory hope of quick returns, while the real character of the struggle is not made clear).

This confusion and contradiction of all the different expositions of the scheme is so startling, that it might seem at first there must be some mistake, that it must be a question of different schemes and policies, or of different schools and protagonists of different schools, expressing opposed viewpoints. But this is not the case. There is no such controversy. The contradictory viewpoints are all expressed by the same exponents on one occasion or another, and often in the course of the same article. There is no concern at the contradiction. There is no attempt to clear up the difference, sort out what is sound and unsound, get past the endless tangle of phrases flung at random, and get down to the guts of a real policy. In other words, the confusion is not a temporary accident, pending clarification. *The confusion is the essence of the scheme.* Without this confusion, the scheme could not last a minute: for *if it were boiled down to clear statement, it would be at once revealed as either a useless repetition of socialist phrases, or else an illusory dream of a capitalist millenium.*

This confusion, which is treated with such cavalier indifference by the scheme's own exponents, so clearly stamps its character as a *manœuvre of propaganda* and not a serious policy, that it would be unnecessary to waste any further time on the scheme as such (the cumulative effect of the quotations and expressions already

given should be sufficient to satisfy any enquirer as to its character) were it not that the particular separate aspects and lines of ideas brought into play in connection with it (such as the increase of purchasing power as the solution of unemployment, the expansion of the home market to solve the economic crisis, the use of the living wage as a psychological "lever" to socialism, the conception of the redistribution of the national income, etc.), all have a real current importance to clear up, because they continually arise in reference to current questions, and serve to distort issues, cause genuine difficulties and weaken working class policy in relation to modern capitalism.

It is therefore proposed to examine in turn the two sides of the living wage propaganda, and consider

First, whether the line of propaganda of the living wage offers a path to socialism; and

Second, whether the line of propaganda of the living wage offers a means of capitalist reconstruction, capable of solving the problems of unemployment, poverty, etc., within capitalism by means of the expansion of the home market, the organisation of trade, credit, etc., and similar measures.

APPENDIX TO CHAPTER III.

Resolution on "Socialism in Our Time," adopted by the I.L.P. Conference at Whitley Bay in April, 1926.

The I.L.P. sets before itself the object of winning Socialism for this generation. The scourge of unemployment, the failure of capitalist industry to reorganise itself after the shock of the Great War, our daily experience of the intensified struggle between the possessing classes and the workers are proof that the old order is breaking down. This situation demands a conscious and resolute socialist policy, planned deliberately to carry us rapidly through the period of transition from the old to the new civilisation.

The I.L.P. therefore renews its determination to work for socialism, in a spirit at once militant and constructive, in every sphere in which the necessary changes in society must take place.

DIRECT ATTACK ON POVERTY

The I.L.P. believes that socialist policy should be concentrated upon a direct attack on poverty. It asserts that the workers have the first claim upon the wealth of the nation, and denies the claim of those who live by owning instead of working. The semi-starvation wages now paid are not only an intolerable evil in themselves; they are the immediate cause of extensive unemployment. The machines stand idle because the masses lack the means to buy. The I.L.P. urges that the whole Labour movement should, therefore, bend all its energies to the achievement of a living income, which would ensure for the workers, partly by higher monetary wages and partly by the development of social and educational services, adequate food, clothing, and housing and the essentials of civilisation. The status of the wage-earner must be protected by a statutory right to work, carrying with it full maintenance during unemployment.

The I.L.P. sees in this living income a first demand for justice, with the power, if we follow its logic with courage, to carry us rapidly towards the realisation of a socialist State.

BANKING AND IMPORTS

Since higher wages would be worthless without the power to control prices, the demand for a living wage necessitates (a) the establishment of a national banking system, with the control of currency and credit for national purposes, and (b) the nationalisation of the importation of food and raw materials. With credit and raw materials under public control production can be directed and reorganised for the supply of the workers' needs.

TRANSPORT AND POWER

If wages are to be raised and prices kept steady at a low level, cheap transport and mechanical power are (with credit and raw materials) the keys to reorganisation and efficiency in industry. The policy of the living income involves, therefore, the nationalisation as co-ordinated services of railways, mines and electrical generation.

LAND AND HOUSING

The living income involves the reorganisation and development of agriculture, and the public ownership of the land. The adoption of a living income would create such a demand for better housing, that the national organisation of the building industry and of the production of building materials would be essential.

This series of measures would lay the foundation of the new socialist State, which, as it progressed, would provide a fuller life for its citizens.

A LABOUR LIVING WAGE COMMISSION

The I.L.P. suggests that the whole Labour movement should at once set up a commission of its own to estimate a living income, representing the minimum standard of civilised existence which should be tolerated. It should then make the demand for this standard the key of its policy, both politically and industrially.

EQUAL CHANCE FOR WORKERS' CHILDREN

The I.L.P. advocates, as a part of the living income, the payment out of direct taxation to mothers or guardians of supplements to working-class incomes, varying with the number of persons in each household. This step towards social

equality would begin the necessary redistribution of the national income according to needs. It would curtail the luxuries of the rich in order to win for the children of the poor an equal chance of life.

PARLIAMENTARY POLICY

In the view of the I.L.P., the Labour Party in Parliament should not be satisfied with opposing the actions of the Government, but should seek any and every opportunity of asserting the demand for a living income and of advocating the broad socialist programme through which alone it can be realised. The I.L.P. considers that the Labour Party should make it clear that it will introduce this programme, whenever the opportunity to take office recurs. Immediate steps should be taken to prepare measures for the necessary economic reorganisation so that Labour may be ready to introduce them without delay.

The fact that it had only a minority behind it should not deter a Labour Government from this purpose. The responsibility should be placed upon Labour's opponents of rejecting the socialist measures proposed. By this means the issue of the poverty of the people and the proposals of constructive socialism would be thrust into the forefront of practical politics.

INDUSTRIAL POLICY

Side by side with the advocacy of this parliamentary policy, the I.L.P. urges that Labour should stand behind every group of underpaid workers who struggle to attain the standard of civilisation demanded as a national minimum. The I.L.P. expects its members to belong to their appropriate trades unions and participate whole-heartedly in the industrial side of the Labour movement, with a view to strengthening the organisation of the workers and developing trade union organisation to secure working-class solidarity; to assisting all efforts to secure the standard of civilisation demanded; to co-operating in the perfection of trade union organisation; and to participating in the administration of industry when the necessary reorganisation takes place.

THE CO-OPERATIVE MOVEMENT

At the same time, all I.L.P. members should seek to extend and improve the organisation of the Co-operative move-

ment, with a view to its immediate utilisation to prevent profiteering in the needs of the workers and to its ultimate development as an integral part of the socialist State.

A CALL TO SERVICE

The I.L.P. calls upon its members to devote themselves unsparingly in Parliament, in their trade unions, in their co-operative societies, in every branch of public life, and in the day-to-day task of propaganda and organisation, to the fulfilment of this policy of transition from capitalism to socialism.

Our task is to intensify the challenging spirit within the Labour movement, and to educate the public to understand the need for rapid and fundamental change. Our privilege it is by devoted service, and fighting spirit, and constructive capacity to convert socialism into a practical reality.

IV.

IS THE LIVING WAGE POLICY A WAY TO SOCIALISM?

The Living Wage policy is frequently presented in propaganda as a "way to Socialism."

A consideration of the actual expositions of the policy quoted in the last chapter should show clearly enough that this is not the case. The actual scheme is entirely a scheme of capitalist reorganisation, offering increased profits to the capitalists and a flat-rate minimum to the wage-earners on a basis of State aid to industry, amalgamation, etc.

Only on the assumption that it is possible *first* to reorganise capitalism into a harmonious society on these lines, and *later* to advance to Socialism, can a scheme of this character be described even remotely as a "way to Socialism." If this assumption is false, then the whole scheme falls to the ground, not only as a "way to Socialism," but also as one more of the many illusory schemes of capitalist reconstruction. In the next chapter we shall examine this hypothesis of the possibility of capitalist reconstruction, which is the real basis and character of the scheme.

But as the popular propaganda of the Living Wage policy still frequently presents the scheme as a direct path to Socialism, that is to say, as an attack on capitalism, an attack on rent, interest and profits, it is necessary first to consider briefly whether this line of propaganda offers any real contribution to the problems of the advance to Socialism, that is, to the ending of capitalist exploitation of the workers.

§I. *The Issue of Class Power*

If the I.L.P. means "Socialism in Our Time" and not "Capitalism in Our Time," then the central ques-

tion is the question of class power, *i.e.*, the dispossession of the capitalist owning class and the conquest of the means of production by the workers. Unless this is faced, any proposals of change are unreal, and are not Socialism.

If, to use their own language, the "Living Wage" is intended to mean a standard of living not compatible with capitalism, but requiring the abolition of the "small owning class" and of "rent, interest and profit" (as Mr. Brailsford declares), then the essence of the question becomes the overthrow of this "small owning class," *i.e.*, of capitalist class power; and the value of the policy of the so-called Living Wage depends entirely on the clearness with which the struggle is envisaged.

How does the I.L.P. face this struggle?

The answer is that the I.L.P. does not face this struggle. In the very last lines of the pamphlet advocating the policy (and proudly entitled "Labour's Road to Power") occurs the following statement:

"This plan cannot be realised without struggle. It summons us, indeed, to the most formidable struggle in British history. The decline of industry in this country and the misery of the workers compel us to act. The hour for the conscious transition to Socialism has struck."

What does this rhetoric mean? What is this "most formidable struggle in British history"? What are the concrete forms of struggle? What are the probable tactics of the capitalist class? What are the weapons of the workers? What is the probable line of development, the problems, the answers, the necessary tasks of preparation? To all this there is no answer. There are complacent references to parliamentarism ("whenever the opportunity to take office recurs" "the responsibility should be placed upon Labour's opponents of rejecting the Socialist measures proposed") and to trade unionism ("participate wholeheartedly in the industrial side of the

movement"). But there is no attempt to consider the modern conditions of class struggle as they have already begun to unfold themselves in Britain.

It is said that the trade unions should enter on "a national struggle to lift wages all round up to the new standard." It is clear, however, that the trade unions by themselves cannot accomplish this on the old basis of bargaining, since what is involved is the reorganisation of industry, the class conquest of industry, and, therefore, the class conquest of power. This political character of the task is recognised, and the task is consequently entrusted to a Labour Government to carry out by parliamentary means with the aid of the trade unions.

What prospect is there of a Parliamentary Labour Government carrying out such a fundamental class change? Certainly not a MacDonald Labour Government. MacDonald has explicitly and by name repudiated any such plan as that of the I.L.P. for a future Labour Government, or indeed for the Parliamentary Labour Party as a whole. It would have to be, then, a Left Labour Government. Such a Left Labour Government would certainly be in a parliamentary minority. But, we are told,

"even in a minority, its members would have behind them, not merely so many millions of voters, but also millions of organised trade unionists. *Industrial power would be ready to back political power.*"—("Labour's Road to Power," p. 6.).

In the same way Mr. Brailsford, in advocating the scheme at the I.L.P. Summer School in 1925, made clear that it would have to be achieved by "industrial power," and that the capitalists would resist it with "violence":

"The demand for a living wage contains a social dynamite for the smash up of the capitalist system," declared Mr. H. N. Brailsford at the I.L.P.

Summer School at Easton Lodge, Dunmow, yesterday.

"He was doubtful if this reform, or any substantial part of the Socialist policy, could be achieved without the use of industrial power. . . .

"Employers would resist this proposal with violence, and a great struggle would arise which would put capitalism with its back to the wall."

(Daily Herald, 11-8-25.)

Thus the decisive fight, we are told, is to lie with "Industrial Power," with the power of the working class outside Parliament, which is to overcome the "violence" of the capitalists.

Has the I.L.P. ever considered the character of such a fight? After the experience of the General Strike, is the I.L.P. still able to stop placidly at the abstract expression "Industrial Power," and not face the realities of a struggle of the organised working class and organised capitalist class? It is obvious that the General Strike, whatever the original issue, raises the whole question of class power, and unless the political revolutionary struggle thus raised is faced, it is doomed to failure. *To talk of "Industrial Power" without facing this political revolutionary struggle is to play with words.*

Does the I.L.P. make any attempt to face the prospect of such a revolutionary conflict of classes, which its propaganda, if it were to be taken for a moment seriously, implies? None whatever. In theory, under the pressure of facts, the I.L.P. since the war has admitted the possibility of "extra-constitutional" forms of struggle in the event of attempts to "thwart the national will" by "a Government or reactionary class."

"The Independent Labour Party recognises that circumstances may arise when a Government or reactionary class might attempt to suppress liberty or thwart the national will, and it holds that to defeat

such attempt Democracy must use to the utmost extent its political and industrial power.”—(I.L.P. Constitution, endorsed 1925: “Methods.”)

But this “recognition,” like all I.L.P. references to the actual class struggle, remains a play of words on paper.

In the first place, the old vague expressions—“political and industrial power,” “to the utmost extent”—remain with no attempt to face the actual character of the struggle; and this deliberate ambiguity and confusion is reinforced by the misleading use of the humbug expressions “democracy” “national will,” etc. (how can “Democracy” oppose its own constitutionally elected “Government”?), which reveal the aim to veil and confuse the class struggle even in the moment of professing to “recognise” it.

In the second place, the I.L.P. explicitly refuses to prepare for, or even consider preparations for, such a crisis beforehand, on the ground that any such preparation would represent a “militarist” spirit and tend to hasten the crisis. On these pacifist grounds the I.L.P. refuses even to consider such elementary preparations for any future working class struggle as the necessary centralisation of the working class movement, effective working arrangements between the labour movement and the co-operatives, working class propaganda to the soldiers and sailors to explain their unity of interests with the organised working class and prepare fraternisation, etc. The character of the I.L.P.’s refusal on “pacifist” grounds to participate in preparations is shown by their refusal even to participate in such working class propaganda to the soldiers and sailors, which is not prohibited by any pacifist principles, but only by the capitalist penal system.

It is obvious that to postpone any attempt to face the realities of such a struggle as is envisaged by their own propaganda, until after the struggle has begun, is to in-

vite and guarantee defeat. *The refusal to prepare is only a form of refusing to face the struggle.* (The same role was performed by the General Council during the historic nine months between Red Friday and the General Strike, when all preparation was refused in the face of the obvious Government mobilisation, on the ground that any preparation would be "provocative." This role is being exactly repeated now by the I.L.P. in our present longer "nine months" up to the future revolutionary struggle).

Current I.L.P. propaganda endeavours to conceal this failure to face the plain issues of the class struggle by drawing a picture of bloody civil war, which they declare to be the "aim" of the Communists, and which they, as decent people, "reject." This propaganda is a dishonest travesty of real issues. It is clear that whoever faces honestly the class struggle must also face the possibility of civil war. And indeed the I.L.P. spokesmen themselves will invariably, when pressed, admit—as it were, in a footnote—the possibility of having to engage in civil war (thus completely nullifying their popular picture of "for" or "against" civil war in the abstract), only endeavouring to lay down conditions which they consider favourable, *i.e.*, *after* a parliamentary majority, in the event of resistance by the bourgeoisie to a Majority Labour Government, etc.

"For our part we refuse to say 'inevitable'; we should see in civil war the ruin of our hopes; if it must come, we would take care that it can come only by the revolt of a lawless Fascist minority against a Socialist Majority Government."—(*New Leader*, Editorial: 5-3-26.)

This distinction, however, to which the I.L.P. spokesmen resort as a final refuge to draw a line between themselves and the logic of the Communist position ("only after a parliamentary majority," "only behind a majority Labour Government," etc.) is a worthless self-

deception to avoid facing the real issue. It is worthless, because, even if such conditions should arise, experience has shown clearly (as in Finland) that *after* a parliamentary majority is just when it is too late to begin considering the question, if the working class is not prepared beforehand. And it is self-deceiving, because in fact, there is no justification for assuming (as indeed the clause in the Constitution quoted admits) that the conflict may not develop *before* a parliamentary majority, by the growing intensity of the class struggle, outbreak of war, decision of the bourgeoisie to strike before the working class has reached the constitutional advantage of a genuine parliamentary majority, etc. The General Strike has shown how rapidly such a conflict may develop, before there is any question of a parliamentary majority. History does not wait, in order to obey the conditions of pedants; and living developments have to be faced, as they come.*

The I.L.P. endeavours to separate the class struggle, which in occasional statements it "recognises" and "accepts," from "violent" struggle or civil war, which it "rejects" and professes to regard as a lunatic obsession of revolutionary impatience. There can be no such separation. It is impossible to face one without facing the other. Once you are in a fight, the choice of weapons depends on circumstances and your adversary. Civil war is simply the final most extreme form of the class struggle. Civil war is not a question of subjective

* Since the above was written, the Trade Union Act and the House of Lords Reform proposals already show the preparation of the bourgeoisie to force the struggle upon the workers under conditions in which the constitution can be operated against them, even if a parliamentary "Labour Government" should exist. The parliamentary "Labour Government" will be compelled by the law to become the instrument and puppet of the bourgeois State oppression against the workers, or else itself to become illegal.

choice: if it could be avoided, every socialist and communist would make heavy sacrifices to avoid it, short of the sacrifice which cannot be accepted under any conditions, the sacrifice of the working class cause itself (which is the real meaning and inevitable result of the "rejection" of civil war). In the words of the First Manifesto of the Communist International: "Civil War is *forced upon* the labouring masses by their arch-enemies." The scientific certainty of civil war is based upon the proved certainty that the ruling class does use every weapon on its own behalf. (Whether the point of civil war is reached before or after a parliamentary majority is a secondary formal issue, the decision of which will not rest with the working class). But this civil war is only the culminating outcome of a whole process of class struggle, and not the subjective choice of certain revolutionaries. The revolutionaries strive for working class organisation and advance to power, including the facing of the issue of civil war. Civil war is not the antithesis of the mass movement, but its culmination. *And, therefore, the failure to face the issue of civil war is only the final expression of the failure to face the whole issue of the class struggle, including the present stage.*

The question of the future lines of class conflict is thus not simply a question of the possible future, but of the actual present. Unless the issue of class power is faced, no policy is possible that is not a policy of subservience to capitalism. The General Strike, the growth of Fascism, the Government attack on the trade unions, the prospect of war—all these are issues for which the I.L.P. is not and cannot be prepared unless it is prepared to face a conflict before a parliamentary majority. Unless the existing class issue is faced, all dreams of a beautiful future become castles in the air.

The present stage is not yet the stage of civil war. But the present stage is already the stage of mass strug-

gle, in which the old sectional lines are plainly inadequate, and the united working class movement is faced with the necessity of a common front even in the daily wage-battle against the consolidated employers, and is confronted with the whole machinery of the capitalist State. And already at this stage the complete uncertainty, confusion and lack of leadership of the I.L.P. are revealed: I.L.P. leaders on the General Council, in the party press and in the country acting at complete cross purposes; some rushing into surrender, others criticising after the event, and none offering positive leadership in the crisis.

The General Strike is in fact the testing stone of the I.L.P. theories of class struggle, democracy, "industrial power" and the rest. The General Strike found the I.L.P. completely unprepared. During the nine months of Government preparations the I.L.P. had no policy and no preparations. Twice, in October and in March, the Communist Party communicated with the I.L.P. pointing out the urgency and certainty of the coming conflict and the necessity of preparation, and urging a common campaign and united front of preparation. The I.L.P. refused a united front of preparation, and to the last preached that the conflict was not inevitable and there was no need to hurry over preparations. The event showed the utter blindness of the I.L.P. When the conflict came, the I.L.P. leaders at the heads of the movement broke the workers' ranks, and smashed the strike in deference to "the Constitution." *The collapse of the leadership of the General Strike in 1926 is as significant a collapse of I.L.P. policy as the collapse of the MacDonald Labour Government in 1924. Together they signify the open bankruptcy of reformism in the British working class movement.*

Thus at every stage we find failure to face the struggle. At every stage, the more we try to discover the actual position of the I.L.P. in relation to the class

struggle, the more we find words without realities; half-admissions, hypotheses, reservations, evasions; a few rhetorical and vague expressions ("the most formidable struggle in British history," "iron will," "with the discipline and devotion of a monastic order"), and in practice, complete confusion and the most pitiful collapse.

This failure to face the actual struggle—which makes meaningless all the grand schemes—is not accidental. It is the inevitable outcome of the whole I.L.P. policy and outlook. For the phrases of the class struggle which are occasionally, as we have seen, thrown in, in a very confused fashion, into I.L.P. statements, are imported ornaments which do not represent the real policy and outlook of the I.L.P. The real policy and outlook of the I.L.P. are, as its own basic propaganda will repeatedly declare, "ethical," "spiritual," based on class-harmony and the unity of the "community"—the antithesis of the working class struggle, and the fit expression of the hypocrisies of capitalist "democracy."

The I.L.P. does not see the issue as a class issue: it does not see as the centre of the whole struggle the class-domination of the workers by a ruling class, entrenched with every weapon of power, which can only be overthrown, not by words, but by the strength and action of the working class: it sees, instead, only a difference of opinion, to be solved by appeal to "public opinion," "the bar of public judgment," "the good sense of the community," etc.—in other words, to the whole clap-trap of lies of the old Liberal deceivers of the workers and concealers of class domination.

So the chairman's speech at the I.L.P. Conference in 1925, in expounding the Living Wage policy, explained that, when once the National Minimum Wage had been fixed "at the bar of public judgment," then

"when the national verdict is given, either the amount fixed will be so inhuman as to put the rich, with their lives of luxury, to shame for ever, or it

will be so correct as to ring the death-knell of a wasteful profit-making industrial system.”—
(Chairman’s Speech, I.L.P. Conference, 1925.)

Thus capitalism is to be ended by “the rich” being “put to shame.”

In the same way, the Samuel Commission, set up by the Tory Government to prepare the attack on the miners, is thus referred to in the pamphlet explanatory of the Living Wage policy:

“The appointment of the Coal Commission meant that public opinion realises that an industry which cannot pay a living wage must be re-organised until it can do so.”—(“Labour’s Road to Power,” p. 5.)

Everyone now knows that the Samuel Commission, composed of capitalist representatives, was set up as a tactical move in the capitalist offensive to prepare the reduction of the miners’ wages.

This blindness to the real struggle is the inevitable outcome of I.L.P. policy. This failure to face the issue of class power inevitably makes the I.L.P. schemes only schemes of reconstructing capitalism. The Socialism remains in words only. Because the class issue is not faced, the practice is inevitably capitalism.

§2. *The Living Wage as “Lever”*

But, it may be said, the Living Wage policy does not attempt to deal with the strategy of the struggle. The aim of the Living Wage is to prove a motive or incentive which will lead the masses of the workers into the fight for Socialism. The propaganda of the Living Wage is only intended as a “lever” for the fight for Socialism.

“We make an imperative demand for the living wage to-day, and with that motive for our lever, go on to insist that industry shall be remodelled to satisfy humanity’s need.”

“We are prepared for the objection that there is ‘nothing new’ in our programme. That in a sense is its merit. Its originality (if that is a merit) consists in placing in the forefront a simple human demand, which must carry with it, if we can stir the ambitions and stimulate the thinking of the average worker and his wife, assent to all the rest.”—*New Leader*, 1st January, 1926.)

This argument in practice abandons the claim of the Living Wage policy to present a strategy of the class struggle. The only distinctive feature of the Living Wage policy is declared to be that it puts a “simple human demand” in the forefront. The Living Wage is reduced to a form of propaganda for the fight for Socialism. But the tasks and problems of the fight remain to be solved.

But even this limited claim for the Living Wage cannot be accepted so long as the real struggle is not clearly presented. If the real task of the conquest of power and of industry is not clearly shown, but slurred over, then the demand for a Living Wage becomes, not a lever for Socialism, but a substitute for Socialism. The propaganda of the Living Wage as a supposedly more attractive substitute for the propaganda of Socialism becomes a trick which defeats its own end.

The workers will not be tricked into the fight for Socialism. Certainly the propaganda of Socialism must start from the simplest daily needs of life of men, women and children, and the failure of capitalism to meet those needs. But at the same time it must be shown that no short cut can find the way out, no magic panaceas of pretended reforms, money-control or other trickeries, but only the conquest of the means of production by the working class, and therefore, as the necessary condition of this, the overthrow of capitalist class power and conquest of power by the working class; and it must be shown that this class struggle will involve heavy fight-

ing and sacrifice, demanding the strongest discipline and solidarity of the working class. If this is not shown beforehand, how can the workers be ready for the struggle? *If, on the contrary, the picture of "Socialism" presented for popular consumption is a picture, not of the conquest of production and liberation of the working class, but of a universal higher wage to be achieved by some mysterious complicated jugglery on top of appeals to the better sentiment of "public opinion," then the real struggle will find the workers completely confused and unprepared.*

The Living Wage is a completely false presentation of the socialist objective. It obscures the real issue of the conquest of production, and places in the forefront an illusory issue of a change in the national distribution of wealth while capitalist production continues. It replaces the socialist objective of the abolition of wage-subjection by an "ideal" (not a mere immediate aim in the daily fight, but an ideal and supposed motive-power of Socialism) of a higher wage. But distribution depends on production; distribution cannot be settled independently, by some supposed handing over "from the superfluities of the rich . . . to raise the level of working class life" (*New Leader*, 1-1-26); distribution depends on and corresponds to the class relations in production, and can only be changed when those class-relations are changed. Therefore, the concentration in the forefront on the question of a change in distribution, instead of on the conquest of production is a complete distortion of Socialism, and in fact a replacement of Socialism by the old quack remedies of the Liberal Social Reform school of Lloyd George before the war, which professed to relieve the poor by the taxation of the rich instead of tackling the root of the evil in the class ownership of production.

The plea for the Living Wage policy as a motive power of Socialism is thus incorrect, because this motive-

power does not press in the direction of Socialism, but of something else. It is a lever, not for Socialism, but for an illusory alternative to Socialism. It presses for the solution of poverty within capitalism, which is the professed aim of all capitalist parties and politicians and industrial magnates. It holds out the treacherous hope of a universal higher wage in a harmonised capitalism. This new gospel is the gospel, not according to Marx, nor according to Robert Owen, nor according to Keir Hardie, but according to Henry Ford. *The new Living Wage policy of the I.L.P. does in fact represent a "lever"; but it is not a lever for Socialism. It is a lever for Fordism or "Americanisation."*

§3. Family Allowances and Socialism

The falsity of this fixing on distribution as the primary question is most clearly seen in the propaganda of Family Allowances, which are put forward as an essential accompaniment of the Living Wage policy.

The proposal is expressed in the following terms in the I.L.P. Conference resolution :

EQUAL CHANCE FOR WORKER'S CHILDREN

The I.L.P. advocates, as a part of the living income, the payment out of direct taxation to mothers or guardians of supplements to working class incomes, varying with the number of persons in each household. This step towards social equality would begin the necessary redistribution of the national income according to needs. It would curtail the luxuries of the rich in order to win for the children of the poor an equal chance of life.

This proposal is advocated, not simply as a piece of social legislation that may be of value to the workers, but as an actual beginning of "the necessary redistribution of the national income according to needs." It is this claim which needs to be examined, since once again

it assumes a peaceful, painless transition to Socialism ("redistribution according to needs"), not by any battle of two classes over production, but by an almost imperceptible transference of wealth from the pockets of "the rich" to the pockets of "the poor."

What is here in question is not the value or otherwise of Family Allowances as a system within capitalism, that is to say, as a possible reform within capitalism, which, like social insurance and other measures, may or may not have value for the workers according to concrete circumstances. What is in question is the supposition that such a measure of Family Allowances within capitalism can represent a real advance towards Socialism, a "redistribution of the national income according to needs," an increase in the workers' share of the product of labour.

It is plain that provision for motherhood and for the complete upbringing of children (but certainly not "family allowances") is a first obligation of Socialism, once the conquest of production provides the means. But this is not here in question. What is here proposed is a system of Family Allowances within capitalism, which, with the full capitalist control of production unchanged, is supposed to increase the share of the workers, and to represent a "step towards social equality." It is repeatedly made clear that this change can take place immediately and realise its effect, without reference to any other part of the programme or necessary accompanying reorganisation:

"We believe that the allowances for children could be provided by a bold Chancellor in the first year of any Labour Government with a resolute majority behind it."—(*New Leader*, 8-1-26.)

The policy accordingly needs to be considered in relation to the actual existing conditions of capitalism.

Family Allowances are advocated by many capitalists as an improved basis for the payment of wages; and

varying practical schemes for their realisation are in operation in several modern countries. Why is this? The reason of the capitalists is clear and openly expressed. *The system of Family Allowances, from the point of view of the capitalists, makes possible a lower aggregate wage-bill than the old loose system of a nominal "family wage" for all male workers.*

The old nominal "family wage" was based on the assumption that the "average" adult male worker had to maintain a family of five—himself, wife, and three children. Of course, this did not mean that sufficient was paid to meet the needs of such a family; the actual wage depends on the market, and not on ethical considerations. But it was assumed that the worker was on the average carrying such a burden, however miserably.

Modern statisticians have, however, discovered that this "average" family is a myth. The proportion of adult male workers with a wife and three dependent children is 8.8 per cent. No less than 51 per cent. are either single or widowers, or married with no dependent children (of course, this does not take into consideration the other kinds of dependents most earning workers have to carry or assist—parents, sick or incapacitated relatives, etc.; but this is just where the pinch comes in for the workers in establishing a system which assumes that the only kind of dependents to provide for are children under earning age).

This brilliant discovery of the capitalist statistical hacks, of the mythical character of the "family" under modern conditions, has at once suggested to the capitalists that they have evidently been paying too much. If only some collective pooling system could be devised to pay for the actual dependent children in the minority of cases where these do exist, then a much lower basic wage could be fixed for all workers as such, apart from their dependents, and for the majority of workers only this basic wage would need to be paid. Thus the aggre-

gate wage bill would be lowered. This is the capitalist theory of Family Allowances; and under capitalism this is the inevitable working out of any system of Family Allowances.

It will be seen that this principle applies, whatever the source of payment of the Family Allowances, whether from an employers' pool (the most usually favoured), workers' contributions (the most reactionary form), or direct State taxation. Even though the whole cost is raised from the capitalist class, still the principle remains that the more "scientific" system of only paying for dependent children in the minority of cases where such dependent children exist, and refusing to recognise other forms of dependents, means in effect a reduction in the aggregate wage bill of the capitalist class as a whole, even after counting in the full cost of the allowances—a reduction, that is to say, in the total cost to the capitalist class of maintaining the labour army with the necessary renewals.

The truth of this is clearly shown in the actual examples of schemes either proposed or in operation, and in particular in two of the principal countries on which experience is largely based—Australia and France.

The Australian example is actually quoted by the authors of the "Living Wage" report, though without any sign of recognition of its significance. They point out that the Australian Federal Commission in 1920 fixed the minimum wage necessary to meet the needs of a family of five at £5 16s. But the Federal statistician objected that such a wage would entirely eat up all profits, and even so could still not be met out of the existing organisation of industry. Thereupon the Commission set to work to find a way out, and discovered the device of Family Allowances. They issued a revised proposal for a basic wage of £4 for man and wife, with an allowance of 12s. for each dependent child. Such a figure would be entirely compatible with the mainten-

ance of full profits and dividends, and of the maintenance of the existing organisation of industry. In other words, the device of Children's Allowances was openly brought in as a mechanism for diminishing the total wage bill.

The judgment of the well-known Australian Labour organ, the *Australian Worker* (official Labour and anti-communist) on the scheme (recently brought forward again in New South Wales by the Piddington award with the same open wage-cutting objective) is as follows :

"The substitution of child endowment for an increase in the basic wage will put millions into the pockets of the employing class.

Under the present system, which bases the minimum wage upon the requirements of a man, wife and two children, the employers, as Mr. Piddington himself points out, are called upon to pay for hundreds of thousands of children who do not exist. Under the scheme of child endowment they will pay only for the actual children.

It follows that the workers will be worse off to that extent. Though there will be gain in individual cases, as a class they will lose heavily. The aggregate of wages will be so seriously diminished that very great hardship must ensue.

Single men and married men without offspring will suffer severely, nor will the injustice be confined to them. In varying degrees it will spread throughout the whole working class; for, their total spending power being materially reduced, the standard of living must be detrimentally affected." (*The Australian Worker*, 29-12-26.)

The same character is shown in the French experience, where schemes are in actual operation. These schemes are supported by the reactionary social-patriotic *Confédération Générale du Travail* of Jouhaux, which reports on them :

“The allowances enable a fairer distribution of the product of labour and a higher standard of life for children. They have no real effect on the birth-rate. *We could not maintain that the allowances have not reacted on the bachelor's wages.* But in actual practice an organism which aims at equity and solidarity *justifies certain sacrifices.* . . . We in France consider that the family wage is purely and simply a redistribution on sounder and more humane lines of the wage bill.”

This is the statement of a supporter, but in relation to practical experience. The best that the supporter is able to claim is that the reform amounts to, not an increase of the workers' wages, but a redistribution of the workers' wages. In practice, the Report has to admit that the reform has provided the basis for cutting the wages of the workers supposed to be without dependents, *i.e.*, according to the statistics already quoted, of the majority of the workers.

Thus the practical character of the Family Allowances scheme is a wage-cutting device. It is not surprising that, at the same time as the I.L.P. is busily advocating this “reform,” as a “step to Socialism,” it is being equally pressed forward, on very different grounds, by the Liberal Party (“Children's Allowances”: Report of the Family Endowment Committee, Women's National Liberal Federation).

To meet this difficulty of the manifest capitalist character of the scheme, the I.L.P. endeavours to lay especial stress on the proposal that the Family Allowance shall be paid out of direct taxation. But, as has been already pointed out, this makes no difference to the essential principle of the policy (diminution of the aggregate wage figure necessary, even including the allowances). The provision of a bare subsistence figure for children from the State (5s. per child is proposed) automatically strengthens the hand of the employers, unless the fight-

ing class strength of the workers is strong enough to prevent it, to reduce wages. The whole experience of the past epoch of nominal social legislation and sinking real wages shows this. The French experience confirms it. *And indeed the I.L.P. authors themselves unconsciously let out at one point that the advantage of the Family Allowance will be to make it possible to reduce the figure of the Living Wage:*

“If in this way you can pay 7s. 6d. or even 5s. for every child, then *the wage which industry must pay can be fixed at a manageable figure.*”—(*New Leader*, I-I-26.)

Of two things, one. Either the Family Allowance is a real addition to the total wage of the workers, or it is not. If it is, then it can only be won by the class strength of the workers, and raises exactly the same questions as any other advances of the workers against capitalism. If it is not, then it becomes at the best only a redistribution of the workers' wages, and not a “redistribution of the national income.”

But the I.L.P. claims that it is a real “redistribution of the national income”:

“It is no mere ‘lever’ or expedient. It redistributes the national income.”—(*New Leader*, 8-I-26.)

In that case what happens to the parallel propaganda of the Living Wage as a “lever,” compelling the advance to Socialism? How can the demand for a Living Wage, for a “frontal attack on poverty,” be a lever compelling nationalisation, Socialism, etc., as the only means of realisation, when all the time the “frontal attack on poverty,” the “redistribution of the national income” can really take place “in the first year,” without troubling about nationalisation and so forth at all, by a simple process of taxation and transference from the pockets of the rich to the poor

“to take in taxation from the superfluities of the

rich millions which you will pay out to raise the level of working class life.”—(*New Leader*, 1-1-26.) This is the complete retreat from Socialism to the Lloyd George Social Liberal school of “9d. for 4d.” humbug—the relief of the poor by the rich.

§4. *The Fallacy of the Redistribution of the National Income*

This conception that the “national income” can be “redistributed,” while leaving the class control of production unchanged, is at the root of current I.L.P. propaganda, as of all liberal social-reformist confusion.

It is expressed most crudely in such a pamphlet as that of Mr. Wheatley, entitled “Socialise the National Income.” Here the proposal is coolly put forward to redistribute the entire product of capitalist industry—mis-called the “national income”—while industry remains in capitalist hands. (How the cat is to be belled is not discussed). The essential “new” feature of Mr. Wheatley’s policy lies in the proposal that nationalisation can wait; poverty can be solved immediately by a simple redistribution of the product:

“We should begin our Socialism by socialising the *product* of labour and raising the purchasing power of the workers before embarking on the nationalisation of the *means* of production.”—(J. Wheatley, “The Way to Socialism,” *Forward*, 30-10-26.)

Distribution is thus completely separated from the ownership of the means of production. The workers are wrong to aim primarily at the conquest of the means of production in order to obtain the fruits. They can enjoy the fruits without owning the means. This is the new “Socialism” of Mr. Wheatley and his friends.

What lies behind this “new” socialist policy of Mr. Wheatley and the modern I.L.P. (in reality, the simple abandonment of Socialism and reversion to liberal social

reformism), which preaches the *postponement of nationalisation* in order to "deal with poverty first"—thus completely reversing and denying the whole old socialist propaganda? The reason is to be discovered in Mr. Wheatley's own pamphlet, as well as in all the current propaganda; and it lies deeply rooted in the conditions of reformist bankruptcy, especially revealed in the failure of the MacDonald-Wheatley Labour Government, which have given rise to the search for a "new" policy. *The reason lies in the growing recognition of the impossibility of Socialism, or even effective nationalisation, through the existing Parliamentary machine.*

Mr. Wheatley estimates, on the basis of his practical experience of Parliamentarism and administering the capitalist State machine, that to nationalise even the key industries through these means would take at least forty years, under the most favourable circumstances. (This, of course, given the rapidity of capitalist development, is equivalent to a recognition of impossibility, and of the certainty of a different issue.)

"Complete nationalisation of these industries one by one and by Parliamentary procedure must take a long time. No one who understands the difficulties in the way would say that even with extraordinary political good fortune it could be accomplished in less than forty years. This is probably why Mr. MacDonald in a recent speech warned the workers not to expect too much in the way of an improved standard of living from the next Labour Government. If they are to wait patiently until industry has been completely organised on the basis of national ownership they need not expect any substantial relief in our time."—(J. Wheatley, "Socialise the National Income," p. 13.)

This is the declaration of bankruptcy of Reformist Socialism, through the mouth of a Labour Cabinet Minister.

But does Mr. Wheatley draw the practical conclusion to which this admission necessarily leads, the conclusion that the workers will have to seek the conquest of industry by other means? Not at all. This would draw Mr. Wheatley out from the rank of prospective Cabinet Ministers, and bring him inevitably into the camp of Communism. Mr. Wheatley prefers a different alternative. *He abandons the aim of the conquest of industry* (until after forty years—*i.e.*, not in his lifetime). Instead, he comes forward with a new “get rich quick” scheme for the workers (“the standard of living of the working class must be raised immediately to the level enjoyed by the middle class” runs the opening sentence of his pamphlet) *without* the conquest of industry, *i.e.*, *without Socialism*. This is the final wriggle of cheapjack reformism, when faced with its own failure, before settling down into the relatively honest reaction of a Mac-Donald.

So is reached the position expressed in the I.L.P.’s own summary of Mr. Wheatley’s pamphlet:

“Must the workers remain in their desperate poverty until the nationalisation proposals of Socialism are fully carried out?

“John Wheatley, M.P. says—NO! Socialism stands for socialising both industry and the national income. Why wait to do the latter until the former is accomplished? Why should not the next Labour Government apply the socialist principle of the right of the State to distribute the national income equitably?”—(*New Leader*, 25-3-27.)

Thus nationalisation can wait. The “national income” can be distributed “equitably” under capitalism. Distribution can be treated entirely separately from the capitalist ownership and control of production.

The same retreat from nationalisation and concentrating on distribution as an *alternative*, making possible the solution of poverty within capitalism by the “Re-

distribution of the National Income" alongside of capitalist ownership and monopoly, runs through the whole of current I.L.P. propaganda. Thus Mr. Brailsford, discussing nationalisation, writes:

"Such a process demands time. Parliament is a sluggish machine. Methods of control and nationalisation require study and experiment."

In consequence he puts forward his alternative for immediate advance:

"The other way is to redistribute the existing national income—to take in taxation from the superfluities of the rich millions which you will pay out to raise the level of working class life."—*(New Leader, 1-1-26.)*

And again:

"In order that all the nation's children shall reach the fullest possible development of mind and body, socialists propose for this national purpose *to treat the national income as a common pool*. . . Property has no rights that can stand against the claim of the whole community for its children."—*(“Families and Incomes,” p. 11.)*

Thus property remains in private hands. But the return on private property becomes a “common pool” which the “community” allocates on principles of social equality.

In the same way, Mr. G. D. H. Cole, in an approving review of the “Living Wage” Report, with particular approval of the policy of Family Allowances as a system which “would transfer a large body of income from the rich to the poor,” declares:

“There is no lack in our hands of productive power; the disease of capitalist society is under-consumption. . . . The need is for higher wages as the means to higher production and a higher standard of living all round. So much is nowadays almost commonplace in socialist circles. . . . Fam-

ily allowances, drawn from direct taxation, are the only way I know of greatly and immediately raising the standard of life for the poorest sections of the workers." (G. D. H. Cole in *Lansbury's Labour Weekly*, 16-10-26.)

Thus "productive power," the means of production, exist "in our hands" in plenty (in *whose* hands?). The "disease" of capitalist society does not lie in the class ownership of the means of production, leading automatically to poverty, unemployment and contradiction between consumption and productive capacity. The disease lies in the "under-consumption" of the masses, *i.e.*, unsuitable distribution between the classes. The remedy consequently lies in the sphere of distribution.

Here we come to the theory of under consumption, which is the economic background of the whole of these expressions and policies, and which is in fact the basis of the liberal social reformist theory, as opposed to the socialist theory, of capitalism. We shall have occasion to come back to this theory further in dealing with the conception of higher wages and the expansion of the home market as the solution of the contradiction of capitalism (in the first section of the next chapter). For the moment the important aspect of this theory is the aspect which treats the problem of capitalism as a problem of distribution.

The theory of under-consumption is the version of the liberal social economist, J. A. Hobson, to explain the contradictions of capitalism—the continually recurrent contradictions between the market and productive power, leading to crises, between "over-production" and poverty, idle factories and workers alongside desperate need of goods. The cause of this is not found to lie in capitalism as such: that is to say, in the class monopoly of the means of production, inevitably leading to the poverty of a competitive wage for the workers and inability to buy what they produce; nor in the anarchy of

commodity production, inevitably producing for an unknown market, and by the rules of its existence unable to pay any regard to social need. If this were recognised, then the inevitable remedy becomes the abolition of class monopoly in the means of production, and the organisation of social production to meet social need. But the evil, according to Professor Hobson, lies *within* the framework of capitalism and commodity production, and is curable within that framework: the evil lies in the *inadequate* amount paid by the capitalists to the workers, who consequently cannot buy back sufficient of what they produce to provide themselves with full employment, and the excessive amount going to the capitalists, and through them to investment for new production, for which there is no market; thus resulting in a recurrent surplus of both capital and labour.

"The wrong division of the product of industry involves in this way a limitation of its output. . . too little proportionately has gone in wages."—("Living Wage" Report, Chapter II., "Under-Consumption.")

"The root evil of depressed trade is under-consumption."—(J. A. Hobson: "The Evolution of Modern Capitalism," p. 288.)

"There is no remedy for this low gear operation of the economic system except better distribution of wealth and better opportunities . . . a more equal (and more equitable) distribution of income, by which a larger share passes to the workers, while the share of the owners and employers is reduced."—("The Evolution of Modern Capitalism": 1926 edition, Supplementary Chapter, pp. 476-477.)

"This means that a *higher proportion than is customary in our society must go to the wage-earning masses, and a lower proportion to the owning and investing class.*"—("Living Wage" Report, p. 10.)

It will be seen that the theory makes no attempt to go more closely into the *cause* of the maladministration of the product of industry. Any such attempt would inevitably lead straight to the class ownership of the means of production as the cause, and, therefore, as the real "root evil" to be fought; and in consequence would lead straight to the conclusion that this can only be overcome by the expropriation of the capitalists and socialisation of the means of production, and not by any mythical petty bourgeois ideal of the "better distribution of wealth," such as *cannot* be evolved out of the class system with its inevitable intensification of the division of wealth and poverty. Instead, the effect of the expressions "wrong division," "too little," "more equitable," etc., is to imply that the cause lies in the intellectual or moral errors, selfishness or mistaken theories, of the capitalists, which can be remedied by the preachings and propaganda of the social reformers, who will show the desirability on both ethical and economic grounds of a better "distribution."

Thus this theory is in reality a very weak "critical" theory of existing capitalist working, from a liberal capitalist point of view.

What is the consequence of this theory, which has been adopted wholesale by the reformist socialists in the present period? The consequence is to fix attention, not on the ownership of the means of production as the central issue, but on the distribution of the product as something independent of this and separable; and, therefore, to replace the aim of nationalisation in practice by the aim of the "Redistribution of the National Income" within capitalism, to replace socialism by liberal social reform, to replace the abolition of classes by the better division of the product between the classes. This is the character of the "new" I.L.P. policies, which en-

deavour to put forward reforms in distribution as a substitute for nationalisation.

On this attempt to treat the distribution of the product of industry as separable from the ownership of the means of production, Marx has commented :

“In the most shallow conception of distribution, the latter appears as a distribution of products, and to that extent as further removed from and quasi-independent of production. *But before distribution means distribution of products, it is first, a distribution of the means of production.*”— (“Critique of Political Economy”: Posthumous Introduction: Kerr edition, p. 286.)

The problems of distribution cannot be separated from the ownership of the means of production, which determines the character of distribution. Any attempt to treat the latter separately can only defeat itself, and end in the re-assertion of the dominant forces of production : only a change in the relations of production can achieve a real social change. *The “Redistribution of the National Income” is a vain imagination, so long as the ownership and control of production remain in the hands of the capitalist class.*

The history of the past twenty years of “social reform” has illustrated this. The past twenty years have seen a gigantic increase in the direct taxation of the capitalist class, and in social relief to the poor. Yet the net effect to-day at the end of it all is that a larger proportion than ever of the national product goes into the hands of the capitalist class, while the real wages of the workers have gone down.

The issue of the control of production cannot be escaped. This issue is a class issue, which can only be fought out on class lines, and not by any “equitable” “national” schemes of redistribution between rich and

poor on lines of abstract justice. If this issue of the class conquest of power and of production is not faced, and put in the foreground as the primary aim, then the whole policy of "Socialism in Our Time" becomes only a policy of "Capitalism in Our Time." And this is the actual character of the policy.

For the fact that the "Redistribution of the National Income" cannot be achieved within capitalism, does not mean that the adoption of the "new" policy has no practical significance. On the contrary, it has a very great practical significance, though not that which its authors profess. The actual significance of the "new" policy does not lie in the sudden discovery of the urgency of the problem of poverty and the supposed advance from old-fashioned doctrinaire Socialism to "practical" methods of dealing with poverty. Its significance lies *in the retreat from Socialism to capitalism, and in nothing else*. The promise of "Plenty for All" will not be, and cannot be, realised under the next Labour Government. *But the promises of "Nationalisation may Wait" will be*, if the workers do not force a different issue.

This is the point at which the "new" policies of the I.L.P. coincide with the very old policies of MacDonald and Snowden. Both groups, both "right" and "left" reformists, shrink from the fight for the nationalisation of the means of production, which is the task that confronts the next Labour Government and which the workers expect of it. But the right group prefer to draw back openly in the name of "caution" and "gradualism." The left group prefer to draw back under the flag of "new" and "daring" policies of the "assault on poverty" which leave behind as unnecessary the old-fashioned notions of nationalisation. The net effect is the same. *The net effect is to make for harmonious co-*

operation, after all the sham quarrels, in a new Labour Government of deception and illusion.

Thus the new "Living Wage" policy of the I.L.P., so far from representing a policy for a rapid advance to Socialism, as its authors profess, represents in practice, if its actual proposals and propaganda are examined, *a policy for the practical liquidation of Socialism from the Labour programme.*

V.

CAN THE LIVING WAGE POLICY RECONSTRUCT CAPITALISM?

Shaw, the spiritual father of Revisionist confusion and opportunism in the English Socialist movement, has written, in giving his blessing to the I.L.P. Living Wage policy :

“We must make capitalism work until we have replaced it by Socialism. . . . That is why the I.L.P. pamphlet on the living wage is necessarily much occupied with methods of compelling capitalism to keep things going decently until we are ready to do without it. When this is clearly understood, our young innocents who imagine that social systems can be changed in a day by proclamation will perhaps read it with the patience and attention it deserves.” (G. Bernard Shaw : “Socialism and the Living Wage,” in the *New Leader*, 15-10-26.)

This statement contains in a few lines the whole Revisionist (reformist socialist) misconceptions and confusions which lie at the root of the I.L.P. policy.

The Revisionists believe that it is possible to “make capitalism work,” and that it is the duty of Socialists to do this. Having no clear understanding either of capitalism or of social development, they see the evils and contradictions of capitalism, not as the inevitable working out of the class system, which can only be effectively changed by the change of class power, and which can only be even partially affected by class action within capitalism, but as so many isolated accidents, “problems” and “errors of statesmanship,” which can be countered by suitable propaganda and enlightenment, and which need not take place if only the capitalists were “wiser,” *i.e.*, would listen to the advice of the Revisionists. Hence their policy of co-operating with the capitalists—coalition, permeation,

concentrating on the administrative machine, search after agreed social reforms at the expense of supporting capitalism on all major issues; and of hostility to the working class struggle—support of capitalist law and order, suppression of working class revolts, unity with the White Guard front. This they believe to be a “practical” “constructive” policy, and they profess to be incapable of regarding the revolutionaries as other than impatient “young innocents” who do not understand the necessities of practical work and wish to reach heaven in a day.

The criticism and contempt which Marx, Engels, Liebknecht, Luxemburg, Lenin and all the greatest leaders of international Socialism have invariably poured on this type of petty reforming moralisers, harmonisers and illusionists, exemplified in the Revisionist Shaw-Webb-Bernstein school in the past generation, has not, however, been the criticism of “young innocents,” but of combined thinkers and leaders with a very much more profound, powerful and practical understanding of the real dynamics of capitalism and the real problems of the working class struggle than their pigmy critics, and, therefore, with nothing but contempt for the advocates of the fool’s job of “reconstructing capitalism” as an alternative to the class struggle which can alone bring real change.

The attempt to “make capitalism work” (very different from the attempt to fight for what can be secured within capitalism, at the same time as gathering strength and advancing to overthrow it) is a fool’s job which breaks every time on the realities of capitalism, just as the Fabian drawing-room dreams shattered on the rock of 1914. *The obstacle in the way of Socialist advance is not so much the “young innocents” who are too eager to reach Socialism in a day, and whose eagerness, once it is yoked to practical understanding of social forces, can become the best driving force of the fight, but the “old innocents,” who after half a century’s failure still imagine they can “reconstruct capitalism,” and who waste the time of the move-*

ment and turn it aside from the practical tasks of the real struggle by their fantastic meaningless "schemes" which are simply a cover for their servitude to capitalism.

The I.L.P. scheme, true to type, is, as Shaw correctly says, a scheme to "make capitalism work." This is precisely what condemns it. But the revolutionary criticism is not, as Shaw imagines, from the standpoint of subjective yearnings after the impossible. The revolutionary criticism is from the standpoint of realism.

We have already examined the I.L.P. scheme as an alleged way of advance to socialism, and reached the conclusion that it tackles none of the problems of the real advance to socialism, and that its whole character really bears in an entirely different direction—the direction of capitalist reconstruction.

We have now to consider the I.L.P. scheme as a scheme of capitalist reconstruction, and to see whether it fares any better even on this basis; whether it is not in fact equally illusory to accomplish even this limited aim, because of the same failure to understand the real forces of capitalism.

§ 1. *The Fallacy of the Home Market*

The central pillar on which the whole conception of the Living Wage as a policy of capitalist reconstruction turns is *the conception that the present crisis of capitalism can be solved by the payment of higher wages to expand the home market.*

In this way the pamphlet "Labour's Road to Power" declares:

"The machines stand idle because the masses lack the power to buy. Nothing will cause these wheels to turn again save a fresh stream of purchasing power. The one sure way to raise the bootmaker's wages is to enable the miner, the agricultural worker and the rest to buy more boots."

Thus the wage-workers under capitalism, according

to this statement, produce to supply one another's needs. The profits of the capitalists are made, or could be made if only they were wiser, out of the wages they themselves pay the workers. The only difficulty is that the capitalists, through selfishness or "lack of imagination" (*New Leader*, 1-10-26) pay insufficient wages to the workers, thus causing poverty for these and trade depression and lower profits for themselves; a manifestly foolish policy from which the enlightenment of the I.L.P. will save them. This is the new I.L.P. theory of the wage-system and of the workings of capitalism.

In the same way an article on "The Keys to Power" explains:

"We see no hope of struggling out of the unemployment and depression of 1926 unless at the start we increase the consuming capacity of the masses." (*New Leader*, 8-1-26.)

This conception of the true solution of the capitalist crisis by an increase of purchasing power has become a dogma of official Labour policy, as indeed of social democracy in every country. Thus a *Daily Herald* leader, welcoming a speech of the President of the Federation of British Industries a few weeks before the attack on the miners, under the title "A Daniel Come to Judgment," writes:

"The remedy for unemployment and trade depression is to spread purchasing power amongst the people." (*Daily Herald*, 20-3-26.)

Time was when the Labour movement declared that unemployment was the inevitable consequence of capitalism, and could only be cured by socialism. This has now been "revised." Not only are other solutions available; but "the" sole real solution lies entirely in capitalism. The present position is evidently now similar in essentials to that of the Labour Government, when MacDonald as Prime Minister declared:

"You can tinker with unemployment; but in the

end the only thing that is of real help and value is a normal condition of trade." (J. R. MacDonald: House of Commons Debate on Unemployment, 29-5-24. *Times* report, 30-5-24.)

or when the Dissolution "King's Speech" announced that the Labour Ministers were

"actively engaged in the development of a constructive policy with a view to stimulating industry and encouraging trade as the only means of dealing fundamentally with unemployment."

So, too, the German Trade Union Federation leaders, after having freshly returned from the new Holy Land of Social Democracy, America, announce in their book ("Amerikareise Deutscher Gewerkschaftsführer"):

"To press for high wages is not merely a social necessity; on the performance of this duty depends the whole progress of industry."

Here, also, "revision" has been at work in the old social democratic programme; and the new Fordist gospel of economic salvation by "high wages" has replaced the old Marxist notions of the inevitable intensification of capitalist contradictions and the relative worsening of the position of the working class as a whole.

The crudest expression of the present fashionable propaganda is provided once again by Mr. Wheatley, who lays out the whole bag of tricks with a lavishness of promises that must embarrass even his colleagues. After outlining his plan for "raising the purchasing power of the workers before embarking on the nationalisation of the means of production," he proceeds to paint in the results with a broad brush:

"The raising of the standard of living would automatically provide a market for our super-abundant goods. . . .

"Our unemployed problem would be solved. . . .

"The people would be economically enfranchised. . . .

"Socialisation of the means of production would then

proceed smoothly as a means of improving production. Instead of our people marching through starvation to socialism, they would, as Brailsford put it very neatly at Margate, enter it through an era of prosperity." (*Forward*, 30-10-26.)

Thus not only will the raising of wages to expand the home market "solve unemployment" and create "prosperity" without any need of socialism, which only remains as a final counsel of perfection; it will also "economically enfranchise" the people, while the capitalists remain in possession of the means of production.

It is worth noting that a similar propaganda is conducted by certain sections of capitalism, though with a special meaning which will later be explained, notably in America and by Henry Ford :

"The cure of business depression is through purchasing power, and the source of purchasing power is wages." (p. 151.)

"It is this thought of enlarging buying power by paying high wages and selling at low prices which is behind the prosperity of this country." (Henry Ford : "To-Day and To-Morrow." p. 9.)

Thus the American capitalist magnates and the I.L.P. are in agreement as to the causes of the maladies of capitalism and the correct remedies. (The special conditions lying behind this propaganda in America, and ultimately falsifying it, will be considered in a subsequent section.)

What is at the bottom of this new gospel which has replaced the old socialist propaganda in reformist circles, and which preaches the increase of purchasing power by higher wages as the solution of unemployment and the crisis of capitalism?

The conditions giving rise to the new gospel are clear. The old reformist propaganda has been knocked to pieces by the capitalist crisis. The practical reformist policy to-

day, as already explained, has to be the reduction of wages. If the workers are not to be entirely lost from control, and pass over to the plain revolutionary conclusion, a new "myth" has to be created. That must be the myth of a coming "capitalist revival" giving plenty to all. It is not much use to promise higher wages to be won by fighting from the capitalists, since the reformist leaders are obviously not ready to fight. It is, therefore, necessary to promise higher wages to be secured by agreement with the capitalists, as the means of reviving trade and securing higher profits to the capitalists. The opportunity lies ready to hand in certain of the newer schools of capitalism, with the doctrine of the economy of high wages, and particularly in the current American propaganda, since American capitalism is still ascendant and, therefore, can still for a while be pointed to (with a little judicious white-washing and covering over of the black spots) as a Mecca. So the new gospel is pushed for all it is worth.

What is the basis presented for the new gospel?

The practical basis is the American example, which, for all its irrelevance, has the propagandist value of a "practical" example—until the conditions change. This is discussed in the next section.

The theoretical basis is once again the "Theory of Under-Consumption," which has been discussed in the last chapter—the theory that the cause of unemployment and crisis lies, not in capitalism as such, the necessary working out of the class-system and the wage-system, but only in the *inadequate* wages paid by the capitalists to the workers. If only a higher wage were paid, all would be well. This is the grand solution.

"A higher proportion than is customary in our society must go to the wage-earning masses, and a lower proportion to the owning and investing class." ("The Living Wage," p. 10.)

The consequent "new stream of purchasing power"

would solve the depression, "absorb the unemployed" (p. 34), and open the way to prosperity.

The reasoning evidently runs as follows :

1. The crisis of capitalism consists in the inability to find markets capable of absorbing modern increased productive power.
2. If wages were increased, the home market would be increased.
3. Therefore the solution of the crisis of capitalism lies in the increase of wages.

Here is the idyllic solution, without struggle, bringing advantage to all, and only held up by the dull stupidity and "lack of imagination" of the capitalists.

Unfortunately a short examination will show that this idyllic solution is idyllic nonsense.

Who pays the workers wages? The capitalists.

Who sells the workers goods for their wages? The capitalists.

Can the capitalists receive more from the workers in payment for the goods they sell them than they pay the workers in wages? Obviously not.

Here then is an equation and no profit. The capitalists are requested to pay out more from one pocket in order to have the pleasure of receiving it back, in exchange for goods, in another. It would be simpler to suggest that the capitalists should make a direct present to the workers.

Capitalism, however, works only for a profit. There is here, therefore, no solution.

Certain sections of capitalists, catering for working class consumption, can make a profit by selling to the workers, that is, out of the workers' wages. *But the capitalist class as a whole cannot make its profit out of selling to the workers, that is, out of the wages it itself pays the workers.* This is elementary, and would scarcely seem necessary to repeat, were it not that the grand solution of the capitalist crisis by raising the purchasing power of the workers

is trundled out a hundred times a day on every social democratic platform.

Where does the profit of the capitalists come from? From just that portion of the total volume of production which does not go to the workers, which is not equated by wages. If the equivalent of the total volume of new production in a year (*i.e.*, after allowing for the necessary renewal of the means of production—the new *values* created by the labour of the workers during the year) went to wages, *i.e.*, to the workers producing it, there would be no profit; under such conditions the capitalists would not engage in production, there would be no employment—in other words, such a hypothesis is impossible under capitalism. It is only under socially organised production that the workers can enjoy (socially) the full equivalent of the new values they produce. Under capitalism the workers with their wages can never buy more than a portion of the new values they create; and no amount of suggestions to alter the magnitude of the portion can change the fact that it is only a portion, and that a surplus remains which must be realised elsewhere in order to yield a profit. But it is just this surplus which gives rise to the market problem of capitalism to dispose of it in order to realise its profit. *To suggest that this problem can be solved by selling the surplus to the workers, and that this is the solution of the market crisis of capitalism, is therefore, meaningless nonsense.*

In other words. Profit comes precisely from the *unpaid* labour of the workers (from surplus-value, or the new value produced by the workers over and above that necessary for the renewal of the means of production and for their own maintenance, and appropriated by the capitalists in virtue of their ownership of the means of production). The extraction of the maximum amount of this surplus value, and its realisation in money form, is the whole objective and problem of capitalism. The portion

of the volume of production constituting surplus-value ("surplus-produce") cannot by definition be sold to the workers, since these are not paid for it. The volume of "surplus-produce" constantly grows with the increase of productive power and the extension of capitalist production, thus intensifying the market problem of capitalism. To suggest that the problem could be diminished if the capitalists would only by higher wages enable the workers to buy a larger proportion of the volume of production, is equivalent to suggesting that the capitalists should diminish their surplus, and that if only they would have less of a surplus to dispose of, they would have less of a problem. No doubt. So, too, a millionaire, if only he no longer had his million, would no longer need to feel anxious about its security. Nevertheless, the wise advice is not likely to lead him to give up his million. *The whole be-all and end-all, the whole inevitable driving force, the whole competitive mainspring of capitalism is, not to diminish, but to increase and force up surplus-value to the maximum possible point.*

Where, then, is this surplus-produce, which is the goods form of surplus-value, sold in practice, in order that it can be realised in money form and turned into rent, interest and profit? It can only be sold in one of three directions: (1) for capitalist consumption (in the form of luxury goods); (2) for the extension of production (in the form of machinery of production); (3) in foreign markets, the return coming in the shape of (1) or (2) *i.e.*, luxury imports, additional means of production, or foreign investments. The first of these (capitalist consumption) is necessarily limited by natural limits: and accumulation, the grand aim of capitalism, is only served by the second and third. In consequence the whole drive of capitalism is towards the second and third: towards (a) foreign markets, and (b) profitable new lines of investment, especially abroad. In an advanced capitalist country, such as Britain, these

two, and not the home market, constitute the practical factors of the problem from the standpoint of the capitalists.*

Thus there is a complete contrast between the standpoint of capitalism in practice in Britain as to the character of the problem and the necessary remedies, and the mythical hopes of a "solution" presented by the reformist socialists.

The capitalists see the only way out in the expansion of foreign markets. The way to this they find in the cheapening of production. The way to this they find in the reduction of wages (a few of the more progressive seeing in reorganisation a possible partial alternative). Hence the capitalist offensive on the workers' standards as their "solution."

The reformist socialists preach the way out through the development of the home market. The way to this they declare to lie through the raising of wages. This

* In developed capitalism these two are commonly combined. The export of capital "pays for" the export of goods. As the Federation of British Industries Memorandum of 1925 declared, in examining the pre-war economic basis of British industry:

"The prosperity of British industry before the war primarily depended on *a continuously expanding foreign trade rendered possible by the continuous investment on a large scale of British capital* for the purpose of developing hitherto undeveloped countries."

Of course the whole structure has to be ultimately directed to a point of consumption; but this point can be in practice very remote (railways "fructifying" in twenty years) and need not be in practice the British wage earners; the "consumption" may take the form of a colonial war or other unproductive expenditure, paid for by a claim on the future labour of a subjected colonial nation. The profit for capitalism is obtained in the course of the continuous expansion of the structure; the form of ultimate consumption is indifferent. What governs in capitalism is not social advantage, but the higher rate of profit.

bears no relation to capitalist practice, to which the reformist socialists have also in practice to conform (advocacy of the acceptance of reductions in the daily fight, while preaching the policy of higher wages in the abstract).

On this situation Professor Varga writes :

“The social, democratic solution is unacceptable for the capitalists, in whose hands the actual decision at present lies. *Individual* groups of capitalists, producing the less indispensable goods for working class consumption, such as clothing, furniture, toys, bicycles (in America, motor cars), have an interest in a general rapid increase of wages, as providing them with an increased market for their goods. *The capitalist class as a whole* cannot aim at an expansion of the home market by the raising of real wages. For this would mean to make a present of a portion of their surplus-value to the workers in the form of money in order thereby to be able to sell them goods. Although the capitalists are no Marxists, still they feel that this would be a bad piece of business for them. The capitalists only grant increased wages, either if the working class wins them by fighting, or in return for increased service. But increased service means increased production of commodities, and so reproduces the contradiction between the relations of production and consumption on a higher level.

“The capitalists in practice do the opposite. They rationalise, *i.e.*, they cut wage costs and diminish the purchasing power of the workers.” (E. Varga: Report on the Economic Situation, 3rd Quarter, 1926: “Inprekorr” (German edition), 5-11-26, p. 2284.)

How does it come that the reformist socialists thus present as a practical “solution” within capitalism a line so completely and manifestly at variance with the whole real line and driving force of capitalism in practice? The answer is that what is able to give the measure of propaganda plausibility to their scheme, is that they are in real-

ity utilising the principle of the socialist solution, and endeavouring to apply it to the conditions of capitalism, while omitting the small "detail" of the class struggle and the class conquest of power in between. Hence the easy propaganda effects of their scheme ("let the wheels of industry run to supply the needs of the people"), and the complete practical unreality in relation to the conditions of capitalism.

It is obvious that the socialist solution of the existing contradiction between production and consumption is to utilise the increased productive power in order to fight the poverty of the masses all over the world. So far, what the reformists announce with all the clamour of a discovery is the ABC of socialist propaganda since Owen and Saint-Simon. But what the social reformists actually put forward is something different. For they speak of "raising purchasing power" to solve "unemployment." In other words, they propose to apply the socialist solution to the conditions of capitalism. And precisely here lies the fallacy.

For the socialist solution is not possible without the necessary condition of socialism which it presupposes, *i.e.*, the unified social control of production, and this can only be obtained by the working class conquest of power. Within capitalism there is no unified social control, but only the conflict of interests, and even the combinations are only subordinated to wider conflicts.

It might thus *theoretically* be in the interests of capitalism as a whole to raise the proportionate share, and consequent purchasing power, of the workers in order to postpone its own collapse—that is, to diminish its own share and accumulation in order to ease the present strain and buy a few more years of life at a lower level (and this is what the kindly I.L.P. is endeavouring to persuade capitalism to do in order to prolong its life—*i.e.*, to prolong the exploitation of the workers).

But there is no such thing as capitalism constituting a

single conscious whole. So long as a section of capitalism can find even a temporary advantage by reducing labour costs, it will do so, if it can, without regard to social considerations. *The price of labour-power depends on economic and class forces, and not on ideal considerations.* Even the so-called higher-wages policy in America (applicable in fact only to a minority) resulted, according to the testimony of all observers, not so much from any conscious social policy as from the shortage of labour through the stoppage of immigration; and already during the latest period, with the increase of unemployment owing to more highly organised production, the average of real wages shows signs of beginning to go down, and new wage-offensives are in full swing.*

Higher wages under capitalism (higher "real" wages) can only be obtained in one of two ways. Either they are obtained by the fighting strength (monopoly value) of the workers—monopoly value in a new country, where there

* Higher Real Wages commonly accompany a period of expanding capitalism, as in middle-nineteenth century Britain and present-day America; and for this reason the conventional explanation of the American example on the basis of the immigration shortage is in fact too limited and incomplete. Where there is large scope for expansion, and big profits are being made, then, provided there is not a large market of surplus labour available, real wages will tend to rise, since it pays the capitalists more to increase the wage-bill in order to secure smooth co-operation without interruption and intensive production than to waste time and potential profits on struggles with the workers. In this situation the rise in real wages takes place, but disproportionately to the rise in production—otherwise it would not pay the capitalists—*i.e.*, the degree of exploitation is increased (as will be amply shown in the figures of the American example in the next section). But in Britain to-day these conditions are no longer present. Capitalist industry is fighting for its life, and faced with a decline: and, therefore, so far from being disposed to grant increased wages to the workers, is fighting ferociously to diminish their earnings by every possible penny.

are still insufficient workers for rapidly expanding enterprise; or fighting solidarity and 100 per cent. trade unionism in an older country such as Britain, where capital has more workers to its hand than it is prepared to use. This is the only real way in which the workers can make an actual gain at the expense of capital, increasing their share at the expense of surplus value. If this is what the reformists mean, *i.e.*, an actual proportionate gain in the workers' share at the expense of surplus-value (and their theories of the supposed beneficial social effect are meaningless unless they mean this), then they can only get it by fighting for it; the capitalists will resist it; it can only be won by the class power of the workers. But this is precisely what the reformists are not prepared to face, as their role during the miners' struggle showed, when they advocated the acceptance of "temporary" reductions for the sake of capitalist reorganisation.

The alternative line of higher real wages under capitalism can only arise on a basis of proportionately increased production, yielding a higher rate of surplus-value, and, therefore, concealing a lower relative wage. This is the capitalist theory of high wages (the so-called "Economy of High Wages"). The increased production is obtained by greater intensity of labour, technical development, piece-wages, liquidation of trade union safeguards, scientific management and similar devices for extracting a greater volume of labour in the same nominal or even less time. Here the increase of production is sufficient to pay the higher real wage and still leave an increased proportion of surplus-value. This is, therefore, "good business" from the point of view of the capitalists, and will readily be endorsed by them.

But if this is what the I.L.P. mean (as they sometimes appear to imply by their pictures of "increased" prosperity for both workers and capitalists) then this policy is no solution whatever of the basic crisis of capitalism, but an actual intensifying of the contradiction between produc-

tion and consumption. For the increased production more than outweighs the increased purchasing power through the rise in wages, and leaves a still larger aggregate volume of goods for disposal. What is to happen to these? To the I.L.P., with its facile generalisations of "increased purchasing power," "home market," "absorb our super-abundant goods," "solve unemployment," the problem does not occur. It seems to them obvious that if wages are increased, the home market is increased, and no problem of the disposal of goods can arise. Yet this is the heart of the problem, on the most elementary real understanding of capitalism. For the supposed "solution" of the problem of markets by the increase of purchasing power of the workers becomes the exact reverse of what happens. *The disproportion between the total volume of production and the purchasing power of the workers becomes increased, not diminished.*

This complete unawareness of the essential *capitalist* character of the problem is startlingly illustrated in the I.L.P.'s own detailed proposals. Thus, for example, in the "Living Wage" Report (p. 16) the authors estimate that a slight "expansion of credit" to utilise fully existing capital and labour would result in an increase of production to the value of £350 millions.

"The increase of production which we might expect if our existing capital and labour were fully employed at the present level of efficiency (*i.e.*, without any measure of reorganisation) would add, say, £350 millions to the national income."

Taking the existing basis of division they estimate that the proportion going to rent, interest, profits and salaries would be £200 millions, and the proportion to wages £150 millions. But from the latter figure the unemployment and poor relief at present received must be deducted. Therefore

"The net addition to the purchasing power of the masses would be, say, £100 millions."

Thus £350 millions is to be added to the total volume of production.

£100 millions is to be added to "the purchasing power of the masses."

What is to happen to the remaining £250 millions worth of products, additional to the existing volume of products for which capitalism is admittedly hard put to find a market? The question is not considered. Yet it is obvious that if production has been increased by £350 millions, and the purchasing power of the workers by £100 millions, the disproportion between the workers' purchasing power and the volume of production has been increased, not diminished.

Perhaps the £250 millions is to go to exports (after the satisfaction of capitalist consumption and new productive machinery at home). In that case the "expansion of the home market" is to mean a much greater relative expansion of the export market (how achieved, not explained). But this is ruled out. "We do not base our policy on the prospect of an expanding export market" (p. 51). There is no escape here. It is clear that the £250 millions additional products is to be absorbed somehow in a vast expansion of capitalist consumption and of extended productive machinery at home. How the products resulting from setting going the entire existing shipbuilding plant, iron and steel works, etc., at "full employment" are to be absorbed in this way, without any regard to expanding the export market, on a purely home basis, is not made clear.

But it is scarcely worth while to pursue the question further. The character, and degree of care, of the I.L.P.'s economics of capitalism is sufficiently obvious.

The "solution" of the crisis of capitalism by expansion of the home market on a basis of increased wages is a tissue of confusion between two opposite policies:

(1) The limitation of surplus-value, which from the

standpoint of capitalism is no "solution" but a retreat to be resisted, and which can in consequence only be achieved by the class power of the workers in the wage-struggle—a condition the I.L.P. is not prepared to face, as shown in the miners' fight;

(2) The capitalist policy of higher wages to secure increased production, such as cannot be absorbed by the increased wages, but has to be absorbed on the world market.

The "popular" propaganda of the I.L.P. assumes the former without facing the fight or what is involved. The practice, practical detail, and whole real meaning of the policy, is the latter, which is in accord with the line of modern advanced capitalism of the Fordist type, and which leads to the increased exploitation of the workers and the intensification of the capitalist crisis. Finally, even this propaganda is mythical in relation to the real conditions and practice of European capitalism, which owing to its conditions of decline, endeavours to accompany the introduction of "American" methods and reorganisation with the reduction of wages.

It is now necessary to consider the American example, on which the would-be "practical" character of the propaganda is based.

§2. *The American Myth*

The United States represents for the Reformist Socialists in Europe the working model of the possibility of capitalist reconstruction, bringing prosperity for all and high wages for the workers. In particular, the I.L.P. finds in the United States confirmation of its theory that high wages to enlarge the home market, combined with a scientific credit policy, can solve the trade crises of capitalism and bring continuous expanding prosperity.

This worship of the United States as the guiding

light of reformist and capitalist propaganda in the present period of capitalist decline is natural. The United States is to-day the centre of world capitalism; here capitalism is still ascending; here it is still possible to maintain for a while the illusions that have grown threadbare in the older capitalist countries; here, therefore, is the inevitable magnet for all worshippers of capitalism. So we find, not only Baldwin and the whole capitalist press, but also the Right Wing "socialists" and trade union leaders singing the praises of America, and pointing to American wealth as the capitalist *alternative* to the line of working class struggle represented by the Soviet Union. "America *versus* Moscow," "Ford *versus* Marx," "American Wealth *versus* Russian Poverty"—these are the more vulgar slogans of the campaign, ignoring all the real social causes, factors and *dynamics* of the situation thus represented, of the final stage of capitalism with its extremes of wealth and contradictions on the one hand, and of the opening stage of the world revolution, with its elementary struggle and illimitable potentialities on the other.

One or two of the more extreme examples of this type of I.L.P. propaganda may be quoted. In this way the liberal "socialist" writer, Norman Angell, in seeking to answer Trotsky's "Where is Britain Going?" after presenting a long account of the Russian supposed "failure to dictate Communism," proceeds characteristically to quote the most conventional picture of American working class prosperity *as a disproof* of the necessity of "political revolution," the working class conquest of power, in order to improve the workers' conditions:

"There has taken place in America in the last thirty or forty years a tremendous change in the standard of the workers. Where, thirty years ago, a workman would earn a dollar or a dollar and

a half a day, he now earns three or four or five; and, making all due allowance for the change in the value of money, the increase is still a tremendous one. In many occupations—building, carpentry, engineering, plumbing and a host of others—a man can live in great comfort, a comfort which includes such things as the possession of a motor-car if his tastes run that way, for a year on what he would earn in five or six months. In the trades enumerated, a man earns from £3 to £4 a day. Wages often run to over £1,000 a year, where employment is constant, as among railroad men. . . . Four families out of five throughout the entire country possess a car. Now whatever one may say about this, it constitutes an economic revolution. It has not been the result of a political revolution. It has not even been the result of very effective trade union action. . . . It has been due to the employer's self-interest—his intelligent self-interest.” —(Norman Angell: “Must Britain Travel the Moscow Road?” p. 175.)

This is the *Daily Mail* propaganda in all its glory, as truthful as the *Bromley-Morning Post* propaganda of British miners “earning £13 a week.” But the falsity of the details is not for the moment important. The fantastic character of the picture, credulously accepting at face value the crudest American shop-window propaganda, and leaving out of all account the mass-poverty, child-labour, etc., on which the narrow layer of wealth at the top is built, is less important than the line of argument, which seeks to prove by these means the possibility of progress within capitalism for the British working class, on the basis of “bourgeois self-interest,” and that “these factors offer an immensely greater chance of successful transformation” than the tactics of class struggle. (p. 178.)

In the same way, the *New Leader*, in an article

entitled "America as a School for Socialists," argues directly from America to Britain, with no consideration of difference of conditions, and endeavours to base American prosperity simply on an act of policy or will, the policy of high wages, which Britain could immediately repeat if it only wished:

"America's present condition proves what many of us have for long contended, that it is possible for a community to live at almost any standard of life it desires. It may live at the level of 30s. per week, £3 or £5. Or it may commit suicide. America has decided to live at the £5 per week level, whereas Great Britain has decided to commit suicide."—(W. Wellock: "America as a School for Socialists": *New Leader*, 26-3-26.)

Thus American prosperity is based, not on natural and social forces, but on a magic inspired act of will.

This profoundly unhistorical treatment of the American phenomenon is typical of the I.L.P. "idealist" school of thought. It would have seemed obvious that the existing American wealth and expansion is based on extremely tangible material conditions and historical processes, as easily discoverable and explicable in the main outline as the analogous British "miraculous" wealth and expansion in the nineteenth century (which the British Victorian business men and social philosophers were as ready as the American millionaires and professors to-day to explain in complacent terms of national genius, policy and institutions—"free trade," the "British Constitution" then; "Americanism," the "American standard of living" now—without attempting to look for the material and social causes underlying these policies and institutions).

If a population comprising 7 per cent. of the world's population, and occupying 5 per cent. of the earth's surface, is possessed of developed natural resources capable of producing 22 per cent. of the world's wheat,

43 per cent. of its coal, 53 per cent. of its copper, 59 per cent. of its cotton, 60 per cent. of its steel and 72 per cent. of its oil; if that population, drawn in great part from the pick of the skilled workers and most enterprising sections of the populations of the old countries, is able to develop this vast rich territory, free from feudal survivals and historical *débris*, and with the aid of the capital accumulated from the older capitalist countries, as a single economic area,* inevitably opening the way, as soon as sufficient communications, etc., have been developed, to large-scale mass-production on a scale inconceivable in the old, small encumbrance-ridden capitalist countries; and if that country develops in consequence, so soon as the initial period of colonising and opening up is completed, to a position of world economic and financial hegemony, dominating two continents directly and reaching out to the remainder, drawing to itself half the stock of the world's gold, expanding credit on this basis, extracting tribute from all over the world (concealed in the first stages by the mass of exports): then it follows inevitably that these con-

* It is customary with the liberal economists and reformists to interpret the whole prosperity of the United States in terms of the single economic area or "internal Free Trade," without regard to natural resources or historic conditions, and to argue from this that Europe, on a similar basis of internal Free Trade, could equal or rival this prosperity. (So Angell, pp. 47-9). Such an explanation is pitifully inadequate; and—to take no other factors into account—ignores plain natural facts. Thus the total coal area of Europe is 42,800 square miles (over half in the Soviet Union) against 340,000 for the United States; the West Virginia or Kentucky coalfields alone represent a greater coal area than the French, German, Belgian and English coalfields combined. In the same way the steel production of the United States stands (1925) at a monthly average of 3.6 million tons against 2.8 millions for Britain, France, Germany, Belgium, Luxemburg and Italy combined.

ditions will reflect themselves in a period of gigantically accelerated wealth-production and expansion, the droppings of which will fall also to the workers in the favoured country, and particularly to the upper stratum of the workers. But this does not mean that that country is in any wise exempt from the general laws of capitalist development and the ultimate contradictions of capitalism, as the process of accumulation and concentration works itself out (in 1926, 0.29 per cent. of the population paid 95 per cent. of the income taxes, while 82 per cent. paid none; according to the Federal Commission Report on Wealth and Income of the United States, 13 per cent. of the population own 90 per cent. of the total wealth), and of the contradictions of world capitalism in which by its very expansion it becomes more and more implicated and entangled. And therefore to treat the temporary favoured conditions of the wage-earners, and particularly the upper minority of the wage-earners, in this metropolis of world capitalism and imperialism as of any significance whatever for the future line of working class advance and the working class struggle, save as one further and culminating example of the imperialist corruption of the upper strata of the workers, is simply to bury one's head in the sand and repeat again the error of the old English labour aristocracy, and this time with less excuse, since the whole process has now been, not only predicted, but demonstrated.

The I.L.P. endeavours to explain American prosperity by the high wages providing a vast home market.

“Much is explained by the fact that the restriction of immigration and the consequent scarcity of labour compelled the employers to resort to a policy of high wages. That gave them a vast home market, and enabled them to develop the full possibilities of mass production.”—(“The Living Wage,” p. 9.)

This is a fantastically inadequate explanation of even the undoubted fact of the large home market, which is one of the important factors in the conditions of American production, giving an advantage over European countries. It is perfectly true that the predominant importance of the home market in American industry (exports at present only account for about 10 per cent. of American production, and of manufactured products still less—4.3 per cent. in 1923) makes a basic difference from British conditions, which will affect any attempt at direct transference of American methods to Britain. Precisely this difference the I.L.P. completely fails to take into account, since it is obvious that even the payment of the highest wages in the world would not be able to provide a British home market comparable to the American, and affording the same opportunity for large-scale production on a secure basis prior to entering on the export market (to put the difference at its lowest, there is a 100 per cent. difference in the population).

But in fact it is not true that the size of the American home market is due, or even mainly due, to the high wages of the industrial workers. Here is where the I.L.P. theorising (and a good deal of American theorising, too) takes leaves of the facts. Of the 41.6 million occupied persons in the United States in 1920, 12.8 millions or under one-third were engaged in manufacturing industry, 10.9 million or nearly as many in agriculture and forestry, 1 million in mining, 3 millions in transport, and the remaining 14 millions in trade and services. Thus the large American home market is based on a combination of factors: (1) the farmer; half the population is rural—here is one of the key differences from British conditions, and to the importance of this we shall return; (2) the industrial workers who obviously cannot buy more than a portion of their product; (3) the middlemen and parasitic services, who are only

a reflection of the volume of American wealth and profits, but who in their numbers constitute the largest market; (4) the bourgeoisie, in so far as they spend their profits on direct goods for consumption, and not on services (=the third group) or re-investment.

What do these various sections represent in purchasing power, that is, in relative importance in the home market? In 1924 President Coolidge declared that the annual cost of the federal, State and local government amounted to ten thousand million dollars; this he declared was equivalent to (1) "about the total that all American farmers receive for all their output for a year"; (2) "93 per cent. of all wages and salaries of industrial plants"; (3) "about one dollar out of every six of the national income." (*Manchester Guardian*, 13-11-24). From this it follows:

(1) One-sixth of the American national income goes to wages and salaries in industry (more exactly, 18 per cent.).

(2) One-sixth of the national income goes to the farmers.

(3) Therefore one-third of the national income goes to the direct productive workers.

(4) The remaining two-thirds consequently go to (a) transport and distribution charges; (b) services; (c) profits, rent, interest and commissions.

Thus the wages of the industrial workers, even if the fancy "salaries" of high-priced directors. etc., are counted in with them, account for at the maximum 18 per cent. of the home market. Even if all wage earners of every type—industrial, agricultural, mining, transport, trade, distribution and parasitic services—are counted in, totalling 63 per cent. of the population, their aggregate income, according to figures based on the Government Statistics of Income for 1924, amounts to 39.5 per cent. of the total national income, or a little over one-third.—(New Republic, 26-1-27.)

The industrial wage-workers, accordingly, even though they were receiving the highest wages according to the most fabulous accounts, could not and do not constitute more than one factor, and not the most important factor, in the volume of the American home market. The farmers constitute a parallel market, equal to the total of wages plus salaries in industry. It is this vast home market, based on agriculture, which makes the striking difference from British conditions. The importance of this is in fact even greater than appears from the figures of their share of the national income. For the farmers are consistently underpaid for their products, while industrial goods are relatively more highly priced. The movement of prices since 1914 shows this sharply. On the basis of 1909-1914 as 100, the price-level of all agricultural products stood in November, 1926, at 130, while the corresponding figure for non-agricultural products stood at 161. The difference between these figures reveals the increasing exploitation of the American farmer by industrial capitalism in America. The instrument of this process is the high protective tariff on industrial goods (which the new international exploiting interests of banking capitalists in America may presently, when strong enough, begin to overthrow). Thus the farmers provide in reality a larger volume of goods in exchange for industrial goods than the figures of the money value allowed them show. *The exploitation of the farming population is one of the important bases of American industrial prosperity* (the farming population, comprising 26 per cent. of the working population, receives 13.8 per cent. of the national income).

But in fact the picture of high wages in industry, as commonly drawn in capitalist and I.L.P. propaganda, is in reality, as any serious examination shows, extremely superficial, exaggerated and misleading. The high wages quoted refer only to a tiny minority of

mainly skilled workers in a few trades; and even for these there is no attempt to consider over what period of their working lives these wages are actually earned (the turnover in American industry is notoriously high, running to 100, 200 and 300 per cent. in a year, and even in the best cases averaging 50 per cent.; the worker is "too old at forty"; in the high-wage industries there are startlingly few old workers), nor the effect of the absence of any social provision for unemployment, sickness, old age or industrial accidents. But for the mass of the workers, for the workers in the less favoured industries, for the unskilled workers, for the women workers, for the negroes, for the child workers, the picture is very different. Thus the International Labour Office reports in 1927:

"In the less prosperous trades such as textiles, wages are on a much lower level, particularly in the Southern States, where women earn from 8 to 15 dollars a week, and the average figure for common male labour is about 30 cents an hour or 16-20 dollars for a week of 54 hours. It has also to be remembered that as a rule the American worker has no State provision against unemployment, sickness, old age or other industrial risks or accidents . . . an important factor in considering his general well-being and in estimating the real value of his wages."—(H. B. Butler: "Industrial Conditions in the U.S.A.": International Labour Office Report, 1927.)

The average wage of all American industrial workers in 1919 was \$1,155 (Census of Manufactures for 1919). In the same year the official United States Bureau of Labour Statistics estimated the *minimum* necessary "to maintain a family of five at a level of health and decency" at \$2,262. Thus the average wage in 1919 was 51 per cent. of the subsistence minimum. Lest this subsistence minimum be thought to represent an over-high "American standard of living," it should be explained

that the budget (which omitted any provision for holidays, books, savings, etc.), was explicitly framed not to represent an "ideal" or a proper "American standard of living," but to represent, according to definition, "a bottom level of health and decency below which a family cannot go without danger of physical and moral deterioration." ("Quantity and Cost Budget": Bureau of Labour Statistics, 1919: p. 7). Since then there has taken place the rise in real wages during the years 1919-1925, which is estimated on the basis of official figures at 20-30 per cent. (compare "Wage Changes, 1914-1925," International Labour Office, 1926). Adjusting the figures to allow for this rise at its most favourable, we reach the result that *in 1925 the average worker's wage was 20-30 per cent. below the official subsistence minimum for a family of five or "bottom level of health and decency below which a family cannot go without danger of physical and moral deterioration."* Since a tiny majority were admittedly taking a high wage, the poverty of the mass is accentuated. (With this conclusion may be compared the result reached in the course of a careful review by the Conservative "Round Table" on "American Industry and its Significance," to the effect that "the income of the common labourer at best brings him hardly above the poverty level, which is usually fixed at \$1,100 a year." ("Round Table," March, 1927.) In view of the teeming wealth of America, based on almost limitless natural resources and the bounty of modern science and machine power, the results would not appear to be much of an advertisement for capitalist social organising ability, or to justify the suggestion that capitalism has changed its spots in America or ceased to live on the ruin and degradation of the mass of the population.

Even more important than the absolute movement and value of wages is the relative movement, which is always the real test of the working class position. The

Daily Mail-Norman Angell type of propaganda suggests a sensational leap forward of working class wages and increasing share in national prosperity. "In the last thirty or forty years," says Angell in the passage quoted, there has been "a tremendous change in the standards of the workers"; "a dollar or a dollar and a-half" has become "three or four or five," *i.e.*, there has been a multiplication over three times since 1890, and, even allowing for the rise in prices, "the increase is still a tremendous one." What are the facts?

Between 1890 and 1914 there was no improvement in real wages, but actually a decline. Statisticians have calculated that real wages fell from \$635 per annum in 1889 to \$568 in 1914. (W. E. Walling: "American Labour and American Democracy," p. 220.) The studies of Professor Paul Douglas of Chicago University, have shown that the real wage in 1913-1914 was lower than in 1890-1900; in the fifteen years before the war, the wages of industrial workers increased 38 per cent., food prices rose 43 per cent. and housing rents 54 per cent. "All the good statistical evidence goes to show that there was no improvement in the average of real wages of American wage earners in the 23 years between 1896 and 1919."—(*New Republic*, 10-11-26.) "From the middle of 1908 to the middle of 1921, the purchasing power of wages continued to be less than in the period 1890-1907." ("Encyclopædia Britannica, 12th edition: vol. 32, article "Wages," section "United States," p. 944.) The same article notes: "That a large proportion of unskilled workers in the United States was paid wages even in 1921 far too low for decent self-support, is a fact confirmed by many wage investigations and well-known even to those only slightly familiar with industrial conditions," and records that 75 per cent. of women wage earners, and at least six million adult males were below such a level.

There remains the period 1914-1925 (actually the effective rise was only 1921-1923). The "Industrial Bul-

letin" figures show a rise in the general average wage for all industries in this period of 27 per cent. The National Industrial Conference Board Reports reveal a corresponding figure of 25 per cent. The International Labour Office in a special study of this question concludes:

"The outstanding factor which is shown by all the tables is that in the U.S.A. real wages in 1924 and 1925 are approximately some 20-30 per cent. higher than in 1914."—"Wages Changes 1914-1925," International Labour Office, 1926.)

The British Government Mission to America reports:

"According to the reports in the Federal Department of Labour, the average percentage increase in the cost of living for 1926 was 75.5 per cent. over 1914. Average earnings have in nearly all cases increased at least 100 per cent. in the same period, so that generally speaking a worker in the United States is better off to-day than in 1914."—"Report of the Delegation to America," 1927, p. 33.)

If the cost of living is at 175 on a base of 100, and the nominal wage at 200, this represents a rise in the real wage of 14 per cent.

*Thus between 1890 and 1925 real wages in America rose at the most 25 per cent.—according to the British Mission figures, 14 per cent. (and this is leaving out of account the drop between 1890 and 1914, which would give a true combined figure of less—possibly 10 per cent.). This is the total amount of truth behind all the advertisement. Angell's dollar became, not "three, four or five," but a dollar and a quarter (probably, more accurately, a dollar and a tenth)—in thirty-five years! So much for the relation of *Daily Mail* (plus I.L.P.) propaganda to facts.*

And now compare this with the growth of wealth in the same period. The National City Bank of New York publishes the following table of the growth of American wealth between 1900 and 1924:

	1900	1914	1924
	<i>(in thousand million dollars)</i>		
Wealth	88	186	320
Bank Clearings ...	84	163	438
Factories Capital...	9	22	44
„ Value			
of Product	11	24	43
Exports	1.4	2.3	4.3

(Table of the National City Bank of New York: *Financial Times*, 14-11-24.)

Thus between 1900 and 1924 American wealth has increased 263 per cent. Exports have increased 207 per cent. The value of manufactured products has increased 388 per cent. Bank clearings have increased 421 per cent. But real wages have risen 25 per cent., or, on the British Mission's figures, 14 per cent.

After adjusting these wealth figures to allow for the change in price levels, we reach the following result (on the basis of an 87 per cent. rise in wholesale price levels between 1900 and 1924—the official index number, on the basis of 1913 as 100, moved from 80.5 to 149.7—equivalent to a 46 per cent. depreciation in the effective value of money). *Between 1900 and 1924 "real wealth" in America—after allowing for the change in money values—increased 96 per cent. In the same period real wages increased 14-25 per cent. Wealth has increased four to six times as fast as wages.**

Thus the Marxist prediction of capitalist development and accumulation, and of the relative weakening of the

* With the result may be compared the statistics recently issued by the American "National Bureau of Economic Research," under the supervision of Dr. W. King, the principal authority on American wealth, income and taxation. These reach the result that between 1914 and 1926 the aggregate annual income increased from \$31,600 millions to \$89,682 millions, or roughly trebled, and, expressed in terms of 1913 dollars, increased from 31,300 to 52,900 millions, or an increase of "real" income of 70 per cent. since 1914

workers' share, so far from being "disproved" by the American example (as we shall find the I.L.P. believes), receives in it its most powerful historical confirmation. For it is this *relative* share of wages that is the decisive test of the position of the working class and shows the real line of social development.

But it follows from this that the contradictions of capitalist development, which have already weakened and threatened to paralyse European capitalism, inevitably await also American capitalism.

Since the increase of production is *not* in fact absorbed by wages, or even passing in the same proportion as before to wages; and the very rate of capitalist accumulation and increase of productive power leads to a tremendously accelerating extension of production; it follows that the problem of the market, which has only begun recently to concern American capitalism at all seriously, and of maintaining full employment for the whole wage-earning population, must become rapidly more and more acute. The expansion into the export market is only at its beginning, and, although already tremendous in absolute values and exceeding every other country, is minute in proportion to the total production. All observers are agreed that this volume of export must rapidly increase:

"To pay high wages in order to maintain high purchasing power is a counsel of perfection for any individual manufacturer which the dearth of labour renders it easier to obey. But the Secretary of Labour has already expressed his misgivings at the number of industries in which half the factories can already provide all reasonable demands inside the country, and all the expedients of mass production and standard-

alone. The increase of "real" income per head, or per person gainfully employed, works out at about 43 per cent. since 1914, or three times as fast as the British Delegation's estimate of the rise of real wages.

isation give a new importance to the export trade.”—
(*Times*, 19-II-25.)

The American manufacturers, in their own phrase, have only begun to “scratch” the export market.

But already in 1924, when only 8 per cent. of the total American industrial production went abroad, that 8 per cent. amounted in value to 4,470 million dollars, or £894 millions, as compared with the corresponding British total of £743 millions (Statistical Abstract of the U.S., page 726). Already that 8 per cent. overshadows the world market. What must happen when that proportion must rapidly increase? And when at the same time the financial operations of this same American capitalism draws to itself a tribute indebtedness of the whole world ever growing in volume—an indebtedness that can only be paid in goods at the same time as the whole volume of the movement of goods is pressing more and more heavily in the other direction? Here is the knot for world capitalism and for American capitalism, which cannot be solved within capitalist limits. *American capitalism, so far from representing the peaceful solution of the troubles of capitalism, as the European reformists fondly imagine, represents the engine and motive power of the future world crisis, compared with which 1914 will have been an explosion in a teacup.*

Capitalism in America, once the special conditions governing its structure are understood, does not differ fundamentally in its elementary laws from capitalism all over the world, save that its immeasurably greater scale gives it an overwhelming world importance. There are the same basic contrasts, class division, accumulation and poverty, leading to the same basic outcome. In many respects, from the very boundlessness of its material and human resources, it is more brutal and barbaric beneath its “advanced” scientific exterior than any of its predecessors—in the reckless waste of its natural resources, in the open cynical corruption and lawlessness of its plutocratic governing machine, in its disregard for the

most elementary social provisions, health protection, provision for old age, or protection of children (in 1920, 1,060,858 children between the ages of ten and fifteen years were "gainfully employed" in this land of unprecedented wealth), or in the militarist violence of its class tyranny before there is any question of a conscious working class attempting to win power (in 1924, according to the American Federation of Labour, 135,000 industrial spies, agents-provocateurs and gunmen were in the employ of the capitalist employers' agencies to crush Labour—capital's "private troops"; the open shop campaigns, prohibitions of trade unionism, court injunctions, gunmen, and the bloody conflicts in the mining, iron and steel areas are notorious). In short, the same contrasts, only on a vaster scale than ever before and with a more anarchic disregard for all human life and values, of multi-millionaires and paupers, of idle parasites and child-drudgery, characterise this "social paradise," which dares to compare itself to the human deencies—although at present on a hard-living level—and elementary social organisation of the Soviet Union.

To those "socialists" who wish to worship at this foul shrine, may be recommended an article of the American liberal-progressive journal, the *New Republic*, on the subject of "The New British Delusion."* This article deals with the "theory of American prosperity which is rapidly becoming accepted in England," and the attempts to base it, not on the simple large-scale exploitation of large natural resources, but on some supposed magic new principles and policies of management, class-co-operation, high wages, credit, labour-saving machinery, etc., such as could be immediately reproduced in Britain with similar results. The article after commenting on "the disposition of those in serious trouble to grasp at panaceas which seem easier than fac-

* "New Republic," 10-11-26: reprinted in the "Labour Monthly," for February, 1927.

ing unpleasant facts," calls attention to the fact that (1) this is "not an accurate picture of the industrial scene in America," and (2) these specifics "would not restore prosperity to Great Britain." American capitalism is still so rich in natural resources and young as to be able to afford the unlimited waste of the existing system of ownership and control. British capitalism cannot. "Does any informed person seriously believe that these specifics could have been successfully applied to the British coal industry without a fundamental reorganisation of ownership and control?"

It is humiliating that it should require an American liberal organ to point out these elementary truths to British "socialists."

§3. *The Fallacies of Fordism*

The system of principles and theories, as well as the technical practice and organisation, of the present period of American capitalist industrial expansion, is expressed most completely, as well as in its most advanced form, in "Fordism." Fordism, or the industrial practice and principles first applied on a large scale by Henry Ford, the American motor-car manufacturer, and subsequently established as a pattern of up-to-date industrial organisation, has come to be used, largely owing to the skilful propaganda issued by Ford himself in the publications under his name, to denote, not only the system of workshop technique, wage-payment and industrial management associated with Ford, but also a whole social theory, a gospel and philosophy of "Big Business" claiming to cure all social ills—in short, the theory of advanced industrial capitalism.

As such, Fordism has been acclaimed by modern capitalist propaganda all over the world as the "last word" in capitalism, the triumphant answer to Socialism and Marxism, and the vindication of the capitalist future. "Ford *versus* Marx" has become the slogan of current

capitalist apologetics : and under this title, indeed, the *Observer* in a three-column article acclaimed the shoddy work of Angell already quoted, as "a public event," not so much for the answer to Trotsky, as for the liquidation of Socialism from the programme of the Labour Party which it was held to signify. Fordism has in fact become the fashionable banner of modern capitalism; its gospel of high wages and high production is held out as the legend of hope for those in the capitalist abyss, and it represents the best substitute for a theory and programme which capitalism to-day can offer.

In the same way Fordism has been taken up eagerly by the social reformists as demonstrating the possibility of capitalist reconstruction with high wages, and of a practical alternative to revolution for the improvement of the workers' position. So the German trade unions, as if in answer to the British Trade Union Delegation to Russia in 1924, sent their Delegation to America in 1925. In the Labour Party organ we find Ford's latest book reviewed with high praise :

"Mr. Ford reminds us . . . of a thoughtful Labour leader. . . .

"Business is a here a god, a beneficent international god. . . .

"Fordite workers and artists in the midst of our capitalist world remind us of those antique poets and sages who could not fare to Paradise, but still were set untroubled and apart by Dante . . . the surrounding Inferno hurt them not.

"Suppose employers in general were to find the Fordite faith and set themselves to create such meads throughout the industrial Inferno, Labour's goal would be the same as it is to-day, but immediate issues and problems would be very different."—(*Daily Herald*, 9-9-26.)

Thus Fordism is almost socialism; it is already outside "our capitalist world"; it is a "faith" which is fer-

vently offered to employers. There is no recognition here of the most highly organised and conscious expression of capitalism, and therefore the direct and even principal enemy of the workers.

In particular, the I.L.P. policy and Fordism are closely allied. Fordism, with its doctrine of high wages and the expansion of purchasing power, is the practical expression in capitalism of the principles expounded in the Living Wage policy. And the I.L.P. writers see in Fordism the confirmation of their policy, subject to the correction of certain aspects which they disapprove—the autocracy, opposition to trade unions, etc. So in the *New Leader*, Mr. Brailsford also writes on the subject of “Ford *versus* Marx,” and reaches the conclusion that Ford has disproved Marx: the “American object-lesson” is a “flat contradiction” of what Marx taught.

“If this is capitalism, it is a variety which has discarded the fundamental principle on which Marx based his prediction. The case against it is no longer that it makes poverty by its very success. The case against it is rather that it is an unchecked autocracy.”

Thus the only weakness of Fordism is its “autocracy.” The Fordist policy of high wages can be immediately adopted in England, minus this autocracy:

“As Mr. Ford advanced from his \$2.40 average to his \$5 and \$6 minimum, so we can raise our £2 a week civilisation to a £4 civilisation, when we make up our minds to do it. . . Our luck is that no English Ford has anticipated us here, for if Socialists apply this principle, it will be on lines which will substitute the control of the community for the autocracy of ‘big business.’”—(H. N. Brailsford: “Ford *versus* Marx”: *New Leader*, 1-10-26.)

The criticism here is ethical. The practical essentials of Fordist policy remain accepted as sound, and as providing the answer to the Marxist conception of capitalism, *i.e.*, the reformist alternative to revolution. *In so far as there is a practical basis within capitalism for the*

I.L.P. schemes, that basis is Fordism. It is, therefore necessary to examine Fordism with some care.

What is Fordism, and why is Henry Ford the accepted spokesman and standard-bearer of modern progressive capitalism? Henry Ford is the personification of the American capitalist expansion. His period coincides with the period of intense industrial expansion, prior to the succeeding increasingly financial period to-day (which meets with his bitter opposition). In the second place, he is the opener-up, within his quarter of a century, of a completely new industry—the motor industry. This is of vital importance. The virgin character of the ground meant that he could start “from nothing” (*i.e.*, rapidly wiping out the initial capital advanced) and build up his fortune stated to be worth 170 million dollars. The question of ownership and class monopoly, which is decisive for nine-tenths of capitalist enterprise, is thus here veiled, and a spurious appearance given of “equality of opportunity” and a fortune as the “reward of ability” (in reality it is obvious that, without the apparatus of capitalist class monopoly and proletariat ready to his hand, Ford could not have made his fortune). Thus Ford becomes a pre-eminently useful “typical case” for capitalist propaganda, just in that respect where he is not typical. It is clear that Ford could not have been Ford on the basis of the railroads, coalmines, banking, etc., or any established large industry, which cannot be entered without large initial capital.*

* The truth of this is curiously illustrated by Ford himself, who, once he is entered into the circles of the monopolist class, becomes completely discouraging to any new invaders. Thus, in his latest book “To-Day and To-Morrow,” he endeavours to deal (Chapter XXII: “Applying the Principles to Any Business”) with the question whether his teachings can have any meaning for the small business man.

“I have been asked: ‘How would you apply your theories of business if, instead of having a large plant making automobiles and tractors, you had but a small shop, employing

Finally, and most important, Ford is the pioneer and most successful opener-up of the whole technique of large-scale industrial capitalism. This technique, put most simply, is the technique of the economy of the large turnover: *i.e.*, low overhead charges, minute subdivision of labour, maximum employment of machinery and power, economising and intensification of human

twenty-five men, which manufactured nothing that had to do with automotives?"

He answers:

"If a man has twenty-five employees and intends never to hire more, and never to do beyond a certain amount of business, then I should say that he is in a most dangerous condition unless he is making a luxury—whatever a luxury may be. *The small manufacturer is always in danger* if he is not making as well as any one in the trade can make, for he always runs the chance of a large manufacturer coming along with methods that permit him to turn a profit at a sales price less than the cost to the smaller man. That is not a misfortune even for the man who is put out of business. It is the inevitable march of progress. . . .

"It is inevitable that the business of the country shall be done by very large companies which reach back to the source, and, taking the raw material, carry it through the necessary processes to the finished state." (pp. 242-244.)

This is the full (Marxist) doctrine of the inevitable domination of large-scale production wiping out small enterprise. What then is to happen to the small business man? He must go into the employment of the big trusts:

"I am sometimes asked whether it is better to go into business for oneself, or take employment. Employment as a career competes with private business in a way which few realise." (p. 270.)

Here is the complete transition to monopolist capitalism. But with this the whole basis of the capitalist propaganda, on the example of Ford, of equality of opportunity, individual enterprise, free competition, and the return on capital as the reward of ability, has disappeared. There remains only the inevitable final stage to finance capital, which Ford himself has not understood and can only see as robbery of the people.

labour, utilisation of the fullest resources of science at every stage of the process, control of materials, elimination of waste, standardisation of the product, etc.; and on this basis the possibility of paying high wages for high production, combined with a low ultimate price undercutting competition, with a very low profit on each article sold, but a gigantic profit on the total turnover. From this technique of large-scale production, follows a whole system of corresponding principles, completely overturning the old primitive mercantilist notions of "buying cheap and selling dear" as the sole path to a fortune. Such market-haggling is completely discounted; the industrialist puts on an enlightened face, preaches "service to the public," high wages and low prices, as his whole objective, with profit as an incidental ("service before profit," "industry as a public service," etc.)—and discovers that his resulting profit is higher than ever. ("It is perfectly impossible, applying these principles, to avoid making a much larger profit than if profit were the main object."—Ford: "My Life and Work," page 272.) This is the character which gives a "benevolent," "progressive," almost philanthropic aspect to Fordism, and attracts the reformers to it as "almost socialist in spirit." In reality it is simply the fully developed illustration of the Marxist principle that the real principal source of profit for capitalism is not "cheating" (market-haggling, outwitting, buying cheap and selling dear—all of which is secondary), but lies in the sphere of production, in the scientific exploitation of the workers and producers.

Fordism is thus, basically, the technique and theory of large-scale industrial capitalism. But this technique of scientific large-scale production and operation, which is technically in the main line of advance and immeasurably important in helping to build up the basis of future social production, is linked up with the obsolete individualist basis of private appropriation of the proceeds, and denial of social organisation; and the contradiction

between these two aspects is, as we shall presently see, its breakdown.

It is necessary to examine Fordism for our present purpose (*i.e.*, as a "practical" basis within capitalism for the I.L.P. policy of higher wages plus higher profits) in two respects: (1) as a method of working class exploitation; (2) as a social theory or supposed "practical" basis of social organisation.

As a method of working class exploitation, Fordism represents a more advanced, more intensive form of exploitation. The higher wages are more than covered by higher output. The result is an increase of surplus value. As Ford himself declares:

"Our profits after paying good wages . . . show that *paying good wages is the most profitable way of doing business.*"—(Ford: "My Life and Work," p. 130.)

Brailsford argues that this is a refutation of Marxism. He finds in Fordist high wages a "flat contradiction" of "the Marxist analysis and the prediction which was based upon it": *i.e.*, of the growing division of classes, accumulation and concentration of capital and worsening of the position of the proletariat, leading to increasing antagonism between productive power and consumption, intensified competition and class struggle, and inevitable crisis. Fordism, by its high wages and scientific organisation, has in his view passed right outside this general process of capitalism, and almost ceased to be capitalism. "If this is capitalism, it is a variety which has discarded the fundamental principle on which Marx based his prediction. The case against it is no longer that it makes poverty by its very success."—(Brailsford: "Ford *versus* Marx," *New Leader*, 1-10-26.)

This supposed refutation of Marxism is apparently based on the old misconception of the "theory of increasing misery," the idea that Marx taught that the absolute poverty of the workers must grow steadily greater. This is mere confusion. Marx made very clear

that real wages may rise under conditions of expanding capitalism, but that the decisive question is the movement of *relative wages*, the relative position of the workers in relation to the general development of society and accumulation of capital.

“Neither the nominal wages, that is, the sum of money for which the worker sells himself to the capitalist, nor the real wages, that is, the sum of commodities which he can buy for this money, exhaust the relations comprehended in the term wages. *Wages are determined above all by their relation to the gain, the profit of the capitalist—proportional, relative wages.* . . .

“Profits can only increase rapidly if the price of labour, the relative wages, decreases as rapidly. *Relative wages may fall, although real wages rise* simultaneously with nominal wages, with the money-value of labour, if only it does not rise in the same proportion as profit.

“If, therefore, the earnings of the worker increase with the rapid growth of capital, the social chasm which separates the worker from the capitalist widens at the same time, and the power of capital over labour, the dependence of capital upon labour likewise increases . . . *The material position of the worker has improved, but at the expense of his social position.*”—(Marx: “Wage-Labour and Capital.”)

This description applies very closely to the conditions of Fordism and American capitalism, where (1) the slight improvement in the material conditions of the workers has been accompanied by heavy conditions of enslavement, semi-abolition of trade unions and rights of free association, extremely exacting labour with scientific mechanical speeding up devices, and disregard of social provisions; (2) wealth, as we have seen, has increased four to six times as fast as wages during the past twenty-five years 1900-1925.

How is it possible for increased surplus value to be

extracted, when real wages are higher, and hours are not increased? Either (1) by the increase in productivity, through new machinery, organisation, etc., leading to a wage that represents the same amount of necessities of life, or even more, coming to represent a lesser proportion of the total production, *i.e.*, decrease of necessary labour through the progress of technique, and increase of relative surplus value; or (2) by actual intensification of labour in the same number of hours, through speeding-up devices, timing, piecework, the conveyor, etc., *i.e.*, increase of absolute surplus value.

It is only necessary to examine the actual conditions and experience of Ford workers to see how far, not only the first process, but the second, the direct increase of absolute exploitation, is true. The notorious speeding up, such as can only be conformed to by a minority of the workers, and even for these makes continuous employment impossible, as well as leading to continual reductions and sackings, is equivalent in its effects to a reduction in real wages. Thus a Ford worker writes:

“In the soldering department the driving of the workers is terrific. A year ago production was 35 per man per hour. Now the production has been boosted to 80 per man per hour. Such a pace is impossible to keep up. If a worker cannot maintain this, he is laid off. No one knows when his turn will come.

“We were told to speed up and we would get six days’ pay, and when we did speed up we got layoffs instead.”—(The *Ford Worker*, quoted in *Workers’ Life*, 22-4-27.)

If the rate of production is speeded up from 35 to 80, without a corresponding rise in the rate of real wages (Ford does not pay piece rates), then it is obvious that the rate of real wages (per unit of labour effort) is in effect by so much reduced. Even if the rate of real wages were correspondingly increased, it is still the case that the extreme intensity of labour demanded makes the resulting wage only a return on the reckless use of

the most favoured working years of the strongest, ablest minority of the working class, and not at all representing the real return on the average day's labour of the average worker.

But the effective reduction of the real wage is in practice even more open. Much is made of the supposed \$6 a day minimum wage for all workers in Ford plants, and this piece of propaganda is faithfully repeated in all I.L.P. statements. ("In all these various concerns, the \$6 minimum wage prevails, even for unskilled women workers."—*New Leader*, 1-10-26.) The actual wage however, is not at all represented by this theoretical figure. The actual wage can only be computed for a year; and dismissals are so frequent, and the pace so hard, that it is the exception for a Ford worker to be kept on for a year; while even for those that are kept on, employment is not continuous. In 1914, prior to the minimum wage, the turnover on a staff of 14,000 was 53,000, or nearly 100 per cent. in three months. Now "we do not bother to keep records. As far as we know, the turnover is somewhere between 3 per cent. and 6 per cent. a month." ("My Life and Work," p. 130.) This is stated to be not including irregular employment ("when we are not running to capacity, we rotate some of the men in order to distribute the work among the greatest number"). Thus the actual turnover, apart from irregular employment, amounts to 36-72 per cent. per year, or on the average, over 50 per cent.: *i.e.*, on the average over half the Ford workers are dismissed in a year. Thus for the average Ford worker the supposed daily wage is a completely untrue index of the year's wage.

In fact, irregular employment still more diminishes the supposed daily wage. In his latest book, "To-Day and To-Morrow," published in 1926, Ford declares (page 1) that the Ford Industries "directly employ two hundred thousand men, not one of whom receives less than six dollars a day"; and further (page 36) that "last year,

the Ford Industries paid directly in wages about two hundred and fifty million dollars." A little arithmetic will show that two hundred and fifty million dollars divided among two hundred thousand men amounts to an average of \$1,250 per man as the yearly wage, or \$4 per working day. This compares with the "subsistence minimum" of \$1,600 of the United States Labor Bureau (1919 estimate corrected for cost of living change to 1925). The mythical six dollars shrinks to four in practice.

More than this. The Ford minimum wage was originally fixed in 1914 at \$5 (page 9). It is now (1925) stated to be \$6. This represents a rise of 20 per cent. between 1914 and 1925. Between 1914 and 1925, according to the United States Bureau of Labor Statistics, the cost of living figure for the United States rose 69 per cent. *Thus there has been a reduction of 30 per cent. in the real wage minimum for Ford workers between 1914 and 1925.*

Finally, the direct reduction of wages and offensive on the workers' standards can and does take place behind the façade of the \$6 minimum. Thus we find Mr. Ford declaring in a press interview on November 24th, 1926:

"We have instructed our employment offices to take on 5,000 boys between 16 and 20 years as quickly as possible, and to put them at men's work and pay them independence wages."

At the same time adults are being sacked wholesale, or put on half-time, while their jobs are done full-time by boys at "independence wages." Thus the oldest and crudest form of capitalist offensive on the standards of the workers—the replacement of men by boys at boys' wages—is practised to-day by the "enlightened" capitalism of Ford Industries, which is held up as a model by British "socialists" for the working class.

It is, however, only in relation to the social organisation of the country as a whole, to the position of the

whole American working class, to American conditions and to world conditions, that the socially reactionary character of Fordism can be clearly seen, despite the great advance in technique with which it is associated. If Fordism as a system of working class exploitation is simply a more intense and scientific form of exploitation, Fordism as a theory and system of social organisation is simply an extreme expression of capitalist anarchy.

The essence of Fordism, it has already been noted, lies in the combination of large-scale industrial productive organisation with individual appropriation of the proceeds, and therefore the denial of social organisation. Within the limits of his own enterprise Ford can see clearly enough the social co-operative character of large-scale organisation :

“A great modern industry progresses by the unified thought and energy of many men. In private business one enters an atmosphere of competition, whereas in large employment one enters an atmosphere of co-operation.”—(“To-Day and To-Morrow,” p. 22.)

But as soon as it comes to social organisation, the obsolete individual basis is dragged out in all its empty meaninglessness :

“The moral fundamental is man’s right in his labour.”—(“My Life and Work,” p. 9.)

“Nature has vetoed the whole Soviet Republic. For it sought to deny Nature. It denied above all else the right to the fruits of labour.”—(“My Life and Work,” p. 4.)

This argument of individual appropriation is brought out in the face of trustified production. The capitalist trust shareholder spending his investment income (Ford fiercely attacks even inheritance taxation) is enjoying the “right in his labour”; for the workers to enjoy collectively what they themselves produce is a denial of the “right to the fruits of labour.”

From this follows a complete contradiction between

the intensive large-scale scientific organisation within the capitalist trust's own enterprise and the utter indifference to any form of social organisation or science in the larger world outside save for the coercion of the workers and protection of capitalist property rights. This contradiction is at the heart of Fordism, as of all capitalism, only being more clearly brought out in Fordism (which, so far from escaping the general laws of capitalist development, illustrates them most completely) because the intensified mass-production on the one hand is more extreme, and the indifference to social organisation on the other more open and brutal. All social provision, even for sickness, old age or unemployment, is denounced as "coddling"; legislation and "political nostrums" are worse than useless; the function of the State is the protection of capitalist property rights; the unified "management" which is so necessary within the enterprise is utterly unnecessary beyond it.

The expression of this social "system" is to be found written large in the picture of the United States to-day (as of the whole capitalist world), and is closely surveyed in such a work as Stuart Chase's "Tragedy of Waste." In this work the author shows, on the basis of official or employers' enquiries, that the normal average of unemployment reaches nearly two millions; that of two and a half million building workers, 600,000 are always idle; that in the clothing trades 31 per cent. of the working year is lost, and in the shoe industry 33 per cent.; that at the same time hundreds of thousands of children are employed in this richest country in the world; that industrial accidents reach 25,000 fatal accidents a year and 700,000 with over four weeks disability, of which 75 per cent. are agreed to be preventable by reasonable protection; that productive waste, according to a managerial enquiry, reaches 50 per cent. in textiles, 81 per cent. in the metal trades, 50 per cent. in other industries; that the relative distribution of resources on different needs or luxuries shows \$1,200 mil-

lions on advertising, employing 600,000; \$800 millions on drugs and patent medicines, employing 400,000; \$750 millions on perfumery and cosmetics—and \$15 millions, or one-fiftieth of the last, on works of art; that the proportion between productive workers and those engaged in selling and distribution, which stood at 80 per cent. and 20 per cent. in 1850, by 1920 stood at 50 per cent. and 50 per cent., so that it is coming to cost more to sell an article than to make it; and that finally, on the basis of these and numerous similar calculations, the estimated total waste in existing American economic organisation represents 50 per cent. of the total available labour power.

Thus the scientific large-scale organisation, which is so intense and active within each capitalist enterprise, disappears completely in the total of enterprises. Ford prides himself on calculating every cost of every fraction of his processes to the ten-thousandth part of a dollar to eliminate the last degree of waste; but in the total economy, of which Ford's enterprises are only a typical advanced portion, thousands of millions of dollars worth of resources and human effort go to waste unheeded. In other words, *Fordism, for all its large-scale scientific character, is not large-scale and scientific enough; and cannot be, within the narrow limits set by the individual private property rights which are Ford's gods.* Only Communism, that is, only the working class, representing the principle of social or common ownership can realise that full large-scale scientific organisation, of which Fordism is only able to give certain limited technical foreshadowings. And the error of the I.L.P. consists just in this, that they see in Fordism, that distorted capitalist parody of scientific organisation, with its utterly ineffective regulative principles of supposed high wages and cheap prices to spread purchasing power to absorb the volume of goods produced, the line of "scientific" solution of the inevitable economic evils, contradictions and maladjustments within capitalism.

But in fact Fordism leads straight to the intensifying of capitalist contradictions and anarchy. For the intensified mass-production leads to an ever-growing volume of products, for which, as has already been seen, the supposed "high wages" can provide no more than a proportionately diminishing fraction of the market. The first million Ford cars took twenty years to produce. In the next five and a half years, four millions were produced. In the next three years five millions were produced. To-day the capacity is stated to be over two millions a year, but this capacity can no longer be fully employed. The ever-growing accumulation of profits drives relentlessly to continual expansion. In 22 years, according to the *New Republic* (23rd March, 1927), the Ford Motor Company has made \$924 millions profits (£184 millions), of which \$750 millions have been re-invested in new plant. Extend this figure by the corresponding figures for other concerns in America and other countries. Add the increasing "Americanisation," introduction of scientific methods, mass-production, etc., in Germany, France, Britain. What is to be the outcome, given the conditions of capitalism, that is, the drive of separate concerns each for its separate immediate maximum profit, without any single regulative force?

In the last words of his book, Ford endeavours to take the question lightly:

"But what of the future? Shall we not have over-production?"

"No man can say anything of the future. We need not bother about it. . .

"Perhaps we may overproduce, but that is impossible until the whole world has all it desires. And if that should happen, then surely we ought to be content."

Here the capitalistic problem of production, sale and profit is turned into a banal natural economy of desire and satisfaction. But in practice the problem is not so

easily met, as the current "Ford Crisis" shows. The advertised "five day week" was only an advance sign of the approaching storm. After all its editorial pictures of the Fordite elysium and Fordite workers as "untroubled and apart . . . the surrounding Inferno hurt them not," the *Daily Herald* had to print the following letter from an engineer in Ford's works in March, 1927:

"Conditions are very bad just now here in Detroit. There are over 60,000 idle men in the city, and the various city charities are being appealed to, to help the starving people.

"We have been working short time in Ford's for a few months, two, three, and four days a week sometimes.

"It's awful here just now."—(*Daily Herald*, 2-3-27.)

"If this is capitalism," declared Brailsford in 1926, "it is a variety which has discarded the fundamental principle on which Marx based his prediction. The case against it is no longer that it makes poverty by its very success." "There are over 60,000 idle men in the city," writes Ford's engineer in 1927, "and the various city charities are being appealed to, to help the starving people." The reader may judge whether Brailsford in 1926, or Marx in 1847, better understood the character of all capitalism, including Ford's.*

* Since the above was written, news comes of the further development of the Ford crisis. According to the *Daily Herald* of 7-7-27, 75 per cent. of the Ford workers have been working only two to three days a week for eight months since November, 1926; and the Detroit city charities report that three-quarters of those appealing for charity are Ford workers and their dependents. Whether Ford's will succeed in temporarily surmounting the crisis remains to be seen; but the whole line of development of capitalism is here already plainly indicated.

The *Observer*, which a year ago was acclaiming Ford as the triumphant vindication of capitalism and final disproof

Within capitalism there is only one possible outcome, short of the proletarian revolution, of the intensifying competition of the trusts. That outcome is war. It is fitting that the final stage of Fordism should already have appeared and been expressed by Ford himself, at the very time that Brailsford was writing and the *Daily Herald* was finding in Ford's conception of business a "beneficent international god." The New York correspondent of the *Times* reports:

"Convinced, he says, that international bankers and politicians are deliberately breeding war against the United States, Mr. Henry Ford declared to-day that his intention in securing mass-production of aeroplanes came wholly from his determination to see that this country was put immediately into a proper position to defend itself. In a long interview to the *New York American*, he asserted that sinister agencies were capitalising hatred of the United States in England and France in order to bring them into a hostile combination against this country. By developing its immense resources for the manufacture of aeroplanes here and by producing nitrates for explosives, the United States might protect herself against attack." (*Times*, 18-10-26.)

The mass-production of war aeroplanes, and explosives. This is the fitting outcome of Fordism and "solution" of the Ford Crisis. And this is the line of direction in which the I.L.P. finds the refutation of Marxism, and bids the British workers place their hopes.

§4. *The Fallacy of International Capitalist Unification*

The international counterpart of the theory of restoring capitalism by Fordism or Americanisation is the

of Marx, now discovers that Ford is "obsoleté"; "Ford stands for a type of industrial feudalism that belongs to the past." (*Observer*, 5-6-27.) So rapidly do the saviours of capitalism and final displacers of Marx rise and fall.

theory of world capitalist unification and harmony through international cartels and the League of Nations.

If on the home field the I.L.P. reconstructors of capitalism believe they can solve the increasing contradictions, class division and decline by the device of raising wages to expand the home market, on the international field they believe they can solve the conflicts of the big trusts and imperialist antagonisms by international agreements between the trusts. This is their solution for the problem of the export trades, and for the problem of increased productive power on the part of the growing number of exporting capitalist nations.

In this way the "Living Wage" Report declares in a very brief and scanty final chapter on "The Export Trades":

"We would urge by every means the pursuit of a policy of international agreement. The future of the coal industry, and perhaps of the heavy industries generally, will depend above all on the delimitation by international negotiation of the export market. Movements on these lines are now in progress in the heavy industries of the Continent, and it is probable that they will have regulated the export markets of coal, iron, steel and certain steel products in the near future. British industries must ultimately share in these arrangements."—("The Living Wage," p. 49.)

Thus international cartels of the type of the European Steel Cartel are recommended as the line of solution of capitalist competition in the international field. In the same way the I.L.P. recommended an International Selling Agency as the solution of the coal crisis in 1926.

Similarly, Snowden welcomes the formation of international combines as a step for Socialist policy to encourage:

"These international combines, instead of being a hindrance to Socialism, are according to our economic theories necessary as a preliminary to Socialism, and instead of discouraging them, the Socialist policy

should be rather to encourage international combinations."—(*Daily Herald*, 21-10-26.)

The extreme expression of this "encouragement" is given by Vandervelde, who openly identifies the policy of the Second International with international capitalism, when, speaking on the occasion of the Bankers' Manifesto, he declared:

"The language of International Finance is almost identical with that of the Socialist International." (*Nation Belge*, 30-10-26.)

The completeness of this belief in the possibility of harmonious international capitalist organisation and unification is shown in the fears occasionally expressed of a coming slavery to economic world trusts as the future Great Powers, that these international capitalist combines, unless "democratically" controlled, will become all-powerful in the immediate future, throwing into impotence existing States. The conclusion drawn from this is the necessity of subjecting these international capitalist combines to "public control" through such bodies as the League of Nations (as suggested in the Labour Memorandum to the Geneva Economic Conference in 1927):

"The age of competition is passing, and the future may well bring vast international cartels controlling the food we eat, the clothes we wear, the tools we work with, the wages we earn: cartels, before whose might the power of States will pale into insignificance."—(*New Leader*, 15-10-26.)

"The possibilities of world trustification are unlimited. One can visualise the ownership of the means of life for the whole of mankind passing into the hands of a handful of men, more powerful than any one government, able to produce all the goods they think necessary by the employment of only a fraction of the world's workers, and holding complete undisputed sway over the economic destinies

of the world.”—(J. Maxton: “Are We to Become the Slaves of World Trusts?” *New Leader*, 25-3-27.)

We are here face to face with the reformist socialist (Kautskyan) theory of the single world trust or ultra-imperialism: the belief that capitalism can overcome and is overcoming its internal conflicts, and is developing to a single internationally unified, harmonised, pacific whole, which it is the task of socialism to “democratise.” This belief leads to complete blindness to the actual realities and conflicts of to-day and the tasks of the working class struggle. Instead of the reality of increasing conflicts is placed a picture of increasing harmony. The real meaning of the international cartel movement and modern economic tendencies, leading to intensified antagonism, is ignored, and a picture of harmony substituted. *On the basis of this imaginary elysian background of a peaceful trustified internationalism, eliminating competition and conflict, is constructed the fabric of a supposed stable Living Wage and capitalist prosperity in England in the midst of the conditions of modern world capitalism and imperialism.* The myth of international capitalist harmony is thus the basis, and the indispensable basis, of the myth of the Living Wage.

This myth of international capitalist harmony or ultra-imperialism was dealt with by Lenin in 1915-16.

“Kautsky’s line of argument on ‘Ultra-Imperialism’ encourages that profoundly mistaken idea, which only brings grist to the mill of the apologists of imperialism that the domination of finance-capital *weakens* the inequalities and contradictions of world economy, whereas in reality it *strengthens* them.”

After showing the actual imperialist antagonisms, he proceeds:

“Compare the ideas of Kautsky about ‘peaceful’ ultra-imperialism with this stern reality, with the vast diversity of economic and political conditions, with the extreme disproportion of the rate of development of different countries, with the violent struggles of

the imperialist States. As for the international cartels in which Kautsky sees the embryo of ultra-imperialism, do they not provide us with an example of the partition of the world and of its re-partition—of the transition from peaceful sharing out to warlike sharing out, and *vice versa*? American and other finance-capital which has peacefully shared out the world with the participation of Germany—in the international railway combine, for example, or in the international merchant marine—is it not now re-dividing the world on the basis of new alignments of forces resulting from changes which are by no means of a peaceful nature?

“In 1892, Germany produced 4,200,000 tons of pig-iron, and Britain 6,800,000 tons; in 1912, Germany produced 17,600,000 tons and Britain 9,000,000 tons. Germany had, therefore, an overwhelming superiority over England in this matter.

“We ask, was there *under capitalism* any means of remedying this disproportion between the development of production and the accumulation of capital on the one side, and the division of colonies and spheres of influence by finance-capital on the other side—other than by the resort to arms?”—(Lenin: “Imperialism,” pp. 110-115.)

In another article in the same period, Lenin shows how, while “theoretically,” “in the abstract,” the line of development of capitalism is to a single universal monopoly, such a conclusion would be “abstract, simple and wrong,” because *dialectically* the line of enlarging conflict through which the advance towards unity takes place makes the reaching of the goal impossible:

“There can be no doubt that development is *tending towards* the formation of an all-embracing world-trust which will include all undertakings and all States without exception. This development, however, is proceeding at such a rate, in such circumstances,

with such contradictions, conflicts and upheavals—not only economic, but also political, national, etc.—that even before we arrive at an ultra-imperialist alliance of national finance-capitals, imperialism will inevitably collapse and capitalism will turn into its opposite.”—(Lenin: Preface to Bukharin’s “World Economics and Imperialism,” 1915.)

The considerations here brought forward by Lenin, first, of the *unequal* development of capitalism, and second, of the consequent *impossibility* under actual conditions of any stable harmonious international arrangement or partition, are only strengthened and intensified by the events of the past ten years.

The large-scale combinations and agreements, which are hailed by the reformists and pacifists as the signals of a new era, are only partial and subordinate stages and factors in the growth of larger antagonisms. To see the surface agreements, and not to see the deeper underlying antagonisms expressing themselves even in the diplomacy and manœuvring of the agreements, is to misread the whole situation and present period of capitalism. The war already showed the collapse of the hundred and more international capitalist combines then existing (and similarly hailed by the reformists then) in relation to the deeper antagonisms embodied in the more permanent and basic economic-political entities of the imperialist States. To see the real centres of power in these temporary economic agreements which can be dissolved in a day, and not in the basic imperialist world-groupings each closely knit in the machine of finance-capital and State-power, is to reach the extreme blindness of “economism.” At the present day the transnational agreements, bargainings, partitions develop more rapidly than ever. Movements such as the Steel Cartel, the Bankers’ Manifesto, Pan-Europe, Imperial free trade, the League of Nations, Pan-Americanism, etc., are typical of the current trend. But one and all re-

veal, the more clearly the more they are examined, the lines of capitalist antagonism: here, the Continental bloc and Britain, there America and Europe, there the capitalist world and the Soviet Union. The so-called "international" movements reveal, not the beginning of international unity, but only a continuation and extension of capitalist conflict under other forms, thus demonstrating that internationalism can only be achieved along the line of socialism—that is, along the line of the class struggle.

The basic error, then, of the I.L.P. conception of overcoming the problem of international capitalist competition and anarchy by international agreement between the trusts lies in the ignoring of the realities of imperialist antagonism. For the I.L.P. and liberal reformists, imperialism is a special separable policy of modern capitalism, to be separately treated: there is no inner connection of the question of imperialism and the question of the Living Wage. The foreign policy of imperialism, the policy of monopolist exploitation and delimitation of areas, with the consequent combinations and antagonisms, violent annexations, trade wars, colonial wars, armaments and eventual imperialist war, is not seen as the inevitable, sole possible "international" policy of monopolist finance-capital: instead, a peaceful international policy of finance-capital is imagined, in complete contradiction to reality.

It is possible, however, to show in greater detail the falsity of the conception of the international cartel, combine, selling agency, control board, etc. as capable of solving the problem of international capitalist competition. For the cartel or similar arrangement is in its essence equivalent to a treaty between different powers on the basis of an existing ratio of production and capital capacity and relative bargaining strength. But the factors behind this ratio are constantly changing, with changes in technical capacity, capital accumulation, etc. As these

factors change, there follows a struggle to change the agreed ratio: the progressive power demands an improvement in its proportion, the declining power resists, the progressive power threatens to withdraw (all this has already happened in the first year of the steel cartel). When the disproportion becomes too great, and the progressive power considers it can do better in the open field, the break up of the alliance inevitably follows. *Thus the international agreement or rationing arrangement does not remove the competition, but only translates the struggle for markets into the struggle over the quota*, in which the "pacific" stage, as in all imperialism, is only a stage of concealed warfare developing in time to open warfare.

More than this. The cartel or international rationing control does not solve the real problem of productivity and markets. All it can do is to delimit areas and ration production between the different trusts. When the productive power is far in excess of available markets, leading to cut-throat competition, the cartel, or international rationing control advocated by the reformist socialists, can restrict and ration production between the different concerns and groups, and by this means of artificially restricted production raise prices and maintain profits. It can thus provide a temporary solution for the problem of capitalist profits. But what is the character of this solution from the point of view of production and from the point of view of the workers? *The solution is obtained on the basis of restricted production, high prices, closing down of works and wholesale unemployment*. And this in any case short-lived "solution" is put forward as a "socialist" policy for the present crisis!

The cartel, in short, does not solve the antagonisms of capitalism. But it does serve to concentrate international capitalist attack against the working class.

An example may be taken to illustrate the process; and for this purpose no better example can be chosen

than the European steel cartel, which has been abundantly celebrated by the I.L.P. as the first "Great Power" of the future, "what may prove to be the biggest event of our time," etc. (*New Leader*, 19-8-26); and which, as we have already seen, is indicated in the Living Wage Report as the type of international agreement into which British capitalist industry must enter in order to solve the problem of the export trades.

The European steel cartel was constituted on September 30th, 1926. Its original members were France, Germany, Belgium and Luxemburg: subsequently Czecho-Slovakia, Austria and Hungary have joined, and negotiations at the time of writing are in progress with one or two other countries. The original ratio fixed, with a maximum permitted output of 27.5 million tons, was Germany, 43.5 per cent.; France, 31.1 per cent.; Belgium, 12.5 per cent.; Luxemburg, 8.5 per cent.; Saar, 4.2 per cent.; (*Times*, 2-10-26). A system of fines into a common pool of \$4 per ton for excess production was instituted: Germany from the first incurred these fines, exceeding the quota by 9 per cent. in September, 12 per cent. in October, 20 per cent. in November, and 25 per cent. in December (*Times*, 26-1-27), and having to pay over \$6 millions in penalties for the first six months (*Economist*, 7-5-27). Subsequent struggles for successive revisions of the quota and ratio have taken place, and threats of Germany to withdraw have been reported (the German owners complained that their percentage only allotted them production of 70 to 75 per cent. of their capacity, while the other countries could produce up to 90 per cent.).

What have been the effects of the cartel? In 1913 the steel production of the four countries concerned stood at 26 million tons. By 1925 capacity had expanded to 32 million tons, but production still stood at 25.7 million tons. From this difference arose the crisis: prices were 20 per cent. above 1913, against a general rise in whole-

sale prices of 50 per cent. The immediate effect of the cartel was a rise in prices of one dollar a ton (*Times*, 4-10-26). The meaning of this for profits can be judged from the fact that, on a 27 million ton production, a one dollar increase in price means an increase of £7 million in takings. A further rise in prices has followed, and it is judged, would have been greater but for the continuance of British competition.

It is a noticeable and instructive feature of the steel cartel that it is not, to begin with, international, but regional. The countries included represent roughly one-third of the world production. The United States, with about one-half the world production, and Britain, with about one-twelfth, are in the first plan outside. The rivalry revealed in this grouping is obvious, and has been underlined by many hostile statements on the part of British and American industrialists. Nor is this rivalry veiled by the endeavours to induce the British industry to come in and be rationed. Negotiations to this effect have been in progress, which may result in the inclusion of British industry in the cartel. But the controversy on the quota is instructive. The British capacity is stated to be 12 million tons; their demand for a quota, 10-12 million tons; their output (on the basis of March, 1926) 9½ million tons; the Continental offer 8½ to 9 million tons (*Times*, 7-1-27 and *Economist*, 8-1-27). No question of American participation has yet arisen: Wall Street opinion is indicated in the statement:

“Generalisations aside, it is evident that the organisers of the consortium intend to control as far as possible the European steel market, and that the combination is aimed, indirectly, if not directly, at the steel producers of the United States.”—(*New York Commercial and Financial Chronicle*, 16-10-26.)

Thus the example of the European steel cartel shows:

First, that the cartel restricts production below capacity;

Second, that the cartel raises prices;

Third, that the cartel, so far from eliminating, concentrates and intensifies international imperialist antagonism on a gigantic scale.

Finally, and most important of all, the prospects of any wide extension or success of international cartels or similar arrangements for international capitalist unification come up against the heaviest and decisive obstacle in American capitalism, which is far too strong and preponderant to be ready to enter into any such schemes any more than into the League of Nations. On this, the following is the decisive statement of the Secretary of Commerce, Hoover :

"The establishment of international price-fixing machinery will never be considered by the people of the United States. . . The United States is more pledged to-day to open competition than any other nation in the world. It has become a social as well as an economic principle with us."—(Official Report in the *United States Daily*, 31-3-27.)

In short, the biggest illusion of the belief in international capitalist harmony lies precisely in the blindness to the biggest facts of world imperialist antagonism.

It can be easily estimated, on the basis of the above considerations, how much prospect there is of solving the problem of the British export trades and heavy industries by the I.L.P. recipe of international cartels, selling agencies, rationing controls, etc. And yet the Living Wage Report calmly proposes that all these industries shall be run at full capacity (p. 16), and that the absorption of the resulting enlarged output shall be provided for by "international agreement." On such a flimsy basis is constructed the myth of the Living Wage for the principal industries in Britain.

§5. *Rationalisation : or Capitalist Re-organisation in Practice*

The basic conception of the I.L.P. Living Wage policy, as of all modern reformist policy, is the concep-

tion that it is possible to organise capitalism socially, on social or ethical lines, without touching the ownership of the means of production by the capitalist class* The anarchy of capitalism is to be solved by a rational scheme: a little goodwill and forethought and social organisation and public control will transform capitalism into a system working for the common good and gradually developing into socialism, without the need of a brutal class struggle or dangerous sharp change. This is the essence of "constructive" socialism (which is only an expression for the flight from the revolution).

The reality is, however, different. For in fact capitalism can no more be socially organised than a tiger can produce honey. The organisation of production for social needs is incompatible with capitalism, since the line of social needs and the line of greatest profit do not coincide. Within capitalism there is and can be no social force of regulation, but only the conflicting will of the

* The attempt to organise and direct production socially, while ownership remains in private hands, is nowhere more clearly shown than in the proposals for the control of investment. It is proposed to "guide the flow of investment into socially useful channels." ("Living Wage," p. 45.) How is this to be done, since the main body of capital is in the hands of the big capitalists, and the I.L.P. does not dare to expropriate them? The answer is: by making use of the money in the Post Office Savings Bank, and setting up a "National Industrial Bank or Investment Trust," whose funds shall be "drawn largely from the savings of small investors."! (p. 45.) This Bank of the Small Investors (it is not proposed to nationalise the big Joint Stock Banks too "early"—p. 19), is to become "the planning and directive centre of the nation's industrial life. Its opinion would be the chief factor in deciding, on grounds of public utility, what private financiers decide to-day on grounds of gain." Thus the small capitalists, with the aid of the benevolent I.L.P., are to control the big. Here is seen, incidentally, very clearly the small capitalist (petty bourgeois) character of the whole I.L.P. philosophy and utopia.

two classes, the will of the capitalist class, which is the will to profit and regulates only with a view to profit, and the will of the working class, which is the will to social organisation and production for use, but which can only realise itself by wresting power and the control of production from the capitalist class. In consequence, *the scientific reorganisation within capitalism becomes reorganisation, not for social advantage, but for the intensified exploiting of the workers.* Scientific organisation becomes Fordism; international organisation becomes the international cartel: and the real meaning of these for the working class has been already examined.

But in pursuit of the chimera of a harmoniously regulated capitalism, the I.L.P. abandons the actual struggle of the working class and becomes in its practical policy the servant of capitalism. Every project of large-scale capitalist reorganisation (like the Samuel Coal Report or Baldwin Empire Development) finds in the I.L.P. its ready support. And it is here where the utopianism of the I.L.P. becomes criminal betrayal of the working class.

For capitalist reorganisation in practice is a very different thing from the idealist theories of social benevolence. Capitalist reorganisation in practice is an attempt to adapt capitalism to the conditions of decline, to the conditions of intensified competition and post-war disturbance and weakening, by throwing the burdens of capitalist disorganisation on the backs of the workers. This is the economic basis of the process of "Stabilisation" that has been the governing character of capitalist policy during the past half-dozen years, and that advances to its culminating stage of "Rationalisation" or "Americanisation" in the present period.

What is Rationalisation? The term was originally made current in Germany during recent years to indicate the scientific organisation of production by the maximum combination and centralisation, elimination of

obsolete and uneconomic enterprises and plant, introduction of new machinery, electrification, economy and acceleration of labour, application of scientific research to production, etc. The principal bases of this process of capitalist rationalisation have been America and Germany, and to a lesser extent, France. In Britain, technical backwardness, except in certain newer industries (motor cars, chemicals) has prevented much development yet of this type; and capitalist reorganisation has mainly taken the elementary form of the direct offensive on the workers' wages; but here also there have been signs of the new type of development, as in the Samuel proposals for the coalmining industry, which have been at once actively supported by the I.L.P., and the new movements in the textile industry. In the same way the German reformist socialists and trade union leaders have actively supported capitalist rationalisation in Germany.

Rationalisation in the true sense of the scientific organisation of production and economy of labour is the essence of socialism. Only socialism can organise production on genuinely scientific lines, *i.e.*, for use. This, however, is socialist rationalisation, which is not here in question.

Capitalist rationalisation utilises technical advance in order to intensify international competition and increase the exploitation of the workers. Its form of centralisation is the trust and the price-ring. Its development of machinery and new sources of power serves, not to lighten the load of labour, but to create unemployment and intensify the pressure of labour for the remaining workers. Its increased output results, not in abundance and prosperity, but in intensified international competition and economic crisis.

The vicious effects of capitalist rationalisation for the workers are visible even in America, where the situation of advancing capitalism provides the most favourable conditions for its application. The increased rate

of exploitation, the relative diminution of wages, the ruthless exhaustion of the workers' strength and veto on the most elementary social provisions or trade union safeguards already reveal the essential character of the process. That the effects of increased output lead only to diminished employment, is evidenced even in America, despite all its conditions of capitalist prosperity.

“According to the Federal Reserve Board, manufacturing output in 1925 was 30 per cent. greater than in 1919, and about 5 per cent. greater than in 1923, while the number of workers was smaller than in both 1919 and 1923, and their earnings less than in 1923.”—(*New Republic*, 26-1-27.)

Thus between 1919 and 1925 output has increased 30 per cent.; the number of workers employed has diminished, and in the latter part of the period their earnings have fallen. This is the working of rationalisation in prosperous America.

But in Europe, where the conditions are basically different, where the much greater poverty of resources, political and economic divisions, war debts and burdens, and deficiency in technical equipment make a heavy initial handicap, the process of rationalisation or Americanisation is far removed from the golden mythical pictures of Fordism, and falls with far heavier blows upon the working class. In Europe, the intensified pressure and speeding up of the new processes is accompanied, not with higher wages and shorter hours, but with lower wages, worsened standards and longer hours, wholesale sacking and unemployment. This development is most clearly seen in Germany since Dawes, where the process of rationalisation has been most completely carried out.

In Germany, the increase of productive power since pre-war by the installation of new apparatus has been enormous. Thus in the coalmines between 1914 and 1924, the number of mechanical appliances increased

from 16,816 to 68,953, with an increase of horse-power from 42,262 to 127,367 (*Börsen-Kurier*, 6-1-25). The number of blast-furnaces decreased between 1922 and 1926 from 219 to 208, but the capacity per blast-furnace increased 60 per cent., and the consequent total capacity 32 per cent. (*Deutsche Allgemeine Zeitung*, 24-3-26). The capacity of the electrical works increased between 1913 and 1925 from 2,095,600 kilowatts to 5,938,400 kilowatts (the above, and most of the accompanying information on the German position, is taken from Professor Varga's special report on "Der Weg des Deutschen Kapitalismus" in the "Internationale Presse Korrespondenz," 5-12-26, and his continuation report in the same journal, 4-2-27).

Further, there has been heavy intensification of labour. In the Ruhr coalmines the output per man shift has been forced up from 943 kilogrammes in 1913 to 946 in 1925, and even to 1,135 in the third quarter of 1926 (the last figure is an eloquent comment on the role of the German reformist leaders during the British miners' struggle). The output of crude iron per worker has been raised 26 per cent. between January, 1925, and the autumn of 1926; the output of crude steel in the same period, 33 per cent. ("Bericht der Reichskreditgesellschaft"). An inquiry into the cotton spinning industry by the Christian Trade Unions showed an increase in the number of spindles of 12 per cent. as against an increase in the number of workers of 2 per cent.—and an increase in the number of directors of 45 per cent.

But with all this increase in productive capacity and intensification of labour, it has not been possible to employ the increased productive power. In September, 1926, at the Industrialists' Congress in Dresden, the leading industrialist, Duisberg, estimated the proportion of productive power actually employed in the machine construction industry at 50 per cent., in the iron indus-

try at 60 per cent., in the steel industry at 70 per cent. The problem of the market for all the high-pressure production has not been solved, and is all the less likely to be solved, in proportion as the new processes are developed in other countries. Instead, rationalisation has pursued the path of closing down superfluous works and concentrating production in the most profitable works.

What has this process meant for the workers? For those workers who are employed, under the heavy conditions of increased pressure and enlarged output, real wages are below pre-war, and hours have been attacked and in many cases increased. In July, 1925, the real wages of coalminers stood at 93 per cent. of pre-war; of engineers at 89 per cent.; of textile workers at 82 per cent. ("Wage Changes 1914-1925," International Labour Office). But the process of rationalisation has led to gigantic unemployment. The trade union figure of unemployment, which during 1907-1913 averaged 2 to 3 per cent., stood in December, 1926, at 17.2 per cent. The official figure of unemployed in receipt of benefit reached in February, 1926, over two millions, or very nearly double the registered figure in Britain at the same date. In the summer of 1926 it decreased to 1,308,000 in October, but rose to 1,745,000 in December. The nominal decrease is in great part unreal, as large numbers of unemployed fell out of benefit, and passed on to poor relief, while over 120,000 were on relief work. On December 15th, 1926, the number of persons recorded seeking work at the Labour Exchanges amounted to 2,007,435. Thus *rationalisation has meant two million unemployed for the German workers*. What prospect is there of these "superfluous" workers ever finding full employment again, any more than in Britain? The capitalist economists hold out their fallacious myths, as they did a century ago with the coming of the machine age, of alternative employment. But the industrialists themselves are well aware that, as in Britain, there is

likely to be a permanent unemployed army far exceeding pre-war. A British official report on German conditions reaches the conclusion :

“Although some may be absorbed as business revives, and others may again become independent, there will remain for a very long time a permanent residue of unemployed.”—(Report on “Financial and Economic Conditions in Germany,” 1925-6.)

Here is a working picture of capitalist rationalisation or reorganisation on “scientific” “American” lines, and what it means for the workers. In Britain, the technical conditions are not present for raising the productive apparatus to anything like the German level without a very heavy expenditure, such as the capitalist class, with its extensive international interests and openings for capital, is not likely to incur. But the consequence is that capitalist reorganisation in Britain falls only all the more heavily upon the workers, on whom the whole burden is thrown by heavily reduced wages, longer hours and wholesale unemployment. On top of this capitalist offensive upon the workers, signs of the further process of rationalisation, in the sense of trustification, speeding up, scrapping of enterprises, replacement of skilled labour, and increased use of juvenile labour, are not lacking. *The offensive on the miners, their reduction to starvation wages, the increase of hours and the throwing on the scrapheap of 200,000 miners—this is the form of capitalist rationalisation in Britain*, the signal of the new period, and a fitting symbol of capitalist “scientific” reorganisation. The Keynes policy for the textile industry of unification and closing down uneconomic enterprises, while maintaining the heavy burdens of inflated capital, moves in the same direction. In the same way we find Sir Josiah Stamp, the economist and chairman of the London, Midland and Scottish Railway, declaring for

“a ruthless closing down of old and half-used factories by combination and otherwise, and the consoli-

dition of particular types of manufacture in plants fully occupied, and a ruthless abandonment of pre-war standards."—(*Times*, 3-11-26.)

This is the practical working out of capitalist reorganisation. In no other way, under the conditions of capitalism and with all the burdens of capitalism, can reorganisation within capitalism take place. And this is, therefore, what all the supporters of reorganisation within capitalism, however idealist in aim, are in fact supporting. The history of the I.L.P. in recent years illustrates this. The support of the Coal Commission Report, the advocacy of an International Selling Agency as the line of solution of the coal problem, the hailing of Baldwin's Electricity Act, the acclamation of Baldwin's Empire marketing suggestings—all these reveal the I.L.P. in its true role as the apostle of capitalist reorganisation, and servant of capitalist policy to the working class. From this follows inevitably the practical unity with capitalism, the abandonment of the working class struggle at every serious crisis and the refusal of the united working class front. The frequent harmony in public utterances of Mond, Snowden, Thomas, Garvin, Henderson, Baldwin and the I.L.P. is only the consistent expression of this fundamentally single policy. *The I.L.P. is the purveyor in idealist socialist Fabian language of capitalist policy to the working class.* The dreams of I.L.P. utopianism remain dreams: the practical policy inevitably becomes the practical policy of capitalism.

This practical harmony of capitalism and the I.L.P. received its fitting expression at the Savoy Hotel lunch organised by the *Westminster Gazette* on December 1st, 1926, when Government Ministers, big business men and employers, capitalist politicians and prominent trade union and I.L.P. leaders united in feasting and speech-making together in the name of industrial peace—at the very same time as the miners, and with them the

whole British working class, were being driven to their last desperate stand and final terms of servitude and starvation. Ben Turner, the veteran I.L.P. leader, said

“We have a Federation of British Industries. Why should not they and the Trades Union Congress get together, and try to find what is best for industry and the nation?”

Both Turner and Cramp spoke of a “living wage” as the line of solution, with a “fair return on capital.” The *Westminster Gazette* pointed the moral of the new alignment :

“Perhaps the most striking of the new signs of industrial thinking was the approach to a more common agreement by Col. Willey of the F.B.I., from the business side, and by Mr. Ben Turner from the trade union side, that large scale manufacture or trustification—which has in the past been one of the villains of the piece—may be made the key to high wages with payment by results, and to that increased production which would combine prosperity all round with the nation’s competitive capacity.”—(*Westminster Gazette*, 2-12-26.)

“High Wages . . . increased production . . . prosperity all round”—the language is the exact language of the I.L.P. propaganda.

In its policy of capitalist reorganisation the I.L.P. believes that by the skilfulness of its schemes it is going to ride capitalism, and turn it gently in the direction of socialism. But practice does not always correspond to plans. If the I.L.P. policy is adopted, it is not the I.L.P. that will be the rider, but capitalism; and it is the working class that will be ridden.

VI.

THE LIVING WAGE AND THE TRADE UNIONS

The living wage policy is put forward by the Independent Labour Party, not only as an ideal policy of social reconstruction in the future, but as a present policy for the working class movement in the daily struggle, as a positive and practical policy for the trade unions. This is the final aspect to examine in the light of the actual problems of trade union policy to-day and the practical experience of the role of the I.L.P. in recent struggles.

§ 1. *The I.L.P. and the Trade Unions*

The problems facing trade unionism to-day are by common admission more difficult than at any time since its inception. The trade unions are faced with a desperate struggle, not simply to carry on their old role of improving and advancing the workers' standards, but even to defend and maintain existing standards; and even this limited task is proving beyond their powers on their existing basis under present conditions. Since 1921 up to the present, there has been, with the single exception of Red Friday, an almost continuous and uninterrupted series of heavy defeats.

The reason for this exceptional difficulty of the trade union struggle to-day lies in the character of the present period: in the decline of capitalism in Britain, as already considered in the first chapter, with the consequence that the old limited struggle can no longer win easy successes, but that the whole issue of class-strength enters more and more directly into every economic struggle. The primary issue to-day, which was formerly concealed by capitalist prosperity, now inescap-

ably confronts the working class—the issue of the conquest of power to reorganise society. This political issue is the primary issue for the whole working class movement, including the trade unions. But this does not mean that the economic battle of the trade unions, to fight to maintain and improve the workers' standards in the daily struggle for existence within capitalism, becomes a whit less essential than before. On the contrary, it becomes more urgent than ever before, both in relation to daily needs and in relation to the ultimate struggle. The battle between wages and profits is now a life-and-death battle. The maintenance or advance of wages can only be won at the direct expense of profits; profits can only be maintained by the crushing and degradation of the workers. The whole class forces become involved in the clash. Thus the wage-battle to-day gathers up in a living primitive form the whole issue of capitalism and the working class; it is a preliminary form of mass-struggle, blazing the trail towards the ultimate struggle. *The economic battle, so far from becoming less important, becomes more important than ever in the period of capitalist decline: but the new period demands new tactics corresponding to it.*

What are the new tactics required to carry on the trade union struggle in the present period? They follow from the character of the period. It is common ground that the old happy-go-lucky sectionalism and confusion of organisation and tactics is no longer any match for modern highly organised capitalism. The first essential of the new tactics is that the united class strength of the trade unions needs to be brought behind each sectional issue (there are, in reality, no longer sectional issues), not necessarily for action in each isolated case, but that the clash when it does come in decisive key issues governs the line for a whole series. Thus Red Friday checked for a time a whole line of offensives in other industries; Black Friday was followed by wage cuts

in every industry; the May 12 surrender was followed by a host of attacks in other industries, which were only checked in part by the spontaneous continuance of combined resistance by the workers on May 13th and 14th, as well as by the holding out of the miners, but resulted in the humiliating agreements signed by the leaders and the ultimate legal offensive of the Trade Union Act. In this way the success or failure of the trade union struggle since the war has varied directly with the degree of presence or absence of united action. The form of this united action can vary with circumstances, either taking the line of a common offensive for combined demands, or a common defensive against attack on a single key section.

The second requirement of trade union tactics in the period of capitalist decline is that the demands and policies can no longer be confined within the limits of commercial practicability in the old sense, according to the given profits of a given industry, but must be prepared to break into the "normal" requirements of capitalist interest and profits, and to make inroads into the capitalist class as a whole. The alternative, under existing conditions, is the absence of any policy and acceptance of indefinite reductions. A partial example of the new type of wage-settlement is provided by Red Friday, where united action enforced the maintenance of a wage-rate in a threatened industry through the mechanism of a subsidy drawn from the whole capitalist class (the example is weakened, because the subsidy, although extorted through the power of united action, was in fact a strategic decision of the capitalist class, and the real victory that could have been won on Red Friday was never taken).

What is the relation of the demand for a "living wage" (the simple elementary demand for an increase on a starvation wage) to these new conditions and tactics of the present period? This "living wage" demand (whether a demand for increased wages or a

fight against wage-cuts) plays a very important part in the present period. It is an elementary mobilising slogan of the present-day struggle. It reflects the common interest of all workers in the particular fight of the moment; it stresses the character of the workers' demand irrespective of the requirements of interest and profits; above all, it expresses the elementary resistance of the workers to the crushing process of the capitalist decline. But its limited, temporary character makes inevitable that it is only a temporary slogan. As the struggle develops, it inevitably gives way to deeper demands. For the living wage is not any basic or permanent constructive aim or solution to be reached; the conditions of capitalist decline rule this out. Whatever can be won, can only be won partially, temporarily, unstably, and represents no more than a stage in the struggle. The struggle cannot stand still at the point of the living wage demand, but must either go forward to more basic demands or fall back to failure also in the wage issue. The struggle for the living wage develops into the struggle for the control of industry, into the class struggle for power.

The miners' fight of 1925 and 1926 shows most clearly how in the dynamic process of the actual struggle the living wage slogan enters into the fight, not as an ideal abstract goal, but around the given point of conflict between the capitalist class and the working class—in this case, the attempted reduction of miners' wages, recognised as an attack on the whole working class, extending far beyond wage issues.

It is against this background of the actual struggle of the trade unions in the present period, its problems and its tactics, that the I.L.P. living wage policy, which is put forward as a policy for the trade unions to-day, needs to be considered. What relation does this policy bear to the real struggle and problems of the trade unions to-day? A short examination will show that the I.L.P. living wage policy, which is preached to

the trade unions, is something very different from the actual living wage struggle of the present period, and is in reality a completely unreal, doctrinaire theory, cutting across the actual struggle of the unions, and in practice setting itself in opposition to the actual struggle of the trade unions, and paralysing and enfeebling that struggle.

The I.L.P. trade union policy is based on the deepest pessimism of the possibility of any workers' struggle in the present period of capitalist decline. This is most clearly brought out in the Chairman's address to the 1925 Conference, in which the first sketch of the living wage policy was indicated:

"There is little hope for wage movements directed against the present crumbling unco-ordinated industries. We have in fact reached a stage when the only hope of permanently raising the standard of the workers is through an industrial system, which is scientifically and economically organised so that the needs of all trades are related to each other, and national resources are skilfully rationed in the order of first needs first. And meantime the way to secure an immediate improvement in the wage standard, and also the surest process by which public opinion can be brought to insist that industry shall be nationally organised, is for Labour to make a united demand for a universal living wage, dictated by the needs of a civilised existence and not upon the varying fortunes of each industry." (Chairman's address to the I.L.P. Conference, 1925.)

In this statement the heart of the I.L.P. living wage policy for the trade unions is expressed. It will be seen that this policy is in fact bankruptcy, so far as the trade unions are concerned. What in effect does it mean? The trade unions, it is declared, can have no hope in the existing wage-struggle. They must wait until "public opinion" has organised industry on scientific lines, i.e.,

until the victory of socialism and overthrow of capitalism, or rather, until the mythical reorganised capitalism of the I.L.P.'s dreams. In the process of reaching this the trade unions have no effective role save as propaganda organs to stimulate "public opinion" by their "united demand for a universal living wage," which, as the speaker 'at once goes on to make clear, is to be submitted "to the bar of public judgment."

But what is to happen in the meantime? In the meantime, it is declared, while "public opinion" remains unconvinced of the necessity of the complete reorganisation of industry, the trade unions can hope for nothing from their futile wage-movements. "There is little hope for wage-movements directed against the present crumbling, unco-ordinated industries." Thus *the essence of the I.L.P. living wage policy for the trade unions is a policy of bankruptcy, surrender and defeatism for all present struggles* (which the experience of the miners' fight in 1926 only served to illustrate in practice). The positive side of the policy, in relation to capitalist reconstruction, will be seen presently; but it is this essential pessimism and defeatism, and even fundamental hostility to all that trade unionism stands for, which is at the root of the I.L.P. trade union policy.

From this complete disbelief in the possibility of the trade union struggle in the present period, and deification of "public opinion," follows an attitude of lecturing contempt to the actual struggle of the workers in the trade unions, even when acting in unity, under the existing confused conditions of capitalism:

"It is surely not an effective common object for the industrial movement to struggle for a dozen different wage standards in as many industries, even when this is done by simultaneous attack. So long as we leave each industry in private hands under the present wasteful, disorderly system, so long will each

industry argue that figures prove it cannot sustain a proper wage. And on each occasion—however powerful the workers' organisation—this argument will enable the public to defeat us." (Chairman's speech, I.L.P. Conference, 1925.)

"The public," always wins, "however powerful the workers' organisation." It is vain for the workers to fight to maintain or improve their existing confused and manifold wage-standards under capitalism. Even united action ("simultaneous attack"—the problem of *defence* of existing standards, the urgent practical problem at the time, is typically ignored) is vain; since "however powerful the workers' organisation" it is always "the public" that wins.

In this way the I.L.P. finds the existing trade union struggle to maintain or improve a host of different wages and rates illogical, anarchic and "chaotic," and roundly attacks the trade unions for their pains :

"The present position is chaotic in the extreme. Strike follows strike. It is largely a matter of luck as to whether the section concerned obtains its rise or not. Often it depends upon who gets it first. After a round of strikes the public mind turns against the striker, and he either gets nothing at all or only a fractional increase that does not even recompense him for the weeks of idleness. Often he gets a slight benefit at the expense of another section, and so the wretched business goes on indefinitely." (*New Leader*, 12-9-24.)

This statement breathes the whole spirit of the I.L.P. attitude to the trade union struggle. If the criticism expressed in it were simply a criticism of trade union sectionalism and a plea for united action, it might have its place, however expressed. But it is in fact, under the form of a criticism of sectionalism, an attack on "the whole wretched business" of "strike following strike," which puts off "the public mind." Sectional-

ism is attacked, not because it is insufficiently powerful, but because it puts off "the public mind" (united action or the general strike puts off "the public mind" considerably more). The "slight benefit" that may be won by one section is represented as won "at the expense of another section" (as if every gain of every section, won by fighting, were not a gain for the whole working class). The "fractional increase," it is suggested, "does not even recompense him for the weeks of idleness" (what, then, of a mere defeat of an attack, without any "fractional increase" at all, which may still be more than a recompense for the "weeks of idleness," when the alternative is a heavy lowering? But this reality is never taken into consideration).

The whole criticism, in short, simply reflects the conventional capitalist propaganda on strikes, and not least the current capitalist attacks (the *Times*' opinions on trade union policy are actually quoted with approval as "sound judgment" in the course of the same article) on the folly of the trade unions endeavouring to fight to maintain disparate wage-rates. Certainly, in principle there is no case from a working-class point of view for disparate wage rates, which complicate and make difficult a common fight; but if the workers are to fight at all to defend their standards against the capitalist attack, or endeavour to improve them, they must inevitably, *to begin with*, start from the existing confusion of rates in which capitalism has placed them; and to oppose this fight for "a dozen different wage-standards in as many industries," in the name of an abstract equality, means to oppose the actual working class struggle in its real, living conditions.

This completely external, unhistorical, unreal, foreign type of approach—typical of the idealist school—to the real problems of the existing working class struggle under the complicated conditions of capitalism, inevitably leads to a simple, abstract, empty type of "solu-

tion," that does not touch any of the real problems and only plays into the hands of the capitalists. The I.L.P. endeavours, despite its complete declared pessimism as to the possibility of the trade union struggle in the present period, to present an appearance of an "industrial policy" for the trade unions in the present period. This "industrial policy" is set out as follows in the "Socialism in Our Time" resolution of the 1926 Conference.

INDUSTRIAL POLICY

"Side by side with the advocacy of this parliamentary policy, the I.L.P. urges that Labour should stand behind every group of underpaid workers who struggle to attain the standard of civilisation demanded as a national minimum. The I.L.P. expects its members to participate wholeheartedly in the industrial side of the Labour movement, with a view to strengthening the organisation of the workers and developing trade union organisation to secure working class solidarity; to assisting all efforts to secure the standard of civilisation demanded; to co-operating in the perfection of trade union organisation; and to participating in the administration of industry when the necessary reorganisation takes place."

What does this "industrial policy" amount to (apart from the domestic question of "participation" of I.L.P. members in the "industrial side" of the movement, and general phrases of "perfection of trade union organisation," "working class solidarity," etc.)? Two specific proposals are put forward:

- (1) The trade unions should unite behind workers *below* the national minimum to be fixed ("stand behind every group of underpaid workers who struggle to attain the standard of civilisation demanded as a minimum" "assist all efforts to secure the standard of civilisation demanded").

- (2) The trade unions should "participate in the administration of industry when the necessary reorganisation takes place."

These two positive proposals of the I.L.P. for the present problems of the trade union struggle need to be considered in turn.

The first and decisive question is: What, in the I.L.P. view, is the role of the trade unions in *present* struggles? We have seen already that the I.L.P. expresses contempt for the endeavour of the trade unions to fight for "a dozen different wage standards in as many industries," or useless and hopeless wage-movements against "the present crumbling unco-ordinated industries." What is the I.L.P. alternative? It is in appearance a simple one. A single national minimum is to be fixed "in precise terms and figures." The trade unions are then to unite their energies to raise the "underpaid workers" below it. This, it is declared, will alone give a worthy goal to united action (though it is not made clear whether the ultimate decision is to rest with "united action" or with "public opinion").

This may possibly appear a very logical, scientific, systematic form of trade union struggle to replace the existing confusion. But what does it mean in practice?

The national minimum, as we know, is to be fixed at first very low, compatibly with commercial ability to pay (see p. 99). "Any figure which we can honestly promise at once would mean a big gain in the basic wage only to men and women in the more depressed trades." The trade union effort of united action is then to be concentrated on the "underpaid workers" *below* this depressed minimum.

But every one knows that the actual and decisive wage struggle centres on the most organised sections of the workers, whose rates may be relatively higher than those of other sections, but who constitute the vanguard of the working class, and whose strength and

power of resistance determines the level of the whole working class. The I.L.P. "industrial policy" here set out completely ignores this actual struggle for the united defence of existing rates, whatever those rates may be (and this sapient "industrial policy" was written and carried in April, 1926, one month before the heaviest attack on the miners and the whole working class, and with the Coal Commission Report and its recommendation of a reduction of wages already in existence—the whole of which actual situation is completely ignored); and instead puts forward the dangerous proposal that Labour should concentrate its strength simply on standing behind the "underpaid workers" below a certain minimum that is to be fixed very low, *i.e.*, behind the workers in the most straggling, backward, unorganised, "unorganisable" trades, who are least susceptible of trade unionism, and inevitably fall outside the main current of trade unionism. Thus the living wage policy of the I.L.P. becomes in practice an *alternative* to the real class struggle of the trade unions, as the subsequent experience of 1926 only served to confirm.

Certainly the existing wage rates of capitalism are a chaos of variations between trade and trade, which have no defence in abstract "justice." Certainly it would be a good thing if the whole trade union movement took up a united fight for a universal minimum (the Communist Party was agitating for this, the fight for a £4 a week minimum all round, long before the I.L.P. even began to work out its new policy). But to use the abstract conception of a minimum *in opposition* to the here-and-now struggle which has to be fought in the existing chaos is to play straight into the employers' hands. It leads inevitably to neglect of vital issues of defence of existing standards, whatever those standards, and to opposing actual strikes of better-paid workers on the ground that they are "relatively more highly paid." And this last, this actual opposing of strikes and

attacking of groups of workers on strike, as better paid than other workers, is exactly what the I.L.P. has again and again done, playing straight into the capitalist hands; e.g., in attacking the Locomotive Engineers' strike in the beginning of 1924, and in the Covent Garden strike; and this same argument (the original Bromley version of the General Council Report of miners at £13 a week) was used by the General Council, prominently manned by I.L.P. leaders, in its shameful defence of its betrayal of the miners.*

* The role of the I.L.P. in the Locomotive Engineers' strike of January, 1924, remains a classic example. The locomotive engineers were resisting (after a ballot vote of 6 to 1 for resistance) an attempted reduction of the wages by a Wages Board Award, signed by J. H. Thomas and other leaders. Because this strike was inconvenient to the treacherous role of the MacDonald Labour Government, the I.L.P. roundly abused the strikers. The *New Leader* in an editorial article (18-1-24) held up the engine drivers as "a relatively highly paid grade, earning their £6 or more a week" (this from a really highly paid I.L.P. journalist receiving more than three times as much). "What is at stake," exclaimed the *New Leader*, "is the whole future of the machinery of conciliation." Because Bromley (who had then not yet deserted the workers' fight) was carrying out the strike decision of his members, the *New Leader* found him, in the best approved style of the capitalist press, a "hothead" and an "egoist." Because Thomas had signed the award for the reduction of wages, and was officially calling on N.U.R. engine drivers to scab on their comrades, the *New Leader* came out with the discovery that "the N.U.R. stands, as its rival does not, for the true progressive ideal in industry." Finally the *New Leader* comes out with the direct appeal to strike-breaking; "There are many able men and good socialists in Mr. Bromley's union. . . . This crisis brings them to a decision. This sectional jealousy endangers to-day not merely the industrial prospects of the railwaymen, but the political interests of the whole body of workers. This strike, if it takes place, will deal

It is the employers' policy to concentrate on the disparity of existing wage-rates—sheltered versus unsheltered trades, skilled versus unskilled, employed versus unemployed—in order to make propaganda against the existing most strongly organised and better paid workers, always in the name of justice to the lowest paid, and press for a national minimum to bring the highest down to the level of the lowest. The I.L.P. policy of fixing a minimum so low as to be commercially practicable at once and bring a gain only to “the more depressed trades” at first, and then concentrating trade union attention on the “underpaid workers” below this minimum, with the consequent inevitable presumption that workers above this standard are receiving more than absolutely necessary and should therefore be ready to make sacrifices, completely plays into the hands of this employers' policy.

This is even more clearly seen when the I.L.P.'s trade union policy in relation to the reorganisation of industry is considered. The trade union role in reorganisation was originally referred to in the draft of the “Socialism in Our Time” resolution (final agenda) as a “socialist function.” This was in the final editing discreetly omitted. For the actual description given bears no socialist character at all.

“When a Labour Government comes to power, it would confirm this general figure by Act of Parliament and create administrative machinery to deal one by one with the trades in which wages were still

the Labour Party in public opinion a blow which no Rothermere or Beaverbrook could have inflicted.”

Here, in this vicious attack on a body of workers for daring to resist a reduction of wages, is seen the true picture of the I.L.P. in its relation to the workers' struggle, when a momentary parliamentary inconvenience has caused it to show its teeth and throw aside the hypocrisies of “industrial policies” or pretending to care one halfpenny about the trade union struggle.

below the minimum. It might enforce its increase by instalments. If the industry declared its inability to pay, it would then impose reorganisation, dealing for example with watered capital, amalgamating small inefficient concerns, and introducing the economies usual within a trust.

“During this phase, it is true, the union would not need to struggle over wages. It would be busy assisting the Labour Government (or its Administrative Commission) in the far more vital task of reorganising the industry.” (*New Leader*, 8-1-26.)

The character of the reorganisation into which the trade unions are to enter is here made clear. There is no question of socialist reorganisation. It is purely and simply a question of capitalist reorganisation. It is a question of “amalgamating small inefficient concerns and introducing the economies usual within a trust.”

But “*during this phase, the union would not need to struggle over wages.*”

Thus the real destiny of the trade union struggle, in the I.L.P.’s eyes, is here made clear. In the period, not of building up socialism, but of reorganising capitalism, of building up trustified capitalism, the trade unions are to abandon their struggle. Industrial peace is essential to the policy of capitalist reorganisation, and therefore to the I.L.P. policy.

Certainly the trade unions have their role of building up the future organisation of industry. But in order to carry out this role, the working class must first conquer power. When the ownership of industry is in the hands of the workers, then the trade unions can carry out their function of building up the organisation of industry, training the workers in the task of administration and constituting the pillars of the future social framework. But if industry is not in the hands of the workers, but of the capitalist class, then the bringing in of the trade unions, into the task of building up

industry and industrial organisation, is simply using the trade unions to build up capitalism. It is this "detail" of the conquest of power which is omitted by the I.L.P. And in consequence their policy becomes, not a policy of trade union control of industry, but instead the absorption of the trade unions into capitalism and industrial peace within capitalism.

Here the objective of industrial peace within capitalism, which is openly proclaimed by all the older I.L.P. leaders, MacDonald, Snowden, Clynes, etc., shows through also in the "new" policy of the I.L.P.

Thus the I.L.P.'s trade union policy or "industrial policy," when examined in reality, becomes:

- (1) Fixing a minimum wage close to the level of "the more depressed trades";
- (2) Ignoring in practice, and even opposing, the struggle of the main body of workers above that figure;
- (3) State capitalism;
- (4) Industrial peace.

§2. *The I.L.P. in the Miners' Struggle*

Facts speak more powerfully than words. The real meaning of the I.L.P. living wage policy for the working class struggle, which has been examined in theory in the previous sections, is revealed in living experience in the actual role of the I.L.P. in the miners' struggle during the critical years 1925-6. The record is worth examining straight through in its main outlines; for it is a more eloquent commentary than many arguments on the practical value of the phrasemongering "Socialism in Our Time" and "Living Wage" propaganda of the I.L.P.*

* For a full exposure of the situation, the record of the I.L.P. should be set out parallel with the declarations and policy of the Communist Party at every point. Space forbids this here, save for summary reference: but the reader who

The record may most usefully set out from the return of the Baldwin Government; for this return was the immediate starting point of the offensive.

(i) *Formation of the Baldwin Government;*
November, 1924

The return of the Baldwin Government, elected by a minority vote after a howling "anti-Red" reactionary campaign heralded the most intense and unprecedented offensive, nationally and internationally, against the workers, in the desperate effort of British capitalism to re-establish itself. The Communists and revolutionary left wing from the outset correctly gave *warning* of this offensive as the whole meaning of the Baldwin Government for the working class, on lines which have since been fulfilled in every detail by subsequent events (attack on wages, centring on the miners; attack on the legal rights of trade unions; attack on the Soviet Union), and at once laid all stress on the working class task of *preparation* and organising of united action to meet the attack. How did the I.L.P. receive the Baldwin Government?

The I.L.P. politely *welcomed* the Baldwin Government, and drew from its "democratic" composition the conclusion that there was no danger of reaction for the next four years. The statement is worth quoting at some length, because of the light that it throws on the whole failure of the I.L.P. during the present period and its complete blindness to realities, and for the ironic comment that history has subsequently passed on every one of its judgments. (Italics have been given

wishes to go further into the question should certainly refer to J. T. Murphy's "Political Meaning of the Great Strike," to get there an account of the real significance and politics of the struggle, and the role of the Communist Party. Reference may also be made to the article on "The Communist Party and the Miners' Fight," by "P. B." in the *Labour Monthly*, Jan., 1927, and Arnot's "The General Strike."

to those statements that read most strikingly in the light of events):

"All the world agrees that *Mr. Baldwin has done well* in the delicate task of constructing a Cabinet. It is an able team, and the inclusion of *Mr. Churchill* was a *brilliant* stroke *Mr. Austen Chamberlain* is not likely to be an original Foreign Secretary, but he *will be trusted abroad*. . . . One cannot read far into the list without realising that *Mr. Baldwin means to avoid stagnation or reaction*. . . . *Lord Eustace Percy* has shown by his collaboration with the W.E.A. that he *cares for education*. We confess that our first impression of *Lord Birkenhead's* appointment to the India Office was one of alarm, till we recalled his *admirable* speech about Amritsar.

"It is a relief to be able to draw from this list and from Mr. Baldwin's speech at the Guildhall *the comfortable conclusion that we may escape the four years of violent reaction which some of us had feared*. *The idea will presumably be to kill socialism with kindness*. . . . *Well-meaning this Government evidently will be*, but its record, we predict, will but provide us with another demonstration of the truism that the party of 'all the interests' dare do nothing effective to remove the evils by which the 'interests' thrive." (*New Leader*, Editorial, 14-11-24.)

"The comfortable conclusion that we may escape four years of violent reaction." "The idea will presumably be to kill socialism with kindness." This is the measure of the fitness of the I.L.P. to lead the working class struggle in the most desperate period in its history and against the most ruthless and unscrupulous leadership of modern capitalism in decline.

(ii) *The Eight Months to Red Friday*:
December, 1924—July, 1925.

With this view of the character of the Baldwin

Government, it was natural that the I.L.P. should take no part in the struggle of the left wing during the eight months leading up to Red Friday to secure united action in the coming wage-struggles by means of the Workers' Alliance or through the General Council. The I.L.P. had a different proposal for the workers to meet the coming conflict: that they should appeal to the Baldwin Government to set up a National Commission to determine a living wage, whose report should then be submitted to the Tory Parliament for endorsement. This was the policy put forward by the Annual Conference in April. The resolution ran:

"This Conference is of opinion that it is essential to the success of socialist and trade union policy and as an effective means of permanently raising the standard of life among the workers, that the Labour movement should endorse a common policy on the wages question.

"It therefore calls upon the Government to set up a National Commission charged with the duty of determining a living wage arrived at according to the needs of a civilised existence. . . .

"In the event of Parliament endorsing the recommendations of the Commission, every industry paying less than the living wage shall be called upon to carry through the reorganisation requisite to enable it to pay this wage. Failing such reorganisation, Parliament shall determine what form of public ownership or control is needed to meet the circumstances of that industry.

"Thus can Labour organisations secure a progressive raising of the standard of wages above the basic amount and hasten the attainment of social ownership and national organisation."

This resolution ignores any possibility of working class struggle, and places its whole trust in the Baldwin Government and the Tory Parliament. Maxton, in proposing it, put forward the familiar I.L.P. picture that,

after the figure of the living wage had been fixed by the Government Commission, the Labour movement might unite behind workers "far below the standard," and so "keep the employing classes busy in the next twelve months" (as if the employers had no plans of their own):

"Having decided what a living wage was, they should look around the great body of workers, and wherever they saw a group far below the standard agreed upon, they should urge it to put up a fight against its present condition, and see that it was backed up by every ounce of power that the trade union and political Labour movement could exert. This would be a wise and effective use of their power. Taking one industry after another, they could keep the employing classes busy in the next twelve months (loud applause)." (Maxton: I.L.P. Conference Report, 1925: p. 117.)

This fanciful and empty picture, representing no serious intention whatever, and no recognition of realities, and constituting in fact a pasteboard I.L.P. *substitute* for the real Minority-Movement-Cook fight for a Workers' Alliance and united action to meet the capitalist offensive, was the total measure of understanding on the I.L.P.'s part of the character of the coming struggles during the twelve months May, 1925 to May, 1926. Some delegates raised complaint of the lack of an "industrial policy." The Secretary replied:

"During the next year the National Administrative Council would investigate industrial policy and present a report to the next Conference." (I.L.P. Conference Report, 1925: p. 105.)

To the problems of united action, the forging of a Workers' Alliance, the battle which Cook, the Minority Movement and the Communists were waging against heavy odds, the I.L.P. made no contribution. On the contrary, during this period the I.L.P. organ indulged in side-attacks on Cook, even using capitalist press lies

against him (*e.g.*, the charge of secret negotiations with the coalowners for a home price ring) which it subsequently had to retract. (*New Leader*, 22-5-25 and 29-5-25). Snowden venomously attacked Cook in the *Weekly Dispatch*. Wheatley, speaking at Glasgow in March, said that "he did not think the Labour movement at present was in a fit state either to fight or negotiate . . . the great trade unions were a mere shadow of their former selves, and were comparatively helpless" (*Daily Herald*, 30-3-25.)

Against the Communist and Minority Movement campaign for united action in the wage-struggle the sneers and attacks and misrepresentations of the I.L.P. press were endless. The plea for a united front of miners, engineers and transport workers in the coming struggles was a "mad dream of a handful of physical force Communists . . . with the purpose of creating a revolutionary situation" (*New Leader*, 20-3-25). The sympathetic strike (as adopted on Red Friday) was a "sentimental" "irritating" notion, bound to "fail to achieve its object" (*New Leader*, 20-3-25). The Quadruple Alliance move for common action of the miners, engineers, railwaymen and transport workers behind their various wage-demands was "suicide," "insanity" (*New Leader*, 12-6-25). All the time the alternative of the I.L.P. plan was set against these as the only "solid" "realist" "practicable" policy: to ask the Baldwin Government for a National Commission on a living wage, to respond to Baldwin's industrial peace propaganda, to say to Baldwin

"You ask for industrial peace, for efficiency, for better workmanship—the first step towards all these things is to establish for all proper conditions of mind and body,"

to "appeal to the nation," to "rouse the national conscience," "a campaign on these lines could set the country on fire," etc., etc. This was the "practical" policy of the I.L.P.

(iii) *Red Friday*: July, 1925

Right up to the last the I.L.P. made no attempt to face the realities of the conflict, whose approach was becoming obvious to every one, and continued its propaganda of illusory pacifist solutions.

At last on July 3rd the *New Leader* had to deal with the definite wage-cut demands of the coalowners and railway companies, accompanied by Lord Birkenhead's statement that the wages of all British workers needed to be brought down at least one-third to reach the Continental level. The *New Leader's* editorial comment was that the Trades Union Congress should ask for a world economic conference to solve the difficulty:

"Indignation there will be at this policy and this speech, but they call also for some constructive thinking. We dare not ignore the international aspect of the question of wage standards and unemployment. In the leading article we suggest that the Trade Union Emergency Congress should demand the calling of a world economic conference to deal with this problem of competing standards of life."

On July 10th the *New Leader*, commenting editorially on the attack on the miners and railwaymen, concentrated attention on the possibility of Government mediation; "this may or may not be good news"; and drew the conclusion from the whole situation that "Capitalism has failed."

On July 24th, on the very eve of the crisis, the *New Leader* held out as its editorial note on the situation: "Hope of Peace?" "There is some faint hope of a conference between miners and owners." The leading article is concerned with a long discussion of the position of the middle classes in the event of a coal dispute, and an explanation that their previous "inertia" will be responsible in part for the "discomfort" they may suffer.

Thus the I.L.P. had no part in the achievement of Red Friday.

Immediately after Red Friday, in the credit of which the I.L.P. had no share, the I.L.P. came out with loud rejoicings in the victory. "The National Council congratulates the miners . . . The I.L.P. rejoices in the solidarity shown by organised Labour." But was there any understanding shown of the limited character of the victory, of the unconcealed strategic intentions of the Government, of the far heavier struggle in front? None whatever. While those who had fought in the front of the fight, Cook, and the Communists and the militant left wing, were at once on the morrow of the "settlement" giving out the watchwords "No Illusions," "Only a Postponement," "Nine Months to Prepare," the I.L.P. was only engaged in handing out its idle bouquets of supposed victory. The only policy for the future in the National Council statement, after the various congratulations, was to the effect that "the I.L.P. declares that the reorganisation of the industry as a democratically controlled public service is the one remedy for the existing chaos and conflict."

In a characteristic article the editor of the *New Leader*, Brailsford (the scales, as always, momentarily dropping from his eyes, when confronted with the power of working class achievement) confesses the utter blindness and impotence of the whole I.L.P. policy in the events leading up to Red Friday. (Italics have been given to those passages in which he describes the blindness and impotence of the I.L.P. as if it had been that of the whole movement).

"Behind us lies the time of *impotence and pessimism*. We were in the grip of forces we could not control. . . A few city magnates met at the Bank; its rate was lowered, and our fate was sealed.

"What happened in those lost days of July was the biggest thing that can happen in history. The human will asserted itself. . . .

"I confess frankly that in the early days of the dispute I thought Mr. Cook was acting rashly when

he based his whole strategy on the chance that the railwaymen would stake everything to support their comrades of the mines. For years *the memory of Black Friday had paralysed us all. . .* But the event has proved Mr. Cook was splendidly right." (*New Leader*, 8-8-25.)

The confession is true, so far as the I.L.P. was concerned. But was it accompanied by any clearer understanding for the future? At the same time as this repentance of past errors was being written, the I.L.P. was failing on a larger scale than ever by its refusal to face the tasks of preparation of the nine months, and falling back into its old confusion and paralysing of the workers' struggle, preaching belief in the Baldwin Government Coal Commission, confidence in the possibility of a peaceful solution without struggle, etc.

(iv) *The Nine Months: August, 1925—April, 1926*

The succeeding nine months between Red Friday and the General Strike were the most critical period so far in the modern working class movement in Britain. The Government was visibly mobilising every force to crush the working class movement. The Communist Party and the revolutionary left wing were straining every nerve to awaken the working class movement to the coming struggle and the tasks of preparation. In this they met with a dead wall of opposition from the reformist leadership, who, according to their own statement, attempted no preparations whatever prior to April 27.

Where was the I.L.P. during these critical nine months? The I.L.P. was assisting the reformist leadership in its work of sabotage, opposing preparations, opposing the united front, preaching the possibility of a peaceful solution along commercial lines, preaching confidence in the Government, and thus, in fact, assisting

the Government preparations by leaving the working class to enter the struggle unprepared.

Twice, in October and in March, the Communist Party approached the Independent Labour Party for a joint campaign of preparation for the coming struggle, around the four points: (1) Nationalisation of the mines; (2) a living wage for the miners; (3) 100 per cent. trade unionism; (4) workers' self-defence against the O.M.S. and Fascism. The Independent Labour Party refused on the ground of ultimate theoretical differences. At the same time the I.L.P. was proposing fusion—not co-operation in an elementary campaign of immediate needs—but complete fusion between the Second and Third Internationals. Thus the profound theoretical differences were no obstacle to platonic proposals for a complete fusion. But they were an insurmountable obstacle to the smallest actual step for united work on the most elementary current issues.

At the Liverpool Labour Party Conference in October, 1925, the I.L.P. voted for the policy of disruption of the Labour Party ranks and exclusion of the Communists. This was followed in a fortnight by the Government arrest of the Communist leaders.

In place of preparation, the I.L.P. preached confidence in the Government Coal Commission. Thus we find the pamphlet "The Road to Power" (still on sale as the descriptive pamphlet of the living wage policy) declaring:

"The appointment of the Coal Commission meant (1) that public opinion realises that an industry which cannot pay a living wage must be reorganised until it can do so; and (2) that the task of devising and if necessary, reinforcing this reorganisation is a political duty which falls upon the Government. The recognition of this principle, even if it is applied half-heartedly, is an immense step forward."

This was the measure of the I.L.P.'s understanding

of the Government's strategic weapon of the Coal Commission, which was appointed to prepare the reduction of the miners' wages.

The Coal Commission Report was received with praise. MacDonald in "Forward" found it "a conspicuous landmark in the history of political thought." "one of the strongest indictments of private enterprise that has ever been issued as an official paper . . . the stars in their courses are fighting for us" ("Forward," 19-3-26). The *New Leader* recognised that "the Report has adopted two positions which in all human probability mean war," but then proceeded to hope that "the corporate conscience of the nation" would avoid it:

"Our own view is that while it prepares with all its courage and steadfastness for a decisive struggle, the Labour movement should address itself first of all to the good sense and the corporate conscience of the nation. For the sake of a sister people in peril, this nation shouldered in 1914 a colossal burden. . . Will it accept the duty of solidarity or will it call for industrial war?" (*New Leader*, 12-3-26.)

(What a canting repetition of imperialist lies about Belgium in 1914 brought up as an excuse for not facing the equally clear imperialist declaration of war in 1926!)

The April Conference of the I.L.P., meeting four weeks before the greatest conflict in British working class history, spent its time in chasing the will o' the wisps of its own living wage policy, and had no time or inclination for the shortest attempt to consider the problems of the fight in front. A formal emergency resolution of "fullest support to the miners" and "re-affirming that the only effective remedy for the economic and industrial problems of the industry is by its reorganisation according to socialist principles" was moved, seconded and carried *without discussion*. The delegate seconding it, a miner, said that "the miners were suspicious of everybody. They did not want lip-

service. They wanted the other workers to come out on strike with them." Such harsh realities were, however, politely ignored, and not allowed to jar on the cloud-cuckooland in which the Conference preferred to move.

To the last the I.L.P. professed to believe that the struggle was not inevitable and might be escaped.

On March 26th the *New Leader*, commenting on the engineering crisis that was developing alongside, and the possibilities of united struggle, blandly remarked:

"There will be time, as the weeks go by, to think out the appropriate strategy."

On April 9th:

"But for our part we refuse as yet to believe that a conflict is inevitable."

On April 16th (pushing the panacea of a selling agency):

"The Labour movement must prepare to fight, but if it will urge the central importance of this commercial reform, the need for fighting might disappear."

The miners' reply on the Commission proposals was praised in the same issue as

"conciliatory . . . It did not even contain an explicit refusal to consider wage-reductions"

and further

"It is not for outsiders to incite the miners to fight."

Thus the I.L.P. is in its own view an "outsider" to the workers' struggle.

Finally on April 23rd the issue was summed up as follows:

"The question whether we shall have peace or war next week depends above all on this—will the parties to the settlement realise in time that the regulation of the international market is the pivot on which everything turns?"

This was the fitness of the I.L.P. for leadership up to the very edge of the fight.

(v) *The General Strike: May, 1926*

The I.L.P. as a party played no political part in the General Strike.

Individual members of the I.L.P. acted according to their individual notions, many of the rank and file working hard for the strike, while others on the General Council betrayed it.

After the betrayal, the I.L.P. sharply criticised the General Council (in the same way as it did the Labour Government after the event), although it had done nothing to warn beforehand or otherwise prepare. This criticism, however, led to no constructive conclusions as to change of policy or leadership, and was presently abandoned, as the special trade union conference on the General Strike in January, 1927, showed.

This nominal absence of any political role of the I.L.P. in the General Strike, the greatest struggle of the British working class, is of course in reality as definite a political role as the "non-political" character of capitalist press news: in this case it is simply the cover of treachery, with the subsequent "criticism" as the safety-valve.

(vi) *The Miners' Struggle after the General Strike: May—December, 1926*

Immediately after the betrayal of the General Strike, the I.L.P. began to press for the reduction of the miners' wages. On May 28th, the *New Leader* prominently published as its main line of policy for the miners the Varley "solution" of the crisis by reduced wages. The editorial declared: "It may be that as a result of its [the General Council's] weakness some such concessions as Mr. Varley outlines are inevitable."

At the same time the Miners' Federation was fighting alone for no reduction and publicly appealing to the workers "to refuse to handle black coal." The Miners' Federation official appeal received publicity and sup-

port only in the Communist press. The *New Leader*, which spent its principal page on the Varley "solution," did not even publish the Miners' Federation appeal, but only referred to it as a fact in a dozen lines in "The Week's News."

Thus from the outset there was complete division between the I.L.P. and the miners' fight. This is all the more important to note, because the I.L.P. throughout expressed plenty of verbal sympathy with the miners. The I.L.P. clothed its policy of surrender in all the forms of "assistance," meetings, issue of *The Miner*, etc. Through its position it was able to exercise a harmful influence on the leadership of the Miners' Federation, invariably in the direction of weakening, and in opposition to the mass of the fighting miners, as every ballot vote showed. In every practical issue the I.L.P. was the enemy of the miners.

Nothing showed this more clearly than the relation of the I.L.P. to the question of practical action in support of the miners, the question of the embargo on coal. The continued official demand of the Miners' Federation for an embargo, repeated in a letter to the unions in June, compelled the I.L.P. to make a show of "supporting" it, in order not to break openly with the Miners' Federation. In June the National Council of the I.L.P. passed a resolution "urging I.L.P. members to support the policy of refusal to transport black coal."

If this resolution had been a serious decision of policy, the I.L.P. would have been flung right into the battle alongside the Communists and the revolutionary left wing. A common fight for the embargo by the whole forces of the I.L.P. and the C.P., since these between them constitute the majority of the active membership of the Labour movement, would have inevitably overcome all opposition and carried the day. But this is just what the I.L.P. was concerned to avoid. Not a single step was taken to attempt to carry out the resolution.

The issue of the *New Leader*, when the resolution was taken, contained not a word on the embargo. Subsequently the resolution was merely reported. There was no campaign; there were no articles, no demonstrations, no instructions to the membership to carry on the fight in the trade unions. The resolution remained solely on paper. The actual propaganda was the propaganda of surrender (selling agencies, Varley "peace plans," etc.).

The resolution of "support" of the embargo was thus a verbal, hypocritical deception. This was promptly shown by the response to the Communist appeal for a joint campaign for the embargo. The Communist Party, immediately on the National Council supposed decision to "support" the embargo, wrote on June 15th to the I.L.P. to suggest a joint campaign for this object. Cook immediately declared with regard to this: "Splendid! I am sure the I.L.P. will respond." He was mistaken. The I.L.P. wrote back on June 24th that the matter would be placed before the National Council on July 24th. Thus the answer was to come six weeks after the question, during which time the miners could be beaten back and the matter suitably buried. On July 9th, three weeks after the proposed joint campaign, during which nothing had been done, the National Union of Railwaymen's Conference rejected the embargo. Then on July 26th the I.L.P. replied to the C.P. that, since the embargo "has been turned down by the unions concerned," nothing could be done.

This answer is a study in hypocritical betrayal of the workers' struggle. For over three weeks, during which it was still possible to win the fight and carry the embargo in the unions, the I.L.P. was silent and would not even answer as to its policy. At the N.U.R. Conference which turned down the embargo, the Communist Party was able to lead an opposition of one-fourth of the delegates. Had the Communists and I.L.P.'ers fought together for the embargo, there can be no question what would have been the result. *After* the embar-

go had been defeated in the unions by the I.L.P.'s own deliberate inaction, the I.L.P. comes forward and makes this defeat the excuse for its inaction! Such was the "practical" help of the I.L.P. to the miners in their fight.

All the time, the I.L.P. was carrying on its propaganda for defeat and a reduction of wages. The *New Leader* of July 16th, which recorded the N.U.R. rejection of the embargo in three lines as an item of news without heading or comment, actively advocated a solution through a selling agency and subsidy, in which case the miners "would face the necessity of some reduction of wages like men." The Bishops' surrender terms were at once supported: "the ballot will result we hope, in confirming the wise action of the Executive" (*New Leader*, 6-8-26). The miners' fighting resistance left the I.L.P. "amazed"; fortunately the Delegate Conference, it was pointed out, could "reverse the popular vote" and continue negotiations all the same. (*New Leader*, 20-8-26.)

On August 27th the I.L.P. discovered apparently for the first time that "the coalowners and Government have now openly revealed what is in their minds. They are determined to drive the miners into absolute subjection." The answer to this was to be in accordance with the whole policy of the I.L.P. in the two years' struggle. The answer was to be a series of public meetings, which will "create a public feeling which will sweep the Government from office and teach the coalowners that the days of slavery are past."

Finally came the supreme crisis of October, the Government terms and the issue of surrender or strengthening the fight. The I.L.P. suggested that acceptance of the Government proposals "might be good tactics." The only alternative in its view was either a "political crisis" through division of Baldwin and the coalowners,

which was "not likely," or else "drifting back." The possibility of strengthening the fight, which was what the miners adopted, did not enter into the I.L.P. horizon. On the whole the I.L.P. preferred to resume its role of "outsider":

"Those of us who are not miners may congratulate ourselves that the painful choice does not lie with us."
(*New Leader*, 8-10-26.)

"We are the miners, and the miners are ourselves," declared Gosling in the days of Red Friday. "Those of us who are not miners may congratulate ourselves," is the final verdict of the I.L.P., when its long succession of reformist surrenders and betrayals has brought the miners to the extreme pitch of misery—and still fighting against all the odds. It only remains to add that when the Delegate Conference of October 7th took the fighting decision on the lines of the South Wales proposals, in the face of the opposition of the leadership, which was subsequently endorsed by the men in the battle all over the coalfields, the I.L.P. from its "outside" position primly commented:

"We regret the startling decision of the Delegate Conference to support the desperate proposal of withdrawing the safety men from the pits." (*New Leader*, 15-10-26.)

The subsequent sabotaging of the decision and final defeat are known.

It is impossible to survey this living record of the I.L.P. in the workers' actual struggle, alongside its high-flown phrases of "Socialism in Our Time," and the "Living Wage," without disgust and contempt. *Yet this record is only the inevitable practical working out of its illusory utopian, self-deceiving theory; just as its theory is equally only the expression of its practical*

inaction, scepticism and impotence. Both alike are the reflection of one thing—refusal to face the workers' struggle. That refusal makes all professions of socialism a lie.

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