

**This Thesis is dedicated to Frances & Kevin Kennedy,  
my Mother & Father**

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## ABSTRACT

The central aim of this thesis is to provide an exposition of the *decay* of the *categories* of political economy first made famous by classical political economy, but subjected to rigorous critique by Marx. An explanation of the following form the theoretical core of the thesis: the *decay of the categories* - abstract labour, value and capital (in its fixed, circulating and variable forms); how the decay of these categories lead to the collective formation of the working class; and how, combined, they provide the key to understanding the full ramifications of the weakening of commodity fetishism and decline of capitalism.

Marx, in the latter chapters of Capital volume one, explained and described in some detail the *primitive accumulation* of capital. In those passages one has the *developmental creation* of the *categories* of capitalism, aided and abetted by the force of the State. As the categories of capitalism developed their hold over society, so did commodity fetishism, as markets swamped the *supply* and *use* of the power of labour (who were being discarded from the land in droves, especially after the mid decades of the eighteenth century- the process of primitive accumulation). Marx describes the process vividly, " Thus were the agricultural people, first forcibly removed from the soil, driven from their homes, turned into vagabonds, and then whipped, branded, tortured by laws grotesquely terrible, into the discipline necessary for the wage system....The advance of capitalist production develops a working class, which by education, tradition, habit, looks upon the conditions of that mode of production as self-evident laws of Nature. The organisation of the capitalist process of production, once fully developed, breaks down all resistance. The constant generation of a relative surplus-population keeps the law of supply and demand of labour, and therefore,

keeps wages, in a rut that corresponds with the wants of capital. The dull compulsion of economic relations completes the subjection of the labourer to capital ".<sup>1</sup>

The above passages, and many of a similar nature in *Capital*, are prime examples of the Marxist method: *historical* without being reduced to mere 'history of appearance'; genetical without being reduced to idealist generic abstraction. What Marx offers in these passages on primitive accumulation, is nothing short of the historical development and eventual ascendancy of the dialectically related *social categories of capitalism*. This thesis, attempts to at least follow the logic of this method, by providing a similar *historical dialectics* of the very same categories of capitalism - *in their period of decline*. The task will be to reveal the *decline* of 'the dull compulsion of capital over labour' in Britain. In this sense, the thesis does not claim to provide a '*history*' of capitalist decline in Britain, this has been done *ad nauseum*. Rather, the thesis attempts to adopt Marx's *historical dialectical method*, in order to provide a *theory* of the *decline of the capitalist social system* - the *theory* will *guide* the *use* of empirical history.

More specifically, the thesis is concerned with establishing an *alternative* Marxist theory of the decline of capitalist social relations of production in Britain. The thesis moves through three distinct phases to complete the task comprehensively. Firstly, a critique of the existing literature concerning decline is undertaken, with specific reference to Britain. Secondly, an alternative Marxist theory of decline is put forward. Thirdly, the full implications of the theory is then expounded by way of a case study of British capitalism. Of course capitalist social relations of production are *universal*, in the sense that they are global relations of exchange and exploitation, as well as being *specific* to individual nations. Therefore, inevitably, the exposition of the concept of

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<sup>1</sup>Karl Marx (1978), *The Genesis of Capital*, p32, Progress Publishers (originally taken from Capital vol one).

capitalist decline will extend, on occasions, beyond my chosen case study - Britain. Nevertheless the main concern is with British capitalism and its *specific* path to decline.

The thesis will reveal that fundamental to a Marxist theory of decline is the decline of *abstract labour*. The major signifier of this event, it will be argued, was the systematic drift away from the gold standard of the major capitalist currencies during the 1930s. The decline of the capitalist system; the drift away from the gold standard; and the decline of abstract labour are the phenomenal forms, *giving expression* to the *underlying social relations* of class struggle between capital and labour.

In so far as the *phenomenal forms* of expression of capitalist decline are concerned, the thesis details an account of *how*, *why* and in *what* manner, for Marxists, gold acts as the material embodiment of social abstract labour. It will be explained, in some detail, *why* abstract labour is the substantive ground for the commodity (which *is* a use *and* exchange value), and *how* the drift from gold facilitated the social rupture of use and exchange value immanent in the commodity form of production. Once this social rupture had occurred, production for exchange value and profit lost its hold over production for use and need fulfilment. Something fundamental had occurred: commodity fetishism - the social mechanism of control over labour - had weakened its objective and ideological hold over labour considerably, which in turn had allowed capitalist decline to move decisively from underlying *potential* to *actuality*. The thesis will provide a clear exposition of the ramifications of this for the capitalist system in Britain.

In so far as the *underlying social relations of class struggle* are concerned, the thesis will reveal *how*, the interrelated processes of a deepening social and

political integration of labour, on the one hand, and the political consolidation of the power of finance capital to manage the declining economy, on the other, underlay the movement away from the gold standard, the decline of abstract labour formation and the decline of commodity fetishism. The decline of abstract labour and with it its material embodiment - gold, *allowed* the increasing opposition within commodity production relations, (between use value and exchange value) more room for expression *within* the capitalist system. This had two effects, which this thesis explores in detail. On the one hand, it provided the basis for the working class to achieve vital reforms within the capitalist system; achievements which consolidated their social integration and political consciousness. On the other hand, because exchange value had weakened its hold over use value and needs, capital (in the form of finance capital) had of necessity to forge a *political economy* of control over use value (if working class revolution was to be avoided). The thesis will argue that this new political economy of finance capital took the form of *Labourism*. Hence, another vital component of a Marxist theory of decline, which this thesis aims to provide, will be an explanation of the political economy of the rise and eventual fall of *Labourism*.

It will be argued in detail that *Labourism* was the systematic attempt, by a declining capitalism, to administer control over use value production and distribution, in an effort to prevent the working class from taking full control over the definition of their own needs. Labourism, as bureaucratic administration, was, more fundamentally, a form of *political atomisation* which prevented the working class from becoming a class in itself. The thesis will detail the social forces involved in Labourism's ascendancy, and the role it played in the bureaucratic regulation of an ailing commodity form of social production and political atomisation of labour. More specifically, a vital part of the thesis will attempt to explain the key roles of the Social Democratic left and

that of Stalinism in creating social conditions conducive for finance capital to feel confident enough to take on the working class and adopt systemic Labourism.

Finally, the thesis explores the contradictions of the Labourist system once established in Britain after the Second World War. The main objective will be to reveal the impossibility of any lasting compromise between labour and capital. Specific conditions *external* and *inherent* to Labourism, had provided a 'window of opportunity' for concessions to be made to use value and need based production, whilst still maintaining buoyant profit rates. The thesis will explain why this 'window of opportunity' could provide no long lasting solution for capitalism in decline.

To this end, the final chapter of the thesis explores *external factors*, such as, world trade conditions, the sterling area and rising US imperialism; alongside *inherent factors* to Labourism, such as, social welfare, the decommodification of labour supply and the decommodification of money capital. It is argued that, for a brief period at least, the external conditions provided a profitable basis for finance capital, which made them conducive to allowing the processes of decommodification and social welfare reforms, at the heart of the Labourist system. It will be explained *how* and *why* this compromise between capital and labour, was in fact a *stalemate* between the two classes; and how the result of this stalemate produced the infamous 'short-termism', so much spoken about within social democratic Left circles, but so little understood. It will further be argued that two factors - the decline of the sterling area and growing politicisation of the labour movement - eventually brought the compromise to an end and signalled the advance of what has come to be termed 'Thatcherism'. Following the logic of the thesis, Thatcherism, it is argued, constitutes an attempt by British capitalism to recommodify labour. However, as explained, the

recommodification ultimately has no substance, as the substantive ground for commodification - abstract labour based on gold - no longer exists. Thus 'Thatcherism' merely accelerates the process of decline, as expressed by rapid de-industrialisation and increasing levels of financial speculation.

## INTRODUCTION

The phrase 'social relation' has come to mean different things to different Marxists. At this point I would like to make clear what I take to be of essence to the social relations of capitalism. Emphasis will be placed on the Classical Marxist tradition<sup>2</sup> This tradition maintains that the essence of the capital relation is the twofold nature of the production process. On the one hand, it serves for the material production of use values, and on the other hand, it is a sphere where individuals produce and reproduce exchange value, surplus value. The latter dominates the former and is often referred to as 'the valorisation process'. The process substantiates or *objectively* grounds the *subjective* manifestations of *commodity fetishism*<sup>3</sup>, which, in brief, allures to the process whereby the working class accept their exploitation *as natural* and society in general fetishises the cult of the atomised individual, as opposed to recognising the irreducible social nature of being. The law of value is central to the social relations of capitalism. A fuller exposition of the law of value must be reserved for the next chapter. However, to contextualise the critique of existing theories of decline soon to be taken up in chapter one, the essential processes of the theory require immediate explication.

The fact that labour is *wage labour* is evidence that labour has two forms: an exchange value form and a use or need fulfilling form. These are two different qualities which must equate to allow production and exchange to occur. General commodities produced have the same two forms and as in the case of labour they are of two different qualities - exchange and use which must equate.

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<sup>2</sup> By classical Marxism I refer to Marx and Engels. An example, of their classical statement concerning the ontology of production relations can be found in : 'The German Ideology' (1846); and also in their 'A Contribution To A Critique Of Political Economy' (1859).

<sup>3</sup> This expresses the fact in capitalism whereby individuals reproduce their social relations via the circulation of material things (commodities). The development of money capital is the universal equivalent expression of this fetishism of commodities.



The fact that labour and other commodities exchange and that capitalist society has grown on the basis that labour valorises (creates more exchange value from the act of labour), means that the equation takes place every day. Thus the capitalist social relation creates its own peculiar equaliser.

The exchange value form is money and price. Money is *universal* in that it is a form with one quality: exchangeability. The use value form is always *particular* and concrete; all the useful things produced by labour are qualitatively different. Thus the equaliser (money) has to have an unusual capacity: it must *be universal and particular* simultaneously. Money/value expressed in gold has just this characteristic. Marx unearthed the process. Competitive accumulation between capitalists over the extraction of surplus value from wage labour, produced the need for a universal expression of the value of particular labour powers exerted for capital. The social relation drives towards the ever more adequate representation of abstract socially necessary labour. Eventually the capitalist social relation is able to express this in the most attainable bodily/material form possible: gold (after many near misses with silver). Hence gold becomes the *universal equivalent* of the expression, within particular labour and particular commodities, of value and its substance abstract labour.

When capitalist social relations are at a peak they allow gold to ground the opposition between use and exchange value, thus keeping it intact. As a result prices, the form through which capitalists extract surplus value, roughly indicate the socially necessary worth of labour power and allows accumulation to advance. In conjunction with this the grounding of exchange and use value by gold, consolidates commodity fetishism both objectively and subjectively. It is because of this that the working class is more likely to remain a class *in itself* and not a class *for itself*. The working class are also more likely to accept the logic of the market over the outcome of wage negotiation, as well as the logic of

labour process controls and conditions *as being rightful and necessary to profitability*.

It is necessary to make these preliminary remarks because this type of exposition of the law of value has become undermined by what is often referred to as the 'capital logic school' of Marxism. This approach is critiqued in more detail later. What one can say here is that in this school, the law of value suffers reification due to the fact that it centres on the *quantitative* aspects of the law. On this point, Rubin<sup>4</sup> refers to a decisive distinction within Marx's value theory. Rubin emphasised that for Marx, there were two theoretically distinct aspects to value : the *qualitative* and the *quantitative*. Rubin maintained that Marx never made these distinctions sufficiently clear in the theoretically demanding opening sections of Capital Vol 1; nevertheless the distinctions are most important. On the one hand, Rubin points out, one has the *quantitative* aspect of value, the,

transmission belt which transfers the movement  
of working processes from one part of society to another  
making that society a functioning whole.

With this *quantitative* aspect to the fore, one is able to analyse capitalism's 'laws of accumulation' and the major impulse which drives it, ie, the need to pump out surplus value profitably. For a Marxist political economy this is of course a quite proper and essential aspect. However, there is another more fundamental aspect of the value relation, which, if ignored, reduces the ontological status of the 'laws of accumulation' and the forms of value deriving from them to ideal concepts similar to the Kantian tradition. This aspect is the essential substance of value : *the contradiction between concrete and abstract labour*. This most essential aspect of Marx's original discovery over and above classical political economy,

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<sup>4</sup> See Rubin, (Black Rose edt 1979).

is usually given short shrift by modern Marxist political economists en route to what they see as the main ingredient : value as the ultimate *technical distributor* of capital and labour about the economy ('ultimate' given the reality of monopolies. In the 'long run' it is argued the 'law' of value can always be relied upon to reasserts itself. See, eg, Mandel 1972). Rubin, following Marx,<sup>5</sup> was at pains to emphasis the essential importance of this *qualitative* aspect over and above the *quantitative* . As he explained,

The specific character of Marx's labour theory of value lies in the fact that Marx *does not* base his theory on the properties of value, ie, on the acts of *equalisation and evaluation of things*, but on the *properties of Labour* in the commodity economy, ie, on the analysis of the *working structure and production relations* of labour.

When it is emphasised that 'our starting point is not value, but labour',<sup>6</sup> then the central question for modern day Marxists on the subject of value is not whether 'prices are determined by value in the long run, despite monopoly'; or even the more essential : 'why labour has of necessity to take the form of value',<sup>7</sup> but , rather, it is *how an increasingly social labour process leads necessarily to the negation of value* (a process explained in the following chapter). Contemporary Marxist political economy rarely takes heed of Rubin's distinction. Thus for the overwhelming majority 'value is the starting point', whilst the substantive contradiction *within* labour, if not ignored, as is usual, is merely glossed over.<sup>8</sup> That such a reversal should have taken place is evidence of a

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<sup>5</sup> The reader is referred to Marx's 'Notes on Wagner' (see T. Carvel's 'Marx's Method').

<sup>6</sup> All the above quotes are taken from Rubin, op-cit, p81.

<sup>7</sup> Rubin, chapter one p6-8, ibid.

<sup>8</sup> Sweezy gives it brief consideration, yet treats it inessentially, ie, physiologically, as the general expenditure of human sweat, nerve and tissue. The problem with this is that when one comes to consider the reduction of labour with qualitatively different skills, it is all done *in the head*, via calculation of unskilled 'man hours' etc. To put it bluntly, this view sees it as no more than a concept; a Kantian abstraction, or,

move away from a dialectical and essentialist grasp of the categories of political economy and towards formal logical approach underwritten by an atomistic ontology.

I will expound on this critique shortly, what is important to stress here is that capitalist *decline* is about the decline of some essential categories mentioned above. The decline of abstract labour in the form of gold; the decline of the importance and dominance of exchange value; valorisation; the decline of objective and subjective commodity fetishism. A theory of declining capitalism should also be about the growing importance of use value, need and collectivity *above* individualism and profit. The thesis will explicate a theory of the dialectics of this process and reveal, through case study, how capital decline has become manifest in Britain. Because decline is not linear, but dialectical, in the sense that the categories not only oppose and attract each other and establish new forms of the contradictory social relation, but also realign in terms of which dominates - use or exchange (as class struggle, or lack of it, determines), then the thesis must also reveal how capitalist society continually attempts to draw back from decline. It must also reveal the ramifications for wage labour, in the sense of revealing the increasingly complex array of means of political atomisation wage labour endures. Once the main form of control over wage labour - objective commodity fetishism - falter, as they must do in decline, then political atomisation, which can take many forms, becomes necessary to the systems survival. Again it is the task of this thesis to outline such forms of atomisation.

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Weberian 'ideal type'. The same wrongly conceived notion of value and abstract labour causes problems for Mandel (particularly his theory of unequal exchange as the basis of dependency between third world economies and imperialist economies), in this see P. Mattick (1981 p183-99). Arguably to say, as Mandel does, that there are different socially necessary labour times per nation, is to deny gold its substantive social form as a particular concrete universal abstraction of labour. To ignore this aspect of gold its due consideration, is the result of a misconception of the ontological status of value (an ontology which will be explained in chapter three).

As mentioned, these issues will be taken up in full in later chapters. The first task is a critique of the existing literature on decline. The critique will extend into chapters one and two and will embrace contributions from right to left of the political spectrum. I have categorised them into three broad groups for purposes of clarity and exposition: the pro-capitalist right (PCR); the non-Marxist left (NML) and Marxists. It is of course realised that within each group there are important variations of theory, some of which will find expression in the thesis, although much will not. There are important reasons for classifying them as *a group* and these will be explained enroute. Chapter one opens with a critique of PCR, before moving on to a critique of the NML and Marxist group. Chapter two extends the critique of Marxism by considering the roots of the reification of the law of value in Classical Marxism (defined in the text). Chapter three deals with the constructive phase of the thesis, in as much as, following on from the critique, it outlines an alternative approach to a Marxist theory of decline. The remaining chapters four, five, six and seven operationalise the theory via a case study of the development of capitalist social relations of production in Britain.

## CHAPTER ONE

### A CRITIQUE OF NON MARXIST THEORIES OF DECLINE

#### 1.1 *The de-Industrialisation Thesis*

In assuming the naturalness of markets and so of course the value form, the pro capitalist right (PCR) and non-Marxist left (NML) seek out other less essential phenomenon to explain the reason for British capitalist decline. However, as will be argued, by assuming away the very essence of decline, their respective theories suffer insurmountable ambiguities, not least of which is the conflation of decline with 'de-industrialisation'; a necessary result of the tendency to equate capital, not with the value form, but with 'industrialisation'. It is as well at this point to offer a working definition of what the (PCR) and non-Marxist Left mean by 'de-industrialisation'. In this respect Caslin's definition is as representative as any other and has the benefit of bringing into relief the ambiguities which haunt the concept of de-industrialisation (T. Caslin and H. Vane. 1987 p240).

De-industrialisation is a word with several shades of meaning, but in its most straightforward sense it has come to mean the dismantling of a country's manufacturing base, a base which in the U.K's case has supported it for 200 years. The most obvious manifestation of the process are lengthening lists of factory closures, bankruptcy of industrial firms and heavy job losses in manufacturing. Many indicators show that since 1975 the country has moved from a state of relative industrial decline into a state of

absolute industrial decline.

Although both the NML and the PCR are in agreement that de-industrialisation is a fundamental issue they differ over which is the most essential variables in the process. For the NML the decline in *domestic manufacturing* and *national economic disequilibrium* (vis-a-vis competitor economies) are the important variable; for the PCR the decline in *private ownership* and *markets* are the key variables. PCR recognise the NML case, but feel this can be remedied by the revival of the market economy. The NML by contrast see the revival of markets and privatisation as a negative force, exacerbating the decline of manufacturing and national economic disequilibrium. From a Marxist perspective, it follows that what divides the NML from the PCR is essentially this : the former believe class compromise holds the key to manufacturing revival (and so a revival of the balance of payments); the latter believe class compromise and its manifestation - the 'interventionist State' - has in fact been the cause of market decline and as a result manufacturing decline. Implicit, therefore, to the PCR case is the need to end class compromise and increase the power of the ruling capitalist class to increase the alienation and exploitation of the working class (in all its heterogeneity). Of course on most occasions the discourse of the NML and PCR is conducted in terms of 'entrepreneurs', 'managers' and 'the labour force'; 'efficiency', 'flexibility' and 'harmony of interests'. Nevertheless, the substantive meaning underlying both is found in the attempt to redefine and realign class structure.

As will be argued, the formal discourse within which both PCR and NML argue their respective case, ultimately binds and limits their understanding of the decline of capitalism as manifest in Britain. In their overt denial of the *essential relation* of classes, they commit themselves, of necessity, to an ontology of atomism: they wish to see the social world in terms of atomised individuals,

institutions. Whether it is the individual, institution or indeed 'class', they are all invariably conflated as abstract economic variables to be manipulated in the interest of the 'balance of payments' or the prosperity/survival of another abstraction 'the national economy'. The obscurantism's which emanate from atomism and its abstractions of course have their own political purpose: they act as a shield for the suppression of the working class by capitalist forces. Relatedly, they also allow one faction of capital to secure hegemony over other divided factions. It is imperative that this underlying discourse is born in mind as we now move on to consider firstly the explanation proffered by the PCR and secondly the explanation proffered by the NML as to the *causes of decline*.

### ***1.2 The PCR Explanation***

Throughout the so called 'consensus years' (1940-76), characterised above all by state intervention to guarantee full employment, the PCR campaigned vigorously about the, largely mythical, virtues of the 'free market'. For example, for Hayek the decline of markets and the encroachment of the regulative State, enshrined in the post war settlement, cemented the infrastructure, not of progress through co-operation, but of a *Road To Serfdom* for humanity, initially established by the Soviet Union. The Mont Pelerin Society (1947); Institute of Economic Affairs (1956); Centre For Policy Studies (1974), provided the intellectual forums for the persistent if not consistent reaction against the decline of market capitalism. Practically and financially these were backed up by various right wing organisations which included Conservative politicians and industrialists. Organisations such as 'The Progress Trust; the National League of Freedom'; the Society of Individualists'; the 'Aims of Industry'; the 'Salisbury Goup' and the 'Seldon Group'.



It is this community of capitalist interests, which provided theoretical and practical support to the more overt class confrontations surrounding currency manipulation, and speculation, State constraints on spending, defining the accepted limits of trade union involvement in the affairs of capital accumulation and the State. Although each group was established to represent particular interests within particular time periods of class struggle, they have the same underlying rationale: to promote and regenerate market capitalism and to resist the trend towards greater State involvement. Ultimately the two rationale's relate around the one objective: suppressing the threat of labour and prolonging capitalist rule. Thus, in the language of Von Mises (1944), 'The main issue in present day social and political conflicts is whether or not man should give away freedom, private initiative, and individual responsibility and surrender to the guardianship of a gigantic apparatus of compulsion and coercion, the socialist State'<sup>9</sup> Thirty years later Keith Joseph, leader of the PCR faction within the Conservative Party, had more or less the same epochal message. Campaigning against the post war settlement and State interference in the class confrontation between capital and labour, which increasingly favoured labour, he argued, 'There is no time to be mealy-mouthed. Since the end of the Second World War we have had altogether too much Socialism'. As a result, Joseph argues, '..we have the lowest pay and the lowest production per head. We have the highest taxes and the lowest investment'. Joseph conveniently associated socialism with the Labour Party and the bureaucratic State and then personified it in 'Bennism'. The 'path to Benn, he then argued, is paved with thirty years of interventions; thirty years of good intentions; thirty years of disappointments'.<sup>10</sup>

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<sup>9</sup>L. Von Mises, *Bureaucracy*, (1944).

<sup>10</sup>Quote taken from Joseph's 1974 speech at Upminster, cited in R. Cockett, *Thinking The Unthinkable*, 1995, Fontana Press.

Simon Webley one of the founding members of the right wing Centre for Policy Studies (CPS) echoes the sentiments of all of the PCR regarding the path required to be taken; '..wealth must be created by the efficient use of scarce resources. This can only be achieved by a vigorous, efficient and well motivated private sector, producing a surplus(profit), a proportion of which goes to sustain and develop 'welfare' services in their widest sense'. Putting this in class terms: increased capital expansion is predicated on diminishing the State's regulation of markets and allowing capital to deal with labour on more directly favourable terms. Hence the inverted commas surrounding 'welfare' denotes a welfare which does not debilitate the recommodification of labour ( as 'high' social benefits do), and which does not assist the extensive decommodification of goods and services (nationalisation).

The capitalist system in the 1970s came under increased strain world wide: experiencing falling rates of profit and shrinking markets. Capitalism in Britain experienced this as chronic inflation, speculative runs on Sterling and property, merger mania and of course class militancy. Organised labour was beginning to mobilise itself politically around the issue of defending the welfare state and State intervention in general. The anti-State theory of the PCR began to gain ground as *the* explanation of the current predicament of capitalism. Indeed so much so that the Labour Party went so far as to assist the removal of their own political and economic foundations, when introducing monetarism during the period of intense class antagonisms of 1974-76. First, Labour bound themselves to a cut back on State intervention imposed by international capital, in the form of the IMF loan fund. Secondly, monetarism became a central plank of Party policy when the then Labour Prime Minister Callaghan, gave his annual Mansion House speech to the effect that Keynesianism is dead and the welfare State was no longer affordable. Such circumstances propelled the PCR to centre stage. A number of theories of 'the problem of the State' began to surface and to be acted

upon. In many ways the work of Bacon and Eltis (1976) encapsulate the reified theory and practice of the ascending forces of the PCR. Closer examination of this work brings into relief the inconsistencies of the PCR's understanding of their own systems decline.

Bacon and Eltis, following Liberal philosophy in general, start from the initial assumption that the market economy is both natural and inevitable: the outcome of basic innate passions (mainly pleasure and pain) and the unbounded maximising rational of individuals. Because the market is natural and universal in character in so far as it is a manifestation of 'human nature', it cannot be in decline in and of itself. Reasons for market decline can only ever exist outside of the market. Hence Bacon and Eltis assert at the beginning of their most famous work<sup>11</sup> that neither the labour market, the capital market (with regard investments), nor industrial productivity are the cause of 'Britain's economic problem'. Their claim is that there has always been adequate investment in the latest technology; the labour movement was never particularly troublesome; and industrial production had always steadily increased.

Nevertheless Bacon and Eltis square up to the fact that there is a problem of decline, 'Britain - like many underdeveloped countries - has an economy with serious structural problems'.<sup>12</sup> Indeed as they accept, by the mid 1970s the structural problems had achieved the heady mix of zero growth, rapid inflation, substantial unemployment and an ever widening imbalance of payments. Apparently this 'structural problem' was so embedded that as far as Bacon and Eltis were concerned, 'tinkerers'<sup>13</sup> attempting to alleviate the problem of decline simply made matters worse. Thus devaluation, incomes policies, tax breaks, demand management etc.. were all to no avail and in reality positively harmful.

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<sup>11</sup> Bacon and Eltis (1976).

<sup>12</sup> *ibid* p1.

<sup>13</sup> *ibid* p5.

The structural problem in the economy was caused wholly by the State. Quite simply the State crowds out the essentially healthy forces of the market and private property

For Bacon and Eltis the central problem of decline is one of 'Too Few Producers' (market based capital and labour)<sup>14</sup> relative to a growing army of non-producers (State based use of capital and labour). 'Producers' are all those engaged in private capital accumulation. Non-producers, by definition, are all those who create goods and services with little direct relevance to capital accumulation (for example, most of the States economic and social activities). The market sector (value producing sector) has consistently overseen *healthy* increases in productivity, leading to the *normal* reductions in manpower within the productive sectors effected. However, the problem: labour forces thus shedded have not been re diverted to up and coming new productive sectors (sites of valorisation). Instead they have been diverted towards unproductive activity (State employment). *Therefore*, according to Bacon and Eltis, despite the rise in *productivity* (evidence of basic market healthiness), industrial production (capital accumulation) has increased at less than half the rate than it should otherwise have done during the post war decades, particularly the 60s and 70s. All this is no fault of the market itself. Effectively the state, it is argued, has 'crowded out' an otherwise healthy and vibrant market (productive) sector.

Specifically it does this by encroaching upon the supply of labour, the supply of capital and supply of resources, which, paradoxically, are made available *because* of the efficiencies of the market economy. State intervention also sets in train other profound ramifications. For example, state economic intervention causes balance of payment crises that beset Britain and causes inflationary pressures. Both occur, it is claimed, as a result of too many *non producers*

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<sup>14</sup> This is the rather apt title of Bacon and Eltis's book 1978 book referred to above.

chasing too few marketable products. The occurrence of too few marketable products is in turn viewed as the result of falling investments in response to the 'squeeze on profits' suffered by the market sector. To complete the circle, the squeeze on profits are seen as a result of high taxation and full employment conditions creating the context of wage militancy, both of which are ultimately caused by State intervention.

Bacon and Eltis in explanation point to the 'facts': since the 1960s the non-market sector has 'crowded out' the market sector. For example, the fact that employment in manufacturing fell 13% between 1961-74; whilst, in the same period, the non-market public sector experienced great expansion - local government 54%, education 76% - 'proves' that the State has crowded out the market<sup>15</sup>. (Bacon and Eltis are not short of graphs and figures) only one conclusion can follow from the welter of empirical 'proof' that they produce: Given that the market sector is crucial because it is the heart of the productive sector both in investment and consumer Goods, and for home consumption and export - State intervention is against the 'national interest.'

PCR theory taken as a whole claims to provide the '**theoretical**' justification for rolling back the state and deploying labour back into the market sector, to be subsumed once more by capital: both are said to serve the 'national interest' and the interests of individual freedom and as such will necessarily reverse the decline in the economy. From Samuel Brittan to M. Friedman one encounters differing shades of the same theme. PCR claims have been challenged from a number of angles: empirically, theoretically and practically.

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<sup>15</sup> Figures from T. Caslin and H. Vane, (1987), p248.

Empirically this thesis has been successfully challenged by Hadjimatheou and Skouras <sup>16</sup> . They reveal, firstly, that the Tax burden in the UK over the period in question relative to other industrialised nations could hardly be described as excessive. Secondly, 80% of the supposed tax burden did not fall on profits but rather upon consumers; hence a profit squeeze, at least from this direction, *was not* a causal factor in decline. In fact if anything corporate taxation fell during the post war period.<sup>17</sup>

With respect to the claim that labour shortages in the private sector was a key factor in decline, as Hodgson has pointed out, 75% of workers entering the expanding public sector in the 1970s were women. This means any growth in the so called 'non-market sector' was overwhelmingly accounted for by the greater participation of women in the labour market and *not* due to the redistribution of men from 'productive' activity, a consideration which would discount the Bacon and Eltis claim of a labour market 'squeeze'.<sup>18</sup> From another direction, Kohl has argued that evidence from economies such as Germany, France, Austria, Netherlands..etc, suggests the greater the public investment, taxation and use of labour, the greater the growth in the rate of productivity and output enjoyed.<sup>19</sup> Thus far from crowding out the market sector, State interventionism has provided it with renewed sources of accumulation. Empirically this is true of Britain too, for without State subsidisation (direct and indirect) of key industries (specifically the military sector), then accumulation rates would have been far worse than they in fact were/are.

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<sup>16</sup> T. Caslin and H. Vane p249-52, *ibid* (1987).

<sup>17</sup> This claim is made in PA Hall, *The State and Economic Decline*, in Elabaum and Lazonick (edt),(1986).

<sup>18</sup> The reader is referred to Eltis's article, *Overviews of Decline* in, D. Coates and J. Hillard (edt) (1986), p324.

<sup>19</sup> J Kohl, *Trends and Problems in Public Expenditure Development in Western Europe and North America*, in, P Flora and A Heidenheimer, (edt) (1981).

Judged *historically* the PCR theory that the State is the major culprit in the decline of capitalism in Britain, becomes patently ludicrous. During the latter part of the nineteenth century, before State intervention was minimal compared to the present, capitalism in Britain was racked by the so called Great Depression. No matter from what angle one looks at it, the Great Depression signifies a prolonged period of years (decades) when the laws of supply and demand did not function and capital disinvested in fixed capital and labour. According to Robbin, for example, <sup>20</sup> roughly between the years 1870-96 there occurred a sustained fall in growth rates, a downward trend in the rate of profit and low prices. All of which occurred for prolonged periods within the designated (or disputed) zone years of depression. All of which, to reiterate, occurred when State intervention was minimal. One thing that was not minimal however was working class collective strength to resist exploitation. Many historians agree that the employed working class experienced gains in their standard of living. In the face of declining prices, the growing collective resistance of workers ensured real wages rose throughout the period. This is a decisive factor, which indicates a more fundamental problem of the era for capitalism. A problem with renewed applicability today; a problem discussed in more detail later.

In *Practical* terms, what have cuts in public spending produced? According to the theory of the PCR, the problem was too much state interference. Cutting back on this interference would presumably unravel the inherently dynamic market sector. The truth is that, in practice, the opposite has occurred: the market sector has declined even further, suggesting State intervention was in fact its major prop rather than a major source of weakness. For example, the public sector cuts wielded by the labour Government between 1976-79, under the direction of the I.M.F, met little positive response, in the way of expansion of the

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<sup>20</sup> Keith Robbins (1983), p51.

market sector, which clearly should have happened given the PCR's assurances of its essentially vibrant underlying state. In fact the public sector cuts proved the opposite of Bacon and Eltis's claim that the market was essentially healthy and merely 'crowded out' by the 'alien' State sector. The 'market' had failed to take up the extra labour brought into being with the cuts in public spending. According to the OECD yearly economy survey's, Government consumption measured by year-on-year percentages of GDP, fell from 3.2% (1976) to .5% (1977), .5% (1978). In response domestic private sector gross fixed investment remained negative; -3.4% (1976), -13.5% (1977), before picking up slightly, 1.9 (1978). By 1980 Government consumption had to be increased once more in an attempt to alleviate some of the effects of a dramatic gross fixed disinvestment by the market sector (-13.4%).

By the time the Thatcher Government had chipped away at the 'non-market' sector for a further five years to 1984 there was still no sign of market resurgence and unemployment simply rocketed to over 4 million: capital, far from embracing the surplus of labour, continued to avoid it. In between a share capital and consumer spending lead economic mini-boom, has eventually given way to a second recession (1990-93) which has overseen further attacks on labour and further reticence on the part of capital to invest in anything other than the short term quick fix style of old. Meanwhile as the Government can promise only 'slump economics'<sup>21</sup> as a means of future control over labour, State spending has continued to rise inexorably. In point of fact it became **practically** evident that market capitalism was racked with *internal* contradictions, not so much contradictions and restrictions externally imposed by the State.

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<sup>21</sup> I refer here to Kenneth Clarke, Chancellor of the Exchequer's annual Mansion House Speech to industrialists and the City in 1994.



A major source of this contradiction was the division within capital between those who embraced the end of Keynesian regulation and freedom of financial posturing in the City and other international markets it brought; and those who suffered badly from the sudden withdrawal of State subsidy. The main division, however, was with labour. Pulling back from moves towards Labourism meant reneging on important concessions to the working class: full employment and the provision of social welfare enshrined in the social contract. The pull back unleashed a militant response from labour which stretched from 1976 to 1986, which was eventually defeated in the watershed struggles of 1984-5 (mineworkers) and 1986 (Wapping).

By cutting back the State sector and redefining its role on more market based terms, the PCR revealed the shallow ideological nature of their theory surrounding State interventionism. It did more than this however. Capital's redefinition of the States role, forced it and its PCR defenders to explicitly recognise the real source of market decline: the advance of labour. Sir Keith Joseph's prognosis that the problem lay in Trade Union power epitomised the concern of the PCR.<sup>22</sup> More specifically the problem was that trade unions and the TUC had proven to be, not too strong, but rather too weak to control the labour movement. Subsequent Conservative industrial relations law was designed to break the trade union officialdoms grip on the State so that capital could deal with the real enemy - the labour movement - more directly.

When the PCR's case is falsified both empirically and practically, it leaves their theory bereft of a *cause* - the state non market sector. This being the case the burden of proof that decline has nothing to do with the market sector falls squarely in their lap. However it is always an unmanageable burden for the Right because they start with the axiomatic assumptions that the market is both natural

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<sup>22</sup> See his article, *Britains Trade Union Problem* in, D. Coates and Hillard (1987).

and inevitable. Because of these initial axioms the Right fail to *theorise* any fault *internal* to the market. Nevertheless, reality never tires of revealing the markets internal substantive failings to the Right, making their theory gross and ideological.

Essentially their *theory* is debilitating because it fails to take note (somewhat conveniently) of the *social form*<sup>23</sup> of production and deals exclusively and selectively with the *technical* content of the economy. PCR theory is entrapped within an atomistic approach to society. Society is deemed to be no more substantial than the aggregate of individuals of which it is comprised. This leaves the academic associated with the PCR no option but to claim that individuals have pre-social, universal, unalterable attributes<sup>24</sup>. In accordance with the logic of marginalist economics, these attributes unfold along the lines that individuals are deemed to be instinctive rational maximisers of a rather narrowly defined utility, ie, 'more' is 'good', 'less' is 'bad'; 'pleasure' is 'good', 'pain' is 'bad'.<sup>25</sup> From this fixed, innate *identity* of the human condition, the market is seen simply as a **technical** manifestation which allows the free interaction of individuals, who, via the matrix of prices and a given income constraint (profits, wages or rent), maximise their utilities. Given this foundation it is little wonder evidence for market decline is sought in what are deemed to be 'alien' bodies such as the 'non-market' sectors. Yet on closer inspection we find the only thing which could be classed as 'alien' in this whole outlook is a phenomena central to the market : *prices*. The bourgeois theory of markets simply cannot explain their *origin*.<sup>26</sup> In

<sup>23</sup> By *social form* I refer to historically specific social production relations, see chapter three.

<sup>24</sup> Their pre-social nature remains largely unexplained by economists who apparently remain content with axiomatic assertion, which claim that individuals have a rather narrow psychological motives for action, principally those surrounding the apparant need to 'rationally maximise ones subjective utilities.

<sup>25</sup> It should be noted that the, claimed, founding father of bourgeois political economy - Adam Smith - refuted this narrow view of human nature in perhaps his most central theoretical enquiry into human action - *Theory Of Moral Sentiments* (1759)

<sup>26</sup> Some would no doubt wish to point out that the Marshalian supply and demand 'scissor theory', with its emphasis on 'objective' production costs, cannot simply be reduced to the *subjective value* theory of Jevons and others in the marginalist school of economics. The argument here is that it **can**, if, that is, one considers that production costs are explained by *past prices of factors of production* (in the case of the factor labour, is

theoretical terms this means that the PCR have no grounds for declaring there to be state induced 'price' disruptions in the labour and capital markets, for example, that labour is *over 'priced'* due to taxation pushing up wages. Having no *objective* criteria to value labour and so no criteria to judge its relative over or under valuation how can they possibly prove it is wrongly priced?

Commencing from the assumption that society is fundamentally an aggregate of atomistic individuals, leaves the economist in an even stickier mess when it comes to 'proving' the cause of decline. In a world where no essential productions relations are deemed to exist, then there is no ground for necessary causation, every act hinges on chance and probability. Therefore, using the PCR's own ontological assumptions, one can easily argue the reverse case: State involvement was due to prior market failure. Unless causes are not to drop to the level of subjectivity, where they could just as well become another mans effects (or in our case, the reverse argument to the Right, ie, the failure of the market **caused** a rise in non-market state sectors), then one must have a criteria by which one can hierarchies what are causes and what are merely effects. To attain this, one must have a more substantial theory of markets and not merely a theory that explains the *accidental relation* of subjective exchange. Theory must also explain the *necessary relation of objective exchange*.

Of course to do this one must give up ones atomistic assumptions, something bourgeois economists and the PCR are singularly unwilling to do. It would mean overturning marginal economics and coming to terms with two painful facts : the real origin of profits having their source in the exploitation of labour and the *transitory* nature of capitalism as a social formation. Because of this the Right

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explained by the derived demand for past commodities) which are determined *subjectively* by past prices)! Hegel's observation about empiricists, is apt for the marginalist school too; on first appearance, their explanation seems to have depth, however on closer inspection, 'just like peeling the skin of an onion', one is left with only a multitude of discrete skins!

and its central political economy remain trapped by a tautological vice of their own making. A vice which strangles any spark of originality in the quest to locate the real source of decline. They may say labour's value is its Marginal revenue product, but this is no answer because it is based upon past and present already formed prices and so remains an unexplained price conundrum.<sup>27</sup> E. Harris a Hegelian scholar makes an incisive point about the atomists predicament in general whatever the field of social enquiry, however it is particularly relevant in the case of the bourgeois economist. He alludes :

The missing bond is the principle of wholeness  
which empiricism cannot admit. It recognises only  
collections and fortuitous ones at that, for it can  
discover no necessary connections between  
sensible particulars, the sole source of its knowledge.  
It finds at most constant conjunctions which can  
never justify universal judgements, for no  
universal conclusions follow validly from particular  
premises. In its logic, therefore, necessity is reduced to  
tautology and all deduction is purely analytic.<sup>28</sup>

In summary the PCR view the relation between the 'market' sector and state 'non-market' sector as at most a constant conjuncture. Theoretically this is due to their predisposition towards social atomism. This ontology leaves no substantive ground for claiming any particular direction of causation. Hence the claim that the state 'caused market crowding out', could just as well be reversed to argue market failure caused state intervention. In fact this is what the non-Marxist left

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<sup>27</sup> There has been much written on this debilitating problem for bourgeois theory, but see especially J. Schwartz, (ed) (1982) for a series of concise articles which highlight the ideological nature of marginalist economics from a number of different vantage points.

<sup>28</sup> E. Harris, (1983 ), p62.

(NML) claim in their de-industrialisation thesis. Such is the simple adaptability of theory tied to an ontology which views the capitalist world atomistically.

### *1.3 The NML Explanation.*

The NML is not so concerned about the decline of the market sector per-se. For the NML the market is merely one of a number of related *technical* devices for producing, distributing and exchanging goods and services, alongside the public sector. The decline which specifically concerns the NML is two-fold: the decline from the attainment of national equilibrium of imports vis-a-vis exports; the decline in manufacturing vis-a-vis services. The primary source is manufacturing decline (de-industrialisation), which exacerbates the balance of payments problem and short circuits national economic prosperity by calling premature halts to any economic expansion domestically.

Decline always has to be relative to some other perceived state. For the NML it is an abstraction: an ideal economic equilibrium point for the British economy vis-a-vis the rest of the capitalist world. Anything below the ideal equilibrium corresponds to a certain degree of economic national decline. The NML 'ideal equilibrium' point of departure for British capitalism can be summed up as follows : a manufacturing sector which is able to satisfy home demand, whilst simultaneously exporting a sufficient amount of goods to pay for foreign imports at levels as close to full employment and output as possible. Britain is said to be in decline because *systematically*, throughout this century it has failed to achieve this ideal equilibrium. Manufacturing employment as a percentage of all employment reached a peak of 35% by 1965 from which time it has been in inexorable decline. By 1990 it accounted for only 20% of an expanded total

work force.<sup>29</sup> For the NML this has been an unnaturally sharp fall and leaves the British economy languishing in 'disequilibrium'. According to the NML although Government policy can and does exacerbate the decline (for example the Conservative Governments deflationary, high interest and high exchange rate policy post 1979), its real *cause* is much deeper within the social structure (an issue that resurfaces later, below).

The problem of decline, argue the Interventionists, *appears* initially as a structural maladjustment in the elasticity's of demand for manufactured goods between nations (Blackerby, 1979). British commodities, for example, have apparently become increasingly demand inelastic relative to foreign commodities. The *effects* are numerous and interrelated: a persistent and chronic balance of payments problem, which threatens the value of sterling, resulting in recurrent sterling crisis (eg the runs on sterling of 1967 and 1976); the setting of limits to domestic economic expansion, which underwrites the continual cycles of 'stop-go' demand management; the generation of investment uncertainty; premature disruptions to the social contract between capital and labour, resulting in short termism on the part of capital and militant wage economism from the work force. It even lead to the emergence of 'Thatcherism'!

For the NML, (in particular followers of the 'Cambridge view')<sup>30</sup> the growth in the service sector (particularly financial trading in money markets, secondary shares and insurance which currently balance British trade via invisible earnings) can be no long term solution. As the NML correctly stress, there is no point at which real long term equilibrium can be reached in a scenario of a declining manufacturing and rising service sectors, whether in employment or balance of

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<sup>29</sup> Sir Alexander Cairncross (1994), *Economic Policy and Performance: 1964-90*, in R Floud and D McCloskey.

<sup>30</sup> For an example of Singh's argument see his, *U.K. Industry and the world economy : a case of de-industrialisation ?* in, D. Coates and J. Hillard (edt) (1986).

payments terms. The decline in manufactured exports declines is *not* absorbed at a *constant* rate by the rising export of commercial services. The fact is, the manufacturing sector has the capacity to earn foreign currency at almost twice the rate of services. The implication is that services would have to grow dramatically to absorb unemployment *and* continue in the long term to 'balance the national books'.

That this could never occur as far as unemployment absorption is concerned is clear enough. In its most expansionary phase throughout the 1960s - 70s and 80s the service sector continually lagged behind the employment 'fall out' from the decline in manufacturing. For example, between 1966 - 84 the decline in manufacturing employment was estimated to be roughly 3 million, whilst take up in the service sector amounted to roughly 2.25 million.

The usual claim of the PCR that eventually service sector employment will balance the economy can be seen to be a sham. As the NML (and Marxists too) are quick to point out, it is very likely that the City's share of world markets in finance has receded during the 1980s and 90s under pressure from Tokyo, Frankfurt and New York, and will continue to do so into the next century.<sup>31</sup> Invariably the highest productivity gains and Research and Development projects are concentrated in the manufacturing sector. Therefore its decline leads to a cumulative spiral of decline in the ability to increase relative surplus value extraction. A point brought home by the fact that currently the top twelve manufacturing companies in Britain account for roughly half of Research and Development spending. Logically, any relative decline they may suffer will have debilitating effects on long term technological advancement and profitability.

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<sup>31</sup> As *The Financial Times* (3-2-92) pointed out, the financial service sector is increasingly under challenge from **within** Europe as well as on the more international plain; a fact clearly revealed by the current (up hill) battle waged by the City of London against other euro finance Centres, to become the new *entrepote* for ECU dealings.

On the basis of the above argument, the NML note with concern the trend away from their 'ideal equilibrium' which has grown from a trickle to a torrent over the past century. *Empirically* the decline in British export shares has been extensive in recent decades : 1950 = 25% of the world market, which by 1973 had fallen to 9.3%<sup>32</sup> . The balance of payments, reflecting the loss of share of world trade, has also witnessed an unparalleled deterioration. More importantly however are the effects these imbalances generate in the capital markets. For example, the decline of exports relative to imports on a number of occasions in the 1960s, 70s and 80s, produced current account deficits of one magnitude, which set off an even larger magnitude of capital flight. This magnifies the balance of payments problems facing Governments. Governments have *both* to allow foreign reserves to become depleted *and* ultimately raise the bank rate to offset the fall in sterling's value and so check the speculative arbitrage. In other words a fierce and dramatic halt in domestic capital accumulation inevitably at some stage has to be engineered. During the 1980s this was complicated even further by the consumer spending boom *and* boom in share values. The massive collapse in share values during October 1987, threatened to bring economic boom to a premature end, forcing the Government, for a time, to do the opposite in a case of rising balance of payment deficits: lower interest rates. This however merely bought time and made the inevitable recession (1990-93) even more depressing and rapid.

So much for the appearances of decline *caused* by manufacturing decline. However, just what, for the NML, are the *causes* of manufacturing decline ? Presumably if one locates this one has the secret to a successful regeneration of the British economy, to which the NML are committed. In truth the NML have some difficulty locating and hierarchising causes. Primarily this is due to the fact

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<sup>32</sup> Figures taken from T. Caslin and H. Vane (1987).



that they abstract 'manufacturing', 'the national economy' and 'the market' from the binding social form within which production, distribution and exchange take place: the value form. Ignoring the social form converts the relationship between the economic categories from *internal* to *external* and so accidental relations. As will become clear the result is they are methodologically hamstrung in their quest to locate the cause of manufacturing decline.

According to the NML the cause of decline is not so much due to lack of price competitiveness, for since the mid 1960s Britain has enjoyed a relative price advantage over most competitors<sup>33</sup>. Rather, they argue, it has more to do with some mysterious *supply side 'deficiencies'*. These 'deficiencies' result in poor quality, poorly designed British commodities, relative to competitor economies. Furthermore, the 'deficiency' is not simply explained by the fact that investment is low, for the claim is that any investment that is made has been *systematically under utilised*. 'Supply-side deficiencies', according to the NML, had by 1973 caused British multinationals to take flight and produce twice as much abroad as they exported from home.<sup>34</sup>

So what are these 'deficiencies'? A. Singh, one of the most distinguished of NML theorists can offer little in the way of a clear answer. However, Singh does point vaguely to a problem of sorts;

'..there is conflicting statistical evidence on the relative efficiency of the utilisation of investment in the U.K, as compared with other countries. However, casual observation suggests that, owing to the nature of worker management relations in this country, the U.K's relative

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<sup>33</sup> See A. Singh on this point p21 in D. Coates and J. Hillard (1986), *op-cit*.

<sup>34</sup> *ibid* p24.

performance..may well be poor'.<sup>35</sup>

According to Singh the problem has something to do with 'worker management relations', although exactly what this 'something' is he does not, or cannot, say. Singh is not alone in his vagueness and ambiguity, it pervades the entire breadth of NML analysis, which is always evasive and invariably runs aground on the problem of 'supply-side deficiencies'. The 'supply side deficiency', for example, that between workers and managers, remains an exogenous inheritance from the past; a functional caveat to the explanation of present day appearances, never to be thoroughly explained *in itself*. The supply side problem is simply portrayed by the NML as that 'factor' which derailed Britain from the world trade equilibrium it once enjoyed. For example, as far as Singh is concerned,

'Once the economy is in long run disequilibrium,  
*for whatever reason* , continued participation in  
 international economic relations on the same terms  
 as before may produce a vicious circle of causation'.<sup>36</sup>

But surely lack of an understanding of the *reason* that the economy is in long run disequilibrium, that is to say the reason for the 'deficient supply-side'; must cut one off from any adequate policy solution (even that prescribed by the NML; namely, equilibrium balance of payments with close to full employment conditions)? It would therefore seem imperative that reformers such as the NML locate the specific source of disequilibrium. As Bernard Stafford notes, with not a little exasperation,

..the issue at stake is not how differences in growth

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<sup>35</sup> *ibid* p24

<sup>36</sup> *ibid* p25. (emphasis mine)

persist and widen, nor, even, how any trading economy may suffer a progressive decline. What we want to know is why the U.K economy suffered such a decline...

To do this interventionists :

..must also say something about the original cause of the failure of the U.K to hold world markets.<sup>37</sup>

Yet, as Stafford explains, the problem is that their theory is tautological;

..circular and cumulative causation..(means that)  
 ..any outcome is explained only in terms of its consequences nothing can be said about what initiates the process of cumulative decline.<sup>38</sup>

The inability to grasp the *social form* of the labour process as productive primarily of exchange value and secondarily of use values, limits the NML's ability to locate the real nature of 'supply-side deficiencies' and so the source of decline. Ignoring the historically specific *social form* of production relation leaves only technological determinism bolstered by institutionally induced psychological maladies as motives for a 'deficient supply-side'. Yet such accounts have been of embarrassingly little explanatory use to non-Marxist political economy. The empiricist underpinnings of NML theory, provide it with no real basis for policy changes except, perhaps, an inessential change in the terms of trade.

Indeed the *theory drives reactionary policy*. Given the increasingly international division of labour and drive toward European integration, the NML for many

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<sup>37</sup> See B. Stafford, *Theories of Decline*, in, D.Coates and J. Hillard, p337, *ibid* (1986).

<sup>38</sup> *ibid*

years continued to advocate the hoisting of tariff controls and abandonment of free trade and convertibility. Their theory and policy are ultimately unlikely and futile abstractions. For example, just supposing it was a policy option for the capitalist economy of Britain to isolate itself, how could one hope to transform the *internal economy* back on to the 'equilibrium path', given the fact that the NML has consistently failed to locate the root of the problem? Policy decisions would have to be based on *clear evidence* and *decisive action*. As one can be relatively certain that dominant faction of capital controlling the City of London and major productive capital's presumably would not take kindly to export controls on capital *and* no profitable outlet internally, then a clear and decisive break with the causes of past inefficiencies would be vital in securing their compliance. Meanwhile the NML could only continue to ponder about whether the weak competitive position *caused* the balance of payments crises; or, was it vis-versa? Or, did the balance of payments *cause* the government to operate at a lower level of demand management; or, rather, were the initial *causes* after all merely the *effects* of government failure to carry through effective demand policy? Or, further still, did a fall off in investment *cause* the whole of the above; or, did some or all of the above *cause* a fall off in investment? Clearly without adequate explanation of the mysterious 'supply side deficiencies' the interventionist is left in quite a theoretical and practical muddle.

The PCR, although never managing the job of adequately theorising decline, as has been argued above, nevertheless instinctively drive to the heart of the matter: falling profits, declining ownership and escalating Public intervention into the labour process. As a consequence throughout the period of 'Thatcherism' the Right, in attacking organised labour, acted in the only way left open to them with decisive if pragmatic strokes. In this respect as T.Caslin points out, however wrong one may consider it to be,

The Bacon and Eltis thesis does at least provide an unambiguous diagnosis with clear cut policy implications of the need to cut back the size of the non-market sector..

Whereas :

..when we turn to the main thrust of the Cambridge definition, that is the supply side and non price competitiveness just what does supply side limitations mean ? Authors tend to cite everything but the kitchen sink : from restrictive business and trade union practices, through to managerial incompetence and government interference, to socially exclusive selection process's and an anti-industry culture.<sup>39</sup>

It is little wonder that a multitude of constant conjunctural categories, facts and events pile up with structural relations remaining only partly explained. The British non-Marxist political economist has had to work with much analytical cunning to bring an apparently complex **accidental** world which has no ground for **necessary causation** to heel, albeit under the rubric of that mystical category : 'supply side deficiencies'.

As stated above, at the heart of the NML muddle is their reification of the capitalist production process, which leaves them largely incapable of seeing beyond 'employer, 'manager' and 'employee' tripartite institutional relation. This limits ones conceptualisation of production, distribution and exchange process to that of use-values creation, and more specifically how one is to promote their expansion in the manufacturing sector. Low productivity, investment and output, coupled with a low elasticity of demand when sold for export, can only be due, in this reified view, to inessential institutional (ultimately irrational) differences

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<sup>39</sup> T. Caslin and H. Vane p28 op-cit.

between manager and worker which cause structural constraints in the 'supply side'. On the face of it these restrictions can ultimately be only pure bloody mindedness, for what could any rational group have against producing more *use values* of better quality and increased flexibility? The search for class compromise, the real motive force for Interventionism, effectively becomes in their eyes, the epitome of rational intelligent policy making activity.

The apparent bloody-mindedness initiating those 'supply-side' constraints is of course toned down in NML theory, where it becomes transformed into a problem of '**bounded rationality**'. Lorenz <sup>40</sup>, for example, argues that 'institutional rigidities' in the labour process 'binds' the rational actions of, on the one hand the entrepreneur/manager and on the other hand, the labour movement. The bounded rationality of each group generates uncertainty about the future, leading to short term planning decisions, and a lack of trust. All of which hinders the adoption of new technique and flexible work practices. The general outcome of a sustained bounded rationality is the chronic decline of British manufacturing relative to Germany, Sweden, Holland etc, who apparently do not suffer so intensively from this production induced paranoia.

Lorenz's study was concerned with British Shipbuilding decline from 1890-1970, but he clearly wishes to generalise the - 'institutional rigidities' producing 'bounded rationality' - across the economy as a whole. One of the main culprits of irrational action appears to be British labour which has stuck doggedly to its craft based organisation, both at the point of production and in its political struggles over wage structures and demarcation lines. Unlike foreign competitors, so the argument runs, British workers had steadfastly rejected reforms over apprenticeship training, closed shops etc. In a world which, since the 1930s, has fetishised the production of standardised commodities (in Lorenz's

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<sup>40</sup> See Lorenz, *Journal of Economic History*, (1992).

case Ships ) in an effort to achieve economies of scale (and so boost relative surplus value extraction), the inflexible heterogeneous craft based labour of the British worker becomes anathema to productive efficiency and so long term fixed capital investment.

The statistics of this decline in shipbuilding (as good a proxy for the economy as any other) are quite compelling reading, as Lorenz explains,

..in the 1950s, the proportion of ships built in Britain was cut from 40 - 15%. During the 1960s, while world trade expanded at an unprecedented rate, British industry sustained an absolute decline....by the end of the 1960s, Britain accounted for only about 5% of world output.<sup>41</sup>

Regardless of the false abstraction - 'British Industry' in a world division of labour and capital - one has here a dramatic rate of decline the essence of which, in the reified language of economics, resolved to the fact that,

...total factor productivity was significantly below the competitive standards by the 1960s.<sup>42</sup>

Compelling evidence to be sure, but its more fundamental meaning escapes the NML. two important outcomes result for the NML from viewing the labour process as *primarily determined* by the production of *use values*: one theoretical the other political. Theoretically, the causal mechanism one seeks for total factor productivity decline becomes obliterated leaving one grasping tautological

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<sup>41</sup> ibid p916.

<sup>42</sup> ibid p918.

conundrums. For example, as regard explanation, Lorenz's otherwise rigorous empirical survey comes to this - 'bounded rationality' *caused* institutional rigidities, which *caused* loss of productivity and flexibility, which *caused* institutional rigidities, which increase 'bounded rationality'! One must conclude that the tautology lies in the fact that analysis is blinded by technological determinism, a characteristic which haunts the whole of the NML from Institutionalists to Neo- Ricardians. Anybody studying the Interventionists theoretical output in the hope of an explanation of decline will find only psychological theories as to *why* decline occurs. These consist of 'lack of trust' and a sense of 'uncertainty' which emanates from ones 'bounded rational view of the world'.

This leads to the second important outcome: reactionary politics. Theory and practice intertwine as the NML are driven to a convenient political solution. Bounded rationality implies that within the present system there is *common ground* for both capital and labour to meet and compromise, to the benefit of both. The common ground is the State, both local and central. Thus bureaucratic planning by state administrators becomes the 'feasible' outcome. Local and central State are one removed from the immediate labour process, hence they have the good fortune of *unbounded rationality*. therefore the State must regulate the labour movement and markets and set the framework for long term planning.

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Perhaps, in an effort to escape this narrow psychological/institutional approach which leads immutably down the path towards Statism, other theorists on the NML have introduced *class struggle* into the study of the labour process, its 'supply-side problems' and the phenomena of British economic decline. One such

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<sup>43</sup> Lorenz is explicit as to the virtues of bureaucratic planning and its ability to overcome 'bounded rationality'.



detailed study has been that by Kilpatrick and Lawson<sup>44</sup>. Their approach attempts to ground 'supply side deficiencies' in class struggle between labour and management. For them any bounded 'rationality' has a class foundation. They point out that the introduction of new technology and reorganisation of manning levels, are undertaken *as a process of class struggle*. Management's poor administration of the latest technology and introduction of changes in work practice, is explained as the interrelated outcome of a process of resistance by the working class and concessions provided by management. The institutionalised forms of class struggle in production (decentralised craft bargaining, strict application of demarcation lines and the promise of full employment) favoured the working class, argue Kilpatrick and Lawson. The result has been chronically poor rates of productivity. The response has been a partial evacuation of the production process by British capitalists which ultimately means that both the working class and management have suffered, through job insecurity.

**Empirically** there is a lot to be said for their analysis, although why it should be the prime causal factor of the process of 'decline' in preference to the negative influence of the 'City' and finance capital, is left unexplained? They ignore the latter and merely assert the former. It is clear enough that the class struggle between capital and labour manifests itself as the struggle over wages and profits; that is a struggle in *value terms* which must draw the major site of control of value produced into the equation: the City. The Omission implies that their empirical overview of labour management relations are governed by abstract and inessential concept. In fact they suffer from the same theoretical defect of their NML co-theorists: the inability to internally relate the different institutions of capitalism. In the case of Kilpatrick and Lawson and others like

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<sup>44</sup> See Kilpatrick and Lawson's, *The Strength of the Working Class*. in. D. Coates and J. Hillard (1986) op-cit.

them it is because they deal in the conceptual currency of concrete labour, and use value, whilst ignoring value production<sup>45</sup> and abstract labour.

Theories of class struggle which recognise only a world of use values, have partially lost the *ground* for any developmental notion of classes. Which is to say their concepts no longer adequately express the ontological conditions under which classes exist. In this view classes fight over a share of the use values which takes the form of a fight over wages and profits..etc. Likewise classes are deemed to man the stage of society at all times fully formed and acting *as classes*. Yet this is palpably wrong. The labour movement for the most part remain a collection of individuals and only in latent form are they a class. In specific times in history of course classes do begin to act as classes for themselves. However, the point is this dialectical movement from *potential* to *actuality* of class struggle can only be predicated on the basis of the value relations in and through which capital and labour struggle. The health of the value relation (whether it is in peak condition or decline) will determine to what degree classes are either latent or actual in their manifestation.

Kilpatrick and Lawson's conception of the social world of capitalism obliterates this distinction, by fetishising the world of use value and simply accepting that prices happen to be attached to commodities and labour always acts as a class struggling for their share of commodities. Inevitably the same sharp questions must be asked of those NML who do hold to a class analysis as one would ask of the non-class based NML theory. 'Productivity' for what? 'Competition' in the interests of whom? 'De industrialisation' against who's interests? Given their methodological shortcomings, it is little wonder that the deep roots of the 'British problem' remain unexplored.

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<sup>45</sup> See chapter three for a more developed explanation of *value* and *abstract labour*.

Underlying the conceptual fixation on the world of use value is the main theoretical culprit: an inadequate ontological standpoint: **atomistic materialism**. This materialism denies knowledge of the **social form** of production and as such the source of decline. According to a growing number of Marxists it has invaded much Marxist analysis of class<sup>46</sup> Nevertheless, it must be said that Kilpatrick and Lawson develop an important aspect of Britain's historical decline from *the vantage point of production relations*; the problem is that it is all content without social form, all atomism and no dialectical essentialism, all technical material with no social substance. One could have said class struggle was the dependent variable, so to speak. Dependent on the social form of accumulation and exploitation. That is, dependent on the value form. The latter is the essential factor which gives rise to class conflict from an initial underlying position of the atomisation they suffer as commodities, or functions of capital expansion. One cannot, therefore, have an analysis of classes under capitalism without engaging with analysis of the value form of production. Yet this is precisely the mistake Kilpatrick and Lawson, and of course many more on the NML make.

The essential points to be gleaned from the above critique are firstly that class based NML, centred on the use-value aspect of production, which effectively denies them an understanding of the essential source of British capitalism's decline. Secondly, shorn of a value analysis, their theory necessarily gravitates towards policy prescription endorsed by the non-class based NML - usually under the guiding concept of the 'national interest'. Yet the 'national interest' is simply double speak for the interests of a weak domestic capital and the growing undemocratic administration of State production and services. The NML of all varieties, therefore, effectively underwrite in *theory* the *practical* need to continue the exploitation of the working class. This is so even when it is not the

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<sup>46</sup> See S. Meikle, *Essentialism in the Thought of Karl Marx*, (1985), for a systematic presentation of the inadequacies of atomism and some of its modern manifestations in Marxist literature.

stated intention of individual theorists, of what is admittedly a varied school of economic thought. For example, in Kilpatrick and Lawson analysis, despite the caveats that 'collective bargaining is essentially a defensive strength';<sup>47</sup> and that the TUC was never against the introduction of technology as such; one is given the strong impression that the real fault is that British managers and workers have 'failed' to evolve at some 'natural rate' existent in other developed western capitalist economies. Offering no explicit awareness of the social form of production, Kilpatrick and Lawson become swept away by the undercurrent of class compromise that pervades the theory and policy of the non-Marxist Left.

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<sup>47</sup> Kilpatrick and Lawson, in Coates and Hillard (1986), op-cit, p257.

### ***1.4 Marxist Theory and British Capitalist Decline***

One would think from what has been said that Marxists would be acutely aware of, and sensitive to, the implications of capitalism's social form of production, and on the basis of this would have located the source of its decline. Unfortunately this has not been the case. Of course there has been no shortage of theory which places emphasis on the 'law of value', cyclical crisis and the 'tendency for the rate of profit to fall. However, as will be argued, they are used as formal logic in an epistemic game, rather than ontological categories of social life with a history of growth and decline. Similarly there has been no shortage of Marxist theory placing class struggle at centre stage of enquiry into decline. The problem is that most of it is *intra capitalist* class struggle. In this view classes are torn from their base in the law of value. For some, the law of value merely provides the explanatory backdrop to the unfolding of class struggle. For others class struggle becomes everything and value relations are simply ignored.

The abuse the law of value has taken has inevitably meant that many Marxists' have recoiled from using it in order to comprehend British capitalism's decline and have plumped for an *intra capitalist* class theory of British capitalist decline. To this end, a surplus of theory depicting the intra class rivalry between finance capital and industrial capital, has surfaced in recent decades. Some (eg, Coakley and Harris, 1983) are concerned to reveal the institutional intricacies of the 'City', and the conflict of interest which emerges between this financial network and industry over the allocation of money capital (see also G. Ingham 1984, for the more intricate analysis of commercial capital). Others (Anderson 1964, 1987; Overbeek 1990) have sought to emphasise the political conflict within factions of capital. Their stress is on 'hegemonic blocks' which one faction (finance) has held over the British economy. (This will be explained shortly).

Regardless of which particular route has been taken by Marxists, they are all in basic agreement that decline has been the product of an **intra** capitalist class struggle and has had nothing essentially to do with the struggle between capital and its bitterest enemy the working class. This in itself is evidence of something fundamental: Marxists have moved away from an analysis of decline which links the split between productive capital and finance capital *with* the class struggle being waged with labour. That is to say they turn their backs on a theory of decline which can situate it within the historically specific and transient *social form* of production.

The different brands of Marxism have chosen to ignore the social form of labour *under capitalism* - abstract labour - and the potential for this form to be terminated. Mainly because the reified law of value ejects the category of abstract labour from its central position within the law. Dislodged from a starting point in labour, analysis fetishises the agency of capital in bringing about its own malfunctions determined, such as cyclical crisis, which is understood merely as the result of competition between capital's. This type of Marxism treats the working class as some sort of inanimate stage army: useful in providing 'profit squeezes', or making up the numbers in the rising organic composition of capital. But having no real agency in the process of decline process.

This patronising attitude to labour is inexcusable in itself. More seriously however, is the fact that by choosing not to analyse the changes in the social form of labour at the point of production, Marxists too, like their bourgeois counterparts in political economy, have barred themselves from an adequate analysis of what is in decline. I wish to show later that this also bars them from an essential understanding of the role of finance capital and the transition epoch we live in. The immediate task is to consider briefly current Marxist theory

which specifically addresses Britain's decline and to point out their contradictions and ambiguities. Following on from this an attempt will be made to locate these fault lines in modern Marxism back to classical Marxism, specifically Hilferding and Lenin, who initially developed a benchmark theory of decline based on the rise of finance capital.

Andrew Gamble in a concise and useful overview of the bulk of Marxist decline theses outlines four of the main perspectives<sup>48</sup> : Firstly, there is the thesis which suggests decline was caused by sections of British capital (namely : Aristocratic/Finance) who were able to gain imperial preference and so protection for their commodities. This alleviated the need to engage in open competition with imperial rivals; which could have spurred on the production of new technique and with it potential long term profitability. At the same time, it is argued, the financial hegemony over what was to be **defined** 'the British interest' blocked the development of domestic industrial capital.

According to the second perspective, decline was caused by a failure to address certain supply side constraints such as 'outmoded' worker management relations. The economy, it is argued, failed to become sufficiently 'Fordist'.<sup>49</sup> So, in spite of the fact that all government policy emphasis had shifted to boosting demand and attempting to manage the results in such a manner as to keep the rule of capital intact, the weakness in the 'Fordist economy' still led to a stalemate between capital and labour. The result was poor rates of investment, circulation and hence profitability. Thirdly, decline was said to be caused by ad-hoc political interference of the state which some Marxists claim favours either mercantile interests or some other pre-capitalist grouping such as a landed Aristocracy (see

<sup>48</sup> See A. Gamble, *Britain in Decline*, (third edition) (1990).

<sup>49</sup> See H. Overbeek (1990). Also see A. Glyn, R. Armstrong and J. Harris (1990), *The British Economy Since 1945* (second ed), where it is used to a lesser degree. However, See B. Jessop's (1988) *Regulation Theory Post Fordism and the State, Capital and Class*, No 34 p147-68, for an example of a Marxist who believes it to be the most valid means of analysis.

P. Anderson 1964). The result is the same : a retarded economy. Fourthly, decline is a cultural problem. Specifically, decline is caused by a dilution of the entrepreneurial spirit, which, it is argued, had become emasculated by the trappings of aristocratic life and culture. The argument is that this all placed a low psychological priority on production and competition.

Behind each of these thesis lie detailed arguments, every one of which seemingly quite convincing in their terms of reference. Indeed it must be stressed that there is an element of truth to each; British capital *does* have cultural idiosyncrasies related to its feudal past; the State *has* vacillated in its determination to intervene in the economy; labour process control by management *has been* pragmatic and short term; and imperial preference *was* essential in maintaining the production of over priced commodities produced by second rate fixed capital. Taken together, they offer a credible history of British capitalist *intra* class struggle and the actions undertaken to offset decline, but they do not explain *what is in decline* regarding the capital social relation. Taken alone as explanations of decline, they do not stand much scrutiny before their credibility is threatened.

For example, Anderson (1964, 1987) argues the source of decline has nothing to do with factors internal to the capitalist social relation. His basic argument is as follows. Despite the fact that 'the present crisis is a malady of the whole society', it has had nothing to do with the working class or production relations. This class has 'achieved no victories, but its defeats were astonishing', claims Anderson. Outmanoeuvred in the 1832 reform movement by industrial capital; its political economy of 'Owenism' defeated by 1836; its Chartist alliance crushed by 1848; politically decapitated by Fabianism and patronised by a labourist elite; the working class had, according to Anderson, become acquiescent and conservative and remains that way to this day.



The problem of decline, then, for Anderson, has nothing to do with labour. In fact it has nothing essentially to do with the capitalist class. The problem, we are told, is outside the internal relations of capitalism, it is in fact pre-capitalist in nature. Apparently a landed Aristocratic elite never relinquished power and blocked the road to capitalist development proper by stifling the entrepreneurial spirit with its traditional aristocratic values of immediate gratification and abhorrence of thrift.<sup>50</sup> What one forgets here is that the supposed 'Aristocratic elite' relinquished enough power to enable British capital to achieve the status of 'workshop of the world' for at least three decades in the nineteenth century. Evidence of an accumulation zeal and 'entrepreneurial thrift par excellence' one would think. In addition, one finds it hard to detect evidence of a feudal fetish against accumulation when considering British capital's plunder of living labour power abroad. Indeed today when abroad within other western capitalist economies, British capital employs the best labour saving devices and managerial techniques on a par with the indigenous bourgeoisie. Again the 'Aristocratic elite' bar on accumulation and its 'scientific management' seems only to stretch as far as the shores of Britain and possibly its ex dominions. Thus Anderson's decline thesis refers to a causal factor which is outwith the capital labour relation *and* is limited to British capital's domestic accumulation strategies (or lack of strategies?) only.

Another instructive study of British decline is that by G. Ingham (*Capitalism Divided*, 1984), which can be loosely related to theses one and three above. Ingham's stated task was to go beyond Anderson's anti-industrial capitalist Aristocratic hegemony thesis. Ingham goes beyond Anderson's thesis not so much to reject it, on the basis that it seeks to explain capitalism's decline via social groups outwith the capital-labour relation, but to provide it with more

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<sup>50</sup> Quotes and claims are to be found in Anderson's *New Left Review* (1964), *Origins of the Present Crisis* No23 Jan-Feb (1964) p49-53.

theoretical depth. Ingham achieves this, so he claims, by breaking down the distinct features and functions of money capital and its dominance over productive capital. Ingham, explicitly rejects the explanatory power of the labour theory of value, where Anderson does so implicitly. This means that his conception of money is divorced from abstract labour and material processes in production relations. Having done this he takes the next logical step of rejecting Marxist historical materialism's applicability to an analysis of British capitalism, on the basis that commercial money capital has always dominated the more materialist productive capital and this directly refuted Marx's claim about the course of capitalist development.

The result is that for Ingham too, decline is perceived as the product of something *external* to the capital-labour production relation. The *external* factor being the hegemonic stranglehold that commercial money capital had apparently held since at least as far back as the restitution of the Monarchy in 1688. In this period commercial capital bailed out the State; constituted the Bank of England in its own interests; and, through the nexus of City-Treasury links, systematically sacrificed the interests of capitalism proper (productive capital) to the more lucrative commercial laundering of money via the matrix of 'Bills of Exchange' on the world market. As Ingham explains in a quite detailed exposition, commercial capital ruled in this way throughout the 18th and 19th century and continues to do so in the 20th century through the sterling area and later the euro-money markets established post world war two.

The important point here is that Ingham ignores the more substantial source of decline in the *social form* of production. In doing so he ignores the valorisation process and production becomes a material technical arena for the production of use-values. In turn the essential relation between capital and Labour become displaced as a class struggle over the finished product. With this type of outlook

it is little wonder Ingham views historical materialism as **being** economic determinism. He can then proceed to glean, from a **historical enquiry** of British capitalism, that financial concerns appear to be consistently at the expense of productive capitalism; and from this that 'Capitalism Divided' is the source of decline and not the capital-Labour value relation.

Ingham, when forced to account for why commercial money capital has remained dominant for so long, despite concerted efforts by productive capital to over turn such dominance, he reverts to neo-classical economic theory of rational economic man. The State officials and specifically the treasury, it is suggested, have a rationalising mind set when it comes to balancing the public's finances; to such a degree that productive capital cannot shake it and commercial money capital can easily manipulate it to their own ends of money laundering in the City of London. This explanation is also used by Ingham to explain a further infamous triad relation between the Bank of England - City- Treasury. In effect Ingham resorts to a kind of *symbolic interactionist* explanation of capitalist decline which is ultimately idealist. It ignores completely the reality of class struggle between labour and capital and the role this ongoing process has in the decline and in the decisions of those forces of capitalism who galvanise their political rule through the triad of the Bank of England - City - Treasury. As Longstreth (1979) has pointed out, if the sterling lobby (which commercial money capital is sometimes called) or the Treasury view prevailed, it was because there was no serious opposition to the policies they put forward and not because the triad of the Bank of England - City - Treasury forced their interests upon the policy makers. As Longstreth suggests, the picture of banking capital forcing through policy 'measures in the teeth of strident opposition is indeed a false one'. Indeed there has been no serious opposition of interest between the CBI and the Conservative Government these past sixteen years. The CBI may have grumbled about specific issues, such as interest rates, but has remained

mutated whilst the de valorisation of the British economy deepened throughout the 1980s and 90s. In point of fact, dominant sections of capital have interests in both productive and financial spheres of the economy (Scott, 1989). The essential questions which remain largely unanswered are, what is the nature of this interest? Why did it manifest itself as it did in Britain? How has it/will it develop?

A number of other studies take a similar route and end up in a similar muddle. For example, for Overbeek (1990) the divide-equals-decline syndrome becomes one between 'concepts of control'; namely, the 'money concept' of capital versus the 'productive concept' of capital. Each concept embraces a class faction within capital who periodically strive for and achieve control of the state. Having done so they then determine the nations economic course of development. For Overbeek, the outcome of this struggle has been detrimental to British economic growth, because productive capital, although reigning in certain decades (1930s-70s), has mostly remained in the shadows of money capital.

On the surface of it their cogent enough points, but points that do not go far enough. The study offers a useful *empirical* and *historical* overview of British capital's development and decline as propelled by the struggle between money capital and productive capital. However, conceptually Overbeek's work does not penetrate far enough into the capitalist social relation. Money capital and productive capital are simply not *grounded on living labour power*. This is very important because it is from living labour power and the struggle to convert it into value and surplus value that these forms of capital arise and decline (a point developed here in a later chapter). Necessarily, therefore, the study falls short and embraces only the conceptualisation of the **intra capitalist divide**, as the source of decline.

Given that the above mentioned are Marxist theories of British decline, it is rather surprising that they should be so quick to ignore the importance of the main class struggle between labour and capital over the issue of surplus value extraction and its control. In Marx's own opinion unearthing this process is what distinguished him from bourgeois political economy and philosophy. It will be clarified below that Marx's value theory of labour was the cornerstone of his belief that capitalism was transient in nature and in decline in his own day. Of course modern day Marxists, unlike their non-Marxist counterparts in, political economy, do stress the fact that capitalism is, in one way or another, the problem. What they fail to do however, is address what exactly it is about capitalism that is in terminal decline. Instead, they jump immediately to phenomena which lie outside capitalist production; for example, within the circulation of capital (see G. Ingham 1984), or, in the so called 'superstructure' of State and civil society (see P. Anderson 1964, 1987).

Marxist theories of capitalist decline invariably become engrossed in the measurement of a phenomena they have singularly failed to get to the heart of. In this respect analysis, unable to penetrate deeper into the social form of production, becomes preoccupied with comparative studies of decline between Britain and other western capitalist nations. The four causes mentioned earlier - imperial preference; supply-side constraints; State interventionism; the decline of the culture of capitalist accumulation - are then introduced as the basis of policy designed to curb Britain's 'de-industrialisation' and place it back on the rails of an 'ideal-typical capitalism' such as Germany. This all has a great debilitating affect on Marxism. The slip into superficial comparative analysis, it must be stressed again, stems from the denial of value theory as being in any way useful.

Arguably, one of the main reasons for this denial is that over recent decades the tendency to reify the law of value has gained momentum. That is, a tendency has

gained ground within Marxism which treats value as a technical distributor of capital and labour and subjects it to analytical logic, rather than treats it as an ontological social condition of capitalism subject to dialectical discourse. This has made it all the more easier (or inevitable) for other Marxists to move away from the labour theory of value per-se. Yet an understanding of decline has to be predicated on the value form which labour is first subsumed under and then begins to cast aside, albeit at first in limited ways.

To enable a substantial theory of decline one must 'soften up' the reification of the law of value, rejuvenate its powers of explanation and so provide the welter of comparative studies of British capitalist decline with some *substantive foundation* (Chapter three of this thesis attempts to put forward such a basis). However, in setting the foundations of a non reified law of value analysis, it is important to locate the source of the confusion modern Marxism finds itself in via a critique of classical Marxism. Classical Marxism here refers to the Marxism's which unfolded between Marx's death and the rise of 'western Marxism' in the 1920's. As the issue here is the decline of capitalism, attention concentrates on those Marxists who have produced influential analyses in this respect. Also, as the era is thought by most to be characterised by the split between 'second international Marxist evolutionism' and 'third international Marxist revolutionism', it would seem appropriate to choose from both sides, if only to show that reification has taken place on both 'sides'. Given the constraints of the chapter, critique is limited to two Marxists of the era: Hilferding and Lenin. As they are by far the most influential any critique will do more than enough to link the errors of the past with those of today. Hilferding and Lenin's respective theories of finance capital and capitalist decline are often taken by Marxism today as the final word on the subject, the rest being just history and politics. Nonetheless, as penetrating as Hilferding and certainly Lenin conceptualisation of decline were, both deal inadequately with the most

central of categories: labour. The error is the source of Marxist modern day analytical malaise. Chapter two details these errors and links them to the growth of the modern day 'capital logic school of Marxism, wherein the reification of the law of value reaches its highest expression.

## CHAPTER TWO

### A CRITIQUE OF CLASSICAL MARXIST POLITICAL ECONOMY

#### *2.1 Classical Marxism and the Reification of the Law of Value*

Marx was clear enough about the link between an emerging socialised labour and socialised capital on the one hand, and the extension and deepening of fictitious capital on the other; *Capital* volume 3 and the *Grundrisse* are replete with examples of this. Hilferding and Lenin sought to develop this into a theory of '**finance capital**'. For Hilferding the theory of finance capital was the necessary follow on to *Capital*, bringing Marx's work up to date for the modern era. Both Hilferding and Lenin were aware of an *epochal shift* taking place within capitalism, which could not be mistaken for a mere *quantitative development* of capitalist accumulation.<sup>51</sup> One would have expected that Marxists, perceiving such an epochal shift in capitalism, and perceiving, in the case of Hilferding, that their analysis was the continuation of Marx's work in *Capital*, would have subjected the **social relations of production** to intense scrutiny; possibly looking at the extent to which objective commodity fetishism was breaking down and, more importantly, in what way the capitalist classes were responding to this. However, despite some mention of the changing industrial relations scene (Hilferding), and a growing 'Aristocracy of Labour' (Lenin), they appear to have developed only one side of the link : the money form and its institutional manifestations within industry and banking, whilst neglecting the contradiction within labour. Further, because they did not develop a *theory* of the *socialised labour* aspect and as such the breakdown of commodity fetishism, then even their development of the money form in the

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<sup>51</sup> As far as Lenin (1975) was concerned capitalism had entered a qualitatively different and 'higher stage', one characterised by imperialism, or the domination of finance capital. Likewise, Hilferding's (1981) analysis of finance capitalism was subtitled *the latest phase of capitalist development* when, '...finance capital changes fundamentally the economic, and hence political, structure of society' (p337).



epoch of finance capital only amounted to a *historical trajectory* of capitalist developmental forms. Hilferding and Lenin, in many respects, have acted as a theoretical and practical benchmark for modern Marxists political economy of all persuasions. Indeed Lenin's prognosis that the imperialist epoch was at heart the epoch of finance capital and that this epoch was simultaneously capital's highest and most parasitic form<sup>52</sup>, has profound implications that I wish to make use of and develop. However, any development must proceed on the basis of a critical review of the category of finance capital as it now stands. The mistakes and limitations of their analysis of capitalist decline have been extrapolated into modern Marxist political economy. Indeed it is the claim here that the reification of the law of value and basis of the functionalist capital logic approach have their home in classical Marxists, perhaps more in Hilferding's work than that of Lenin's. It is important, therefore, to subject Hilferding's and Lenin's theory of decline to detailed scrutiny. On the basis of this one can contextualise the modern problems of the capital logic school of Marxism and the class struggle school, its negative opposite.

## ***2.2 Hilferding, Lenin and Capitalist Decline: The Concept of Finance Capital***

The concept of an 'epoch of finance capital' is wholly derived from the Marxist tradition and its most influential exponents have been Hilferding (1910) and Lenin (1916). For both Marxists the emergence of finance capital was an epochal shift in the development of capitalism. Also, for both, the epoch was in

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<sup>52</sup> Hillel Ticktin (1986) *Critique*, No17 makes an important point when highlighting the fact that Lenin's comments about parasitic tendencies in the epoch of finance capital lay undeveloped by Lenin, because he failed to develop a *theory* of finance capital. Ticktin argues persuasively that Lenin provides an *institutional* explanation, when what he should have given was a *theory* based upon the development of the *social categories peculiar to capitalism*. The fresh insights of finance capital, provided by Ticktin in his critique of Hilferding and Lenin, will be outlined and built upon in the course of the next chapter.

substance the simultaneous development and decline of capitalism. Yet both viewed the decline very differently. For Hilferding the emergence of the epoch of finance capital heralds the *evolutionary transition* from capitalism to socialism. The transition for Hilferding is based, not on revolution, but on reform, primarily due to the fact that Hilferding bases socialism on the planned regulation of production and banking. In effect 'planning', it is claimed, eventually nullifies and then eliminates atomistic/anarchic capitalism. Capitalists, one can only assume, will comply to the evolution by digging a socialist future, before moving aside for worker self-management. For Lenin the future does not hold out the same forces of harmony. The epoch of finance capital *intensifies* the contradiction within capitalism. It must be emphasised, however, that for Lenin, *the* essential contradiction was *between* capital's and not *within* labour. The rivalry amongst capitalists escalates: the power to mute competition and extract super profits, leads to monopoly and retardation of productive forces at 'home' and intensifies as a rivalry amongst imperialist states abroad.

The similarities and differences between Hilferding and Lenin are clear. Of interest is the way modern Marxists have passed judgement. The predominant view is that Hilferding has the superior analysis. However this is only true in the technical sense: Hilferding providing a tight logical exposition of the development and role played by financial institutions as capitalism concentrates and centralises under the impulse to move from its competitive mode to its monopoly mode. Lenin's theory is less technical, but is the more dialectical. His theory is able to comprehend that finance capital is not simply a development of capital, it is also, above all, a signifier of its decay. For Lenin it has a dual identity, it develops capital by fusing circulation capital ever more closely with productive capital (pace Hilferding); however it retards capital, in as much as there is also a tendency for money capital to pull away from surplus value

extraction and degenerate the productive base of capitalism. Because of this Lenin's theory is more historically specific. Arguably the basis for claims that Hilferding's theory was superior to Lenin's is political. Put bluntly, Marxists with an overwhelming desire to reform capitalism push Hilferding's explanation to the fore. However if, finance capital is considered not as a developmental force, but as a force for decay, as Marxists should, then we can only come to the conclusion, given the clear role of financial markets today, that Lenin's theory is more sophisticated. This requires more substantiation. Let us first consider Hilferding's theory of finance capital.

### ***2.3 Hilferding's Theory of Finance Capital***

Hilferding's theory of finance capital never ignores the law of value. His work is replete with passages on fundamental Marxist categories such as, value, exchange value, money capital - even abstract labour gets a mention. Equally, Hilferding cannot be accused of neglecting to mention the growing collectivity of labour. What, one may ask, is *wrong* with Hilferding's theory? The problem is primarily *methodological*, which in turn (as these things tend to) leads to a different *substantive* outcome. The problem stated simply is that he fails to treat the categories inherent to capitalist social relations dialectically: there is little interpenetration and opposition evident in his work. For example, he treats the two issues (value relations and labour collectivity) discretely : value theory at the beginning of his book, labour collectivity at the end. This in itself means little. However this distinction has methodological significance. Implicit in Hilferding's theory is the view that 'in the beginning' one has the abstract model of value theory; whilst at the end one has the concrete analysis of the changing institutional forms of labour collectivity. In other words, value relations are

analysed *as abstract deductions* of some pure capitalism and labour collectivity is added on *only historically* and not treated *dialectically*.

Employing terminology from Hegel, one could say that Hilferding's theory of finance capital is *universal*, but it is an *abstract universal* not a *concrete universal*. This means that when Hilferding deals with the value world, he creates a world of abstractions, into which concrete reality is forced regardless of the 'fit'. The value world however, is a real abstraction embedded in the concrete. The task is to reveal this process methodologically. Some relevant examples from Hilferding's work will clarify this and in the process provide insight into the failings of Hilferding's theory of finance capital, which have been carried over into modern Marxism.

Hilferding's confusion on the relationship between price, value and labour is an apt starting point. Time and time again Hilferding disregards Marx's dialectical method just at those points where it is most needed. In these moments Hilferding slips into an atomistic mode of thought more at home in functionalist sociology than Marxism. It is this persistent methodological slippage which weakens his theory of finance capital. For example, Hilferding, in his more dialectical moments, points to the essence of the money form :

The necessity of money...arises from the nature of commodity producing society, which derives its laws from the exchange of commodities as products of socially necessary labour time.<sup>53</sup>

In this manner,

....the social relations of the producers is expressed as the

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<sup>53</sup> Rudolph Hilferding (1981), p227.

price of their products, the law of price is the regulative principle of this society.<sup>54</sup>

What Hilferding points to here is something essential to capitalism, ie, that the substance of 'prices' and so 'necessity of money' is socially necessary labour. In other passages he informs us also that atomistic competition between and within capital and labour is the prerequisite for abstract socially necessary labour formation and the basis upon which 'capitalism derives its laws'. All very fundamental, but what happens to abstract socially necessary labour formation, and capitalist laws derived from its value relation, when the system enters its epoch of finance capital? A world dominated by monopoly cartels, holding companies, trusts, banking and industrial syndicates, where spontaneously generated prices and profits have become squeezed out in favour of conscious manipulation.

Hilferding's reply clearly reveals that his grasp of 'law' is rather different to Marx's. Hilferding's 'law' is the 'law' of his own deductive logic and not a law of a developing real contradiction which theory must follow. This becomes clear when he poses and answers the following question,

If monopoly combinations abolish competition, they eliminate at the same time the only means through which an objective law of price can actually prevail. Price ceases to be an objectively determined magnitude and becomes an accounting exercise for those who decide what it shall be by fiat, a pre-supposition instead of a result.<sup>55</sup>

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<sup>54</sup> Hilferding, *ibid*, p227.

<sup>55</sup> Hilferding, *ibid*, p228

Hilferding brings the issue to our attention succinctly enough: the objective basis upon which 'price' is forged becomes 'eliminated' in the epoch of finance capital. Yet Hilferding never once discusses the real implications of this *dialectical negation*. From a dialectical point of view the law of the elimination of the objective basis of prices must trace its way back to the decay of the social relations producing abstract socially necessary labour, and so the decay of the value form, and, in turn, the decay of the contradiction within labour. Hilferding's laws of logical deduction cannot penetrate so far, he can only meekly observe, half in answer, half in question, that :

It seems that the monopolistic combine, while it confirms  
Marx's theory of concentration, at the same time tends to  
undermine his theory of value.<sup>56</sup>

Surely value is an ontological social condition, not a theory to be undermined? Hilferding is astute enough to bring out the theoretical implications of monopoly conditions, but can take the implication no further. The fact that Hilferding takes his observation no further, serves to underscore earlier evidence that he treats the law of value as if it were some abstract category of logic. Hilferding as a consequence must resign himself to a largely institutionalist-cum-functionalist analysis of finance capital and its essential categories: the socialisation of capital and labour.

There are two distinct parts to Hilferding's *Finance Capital*; the first and primary one concerns the socialisation of capital; the second concerns the growing collectivity of labour. However, gone are the dialectical interpenetration and negation of the social categories which characterise these

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<sup>56</sup> Hilferding, *ibid*, p228

opponents; in their place we are proffered an institutional analysis and empirical survey of a specifically German mode of finance capital.

As far as the socialisation of capital is concerned a number of major themes surface. Of these, the growing concentration of industrial and banking capital assume priority. Of importance is the particular fusion between the two which developed in such a way as to enable banking capital (circulating capital) to emerge as dominant partner in terms of investment strategy within the growing corporate structures of capitalism. Hilferding points out how this concentration of capital takes two forms. On the one hand, larger companies with a high degree of fixed capital extend the productive forces in the process of earning economies of scale in the pumping out of surplus value from labour. On the other hand, the same companies begin to form cartels, which retard the forces of production and divide the entire economy up between core monopoly capital's and a periphery of small/medium competitive capital's. The smaller capital's become totally governed by the core which regulates prices and profits in its own interests. In this way, the core forming themselves into cartels, dictate the pace, scope and nature of exploitation of labour throughout the economy.

Hilferding identifies the 'finance capitalists' as that section of the class who, on the basis of the above conditions, extract their portion of surplus value in the form of 'promoters profit'.<sup>57</sup> Finance capitalists, under the impulse to extend their form of income, become the driving force behind the socialisation of capital via the further development of stock and money markets. As a distinct faction within the capitalist class, they gradually squeeze out the old usury class and progressively dominate the industrial bourgeoisie. Their power base is

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<sup>57</sup> Promoters profit refers to earnings derived by managing and distributing credit facilities and share issues to industry. The emergence of joint stock companies in both banking and industry and so the potential for dealing in fictitious capital (capital without a base in abstract labour) strengthened the grip of this particular strata of capital over the direction of capitalist development as a whole.

facilitated by the stock market in primary and secondary shares, which allow industrial and banking capital to be fused. By controlling the shares of banking capital, finance capitalists control the shares of industrial capital. Thus the finance capitalist controls the whole economy and dictates the flow of accumulation therein. In essence a new finance capitalist strata had, through its strategic holding of shares and massive profits from promotion and dealings in fictitious capital, been to dominate the capitalist system.<sup>58</sup>

For Hilferding this was evidence of a logical and *evolutionary* progression for capitalism. Hilferding's description of events in the German economy and class structure cannot be faulted. What can be questioned is his universalisation of this same trend to other economies, notably the USA and Britain (a point we come back to shortly).

As for the emerging *socialisation of labour*, Hilferding provides what can only be described as a functionalist account of three different stages of the changes in labour contract and the structure of its bargaining with capitalists. The first stage is the negotiation between capital and labour based on *individual* worker contracts, which forces labour to collectivise. This provides the basis of the development to stage two: negotiations based on a *collective* worker confronting a weakened atomistic capitalism. The third and final stage Hilferding describes is the finance capital era, where a strengthened *socialised capital* can now confront the *collective worker* and the wage conflict becomes subsumed within the state form. At this stage the State become embroiled in the regulation of wages and regulation of accumulation. In modern parlance, Hilferding provides one of the better accounts of *industrial relations theory*.

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<sup>58</sup> Hilferding p225, op-cit.



In the modern era this aspect of Hilferding's work holds little value, in itself. Important here is Hilferding's inability to go beyond the *institutional* changes and link the socialisation of labour to the value form of labour. If he had, Hilferding could then have established the link between the socialisation of labour, the negation of its abstract value form and the emergence of finance capital, *as evidence of a rupture between use and exchange value and so the decline of capitalism.*

What is required to make both his theory of the socialisation of capital and the socialisation of labour (and so his theory of finance capital), historically specific, is an analysis based on the *decay* of the value form, the very element from which finance capital emerges. If Hilferding had developed theory on the basis of a consistent Marxist method he might also have come to the following conclusion : the point of finance capital domination is not primarily to unit bank and industrial capital, but to *estrangle itself from direct productive ties* in a hostile climate where it is increasingly confronted by a socialised labour organising against its exploited position.

Taken as a whole Hilferding's work provides a detailed analysis of the institutional forms essential to *one particular* trend within finance capital : its *corporatist form*. For Hilferding it is finance capital's only form. If circumstances happened to be contrary in different nation states, such as Britain, then, according to Hilferding, they would eventually develop the same institutional arrangements over time. Those who adhere to Hilferding's theory of finance capital are still waiting in vain for its British appearance! Britain has remained obstinately resistant to Hilferding's evolutionary logic, complying instead to the *real* contradictions within capitalism and developing the highest and most decadent form of finance capital. A finance capital reduced to

circulating *within itself* as a result of its partial failure to combat the most resistant expressions of socialised labour.

To develop a category of finance capital *as an epochal form of capitalism*, one would have had to reveal it as predicated upon a decaying value form and so recognise capitalism as, ultimately, beyond reform. Something Hilferding and his modern day followers would be prepared to concede. Lenin was aware of finance capital as the highest form of capitalism coining the phrase 'parasitic capital' to describe the fact that this 'highest form' also lives off existing surplus value and, therefore, as having the potential to advance the productive forces *and* retard the extraction of surplus value. For Lenin, the latter tendency eventually overcomes the former. However, with Lenin this remained no more than an insight; a dialectical intuition, not so much because he did not centre his analysis on Britain, (which revealed the highest forms of parasitism) but more fundamentally that he too, explicitly at any rate, did not develop his theory of an epochal shift into finance capital *on the basis of the contradict within labour and its process of negation*.

In turning to Lenin, we note two tendencies within finance capital : the *fusing* of banking and industrial capital and a *separation* of *parasitic* capital. With Hilferding of course one only gets the former. It is argued here however that these tendencies lie undeveloped within Lenin's theory and that the full explication of the real dialectical tension within the tendency towards fusion and parasitism on the part of finance capital requires that they be placed within a theory that commences from the contradiction within labour's commodity form and its potential negation.

### 2.4 Lenin's Theory of Finance Capital

For Lenin, the concept of finance capital and of imperialism were inseparable; the epoch of finance capital was also the epoch of imperialist rivalry. Running parallel through the epoch were elements of capitalism's highest stage of development (imperialism) and also elements of its decay (financial parasitism). The latter becoming rapidly more pronounced. According to Lenin, Capitalism is at its *high point* in this epoch in so far as massive concentrations of capital had developed the forces of production, and produced a highly developed world division of labour. As Lenin puts it, *the* characteristic of the epoch is that :

Competition becomes transformed into monopoly. The result is immense progress in the socialisation of production. In particular the process of technical invention and improvement becomes socialised.<sup>59</sup>

The *forms* through which this transformation were carried out, however, also precipitated an era of inevitable capitalist decay, or, to use Lenin's terminology, 'a state of parasitic decaying capitalism'.<sup>60</sup> These forms were identified by Lenin as follows :

- 1] Increasing concentration of capital flowing from the laws of accumulation, leads to the monopoly regulation of industry,
- 2] the merging of monopolised industry with monopoly banking and the development of cartels and financial trusts. These eventually lead to a domestic surplus of capital.

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<sup>59</sup> V I Lenin (1975), p649.

<sup>60</sup> Lenin, *ibid*, p710.

3] the export of capital seeking profitable returns in foreign government stock and industries etc.

4] the resultant cartelisation and trustification of the world economy,

5] imperialist expansion undertaken by leading capitalist states at the behest of the hegemonic rentier classes within each nation, the object being to carve up the rest of the non industrialised world amongst them on a 'winner takes most' basis.

For Lenin, 1 and 4 on the one hand lead to economies of scale efficiencies and on the other hand lead also directly, to a stagnation of productive forces, as monopoly industries increase profit through higher prices and not higher productivity.<sup>61</sup> Categories 2 and 3 lead directly to systematic parasitic tendencies, in the sense that an emerging finance capitalist ('rentier') faction had increasingly distanced themselves from production via strategic ownership of trusts. The trusts in turn are used as vehicles to siphon off profits from production, through asset stripping and rationalisation, rather than by increasing capital investment and so valorisation. The mass of profits 'created' in this manner produced a surplus of capital for the finance capitalist (relative to domestic investment), who then turned it to parasitic use abroad buying up foreign government bonds, railroad stock and so on. Finally, category 5 leads inevitably to world war and so a destruction of humanity and productive forces.

Lenin was able to point out this contradictory nature of the epoch - at once a high point of capital *and* point of parasitic decay - because, unlike Hilferding, he never lost sight of the fact that capitalism, through all its many transitions was still compelled to *competitively accumulate* and so would always remain racked by *antagonistic* forces. The resulting two-fold practical difference being that for Lenin in the era of monopoly was characterised by a situation where, firstly, competition took an international and increasingly military form and secondly,

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<sup>61</sup> Lenin, *ibid*, p708.

finance capital could shield itself from domestic competition in some measure by controlling the flow of profits in their interests via monopoly pricing and or (increasingly) money market dealings.

The problem with Lenin's concept of finance capital is that it is submerged within his analysis of imperialism and, therefore, lies undeveloped. There are two reasons why this has occurred, the first is *substantive*, the second *theoretical*. From a substantive point of view, Lenin was wholly concerned to link the economic aspects of capitalist accumulation to the barbarism of world war. Hence stagnation tendencies in production and the increase in parasitic activity in the alienated world of 'coupon clipping', took second place to dynamic trends - trends such as the movement from monopoly fusion of bank and industrial capital at the level of the nation state, to the world trustification of whole sectors of industries and onward to the final act of annexation of the non industrialised world and so world war.

Given this motive, any criticism aimed at Lenin's failure to develop the concept of finance capital would, to say the least, appear churlish. However, the matter regarding the *substantive* aspect cannot be left simply at this. There is another very important substantive issue in Lenin's work for which a developed concept of finance capital is absolutely crucial: Lenin's concern about the growing reformist trend within the working class. It was crucial to Lenin's understanding of reformism that he develop further his understanding of parasitism within capital as *fundamentally related to developments in the social form of labour*. Because he did not identify the relationship, Lenin failed to categorise the trend towards reformism within the labour movement *theoretically* and could only provide a concept - 'labour aristocracy' - held together by nothing more than the weight of empirical description. In other words, Lenin provided a sociological explanation, when an explanation grounded within the developing forms of the

law of value was required. The political implications of this have been profound if one considers Lenin's insistence that revolutionaries work within the Labour Party. Arguably this has done more to keep the Labour Party and its reformism alive than to progress socialist aspirations (an issue taken up in some detail in subsequent chapters).

Lenin argued that the very real growing opportunism within the 'labour movement' in the West, particularly Britain, could, in essence, be put down to *bribery*. High monopoly profits and imperial preference provided the material basis for finance capital 'to bribe certain sections of the workers...and win them over to the side of the bourgeoisie'.<sup>62</sup> The *bribery*, according to Lenin served as the material basis for the creation of a patriotic bond dividing workers and aligning them with their masters. The ensuing consolidation of nationalism was then used to counteract the objective socialisation of labour in production; and thus served to negate any *political* socialisation of labour throughout society. This opportunism was strengthened and became *systematised* with the emergence of reformist 'Workers Party's' (particularly the British Labour Party).

The point about *political* atomisation of workers in the face of their growing objective socialisation is a crucial one. However, it is one which Lenin fails to develop because he does not take it to the heart of the capitalist labour process and provide a *political economy* of workers atomisation.<sup>63</sup> That Lenin only develops a sociological grasp of what latterly came to be recognised as the emergence of 'labourism' is made strikingly clear by his optimistic prognosis that the body (socialised labour) is essentially healthy and merely requires the removal of an inessential 'abscess' (labourism) (see p729-30).

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<sup>62</sup> Lenin, *ibid*, p728.

<sup>63</sup> This point will be extended in the following chapter.

From a *theoretical* point of view, by not basing his understanding of the epoch on the movement, development and decay of the law of value, Lenin failed to develop an analysis on the basis of Marx's political economy. As a result, Lenin failed to develop, on the basis of the social categories specific to capitalism, the two most important trends of the epoch; the one developing in the 'labour process', the other developing within capital. Specifically, Lenin failed to develop a theory of finance capital on the basis of the decay of the contradiction *within* labour **and** the epochal shift *between* the fixed and circulating forms of capital in favour of the latter. Both of these, and their connections, must be explained if the category of 'finance capital' is to be understood in its full epoch embracing role.

The failure of both Hilferding and Lenin to establish an adequate theory has had substantial ramifications for modern Marxist theory. Marxist theoretical development has been largely ossified during the past sixty years due mainly to the defeat of the working class during the 1920s and 30s, a defeat which manifested itself as Stalinism and capitalist restoration through Keynesianism after a second world war. In this context, Marxism has fetishised the classical Marxism of Lenin and Hilferding, thus carrying over their shortcomings. A type of 'capital logic school' has developed, which has many variants, but one uniting factor: it reifies the law of value. Below, two dominant trends of this school are discussed: the revolutionary and the reformist. Firstly, the revolutionist trend is analysed. Here Mandel's work becomes the focus of critique. After which 'regulation theory', which encapsulates the reformist trend, is subject to critique.

## *2.5 The Capital Logic Approach 1*

One has only to examine the work of that exemplar of post world war two revolutionary Marxist political economy E. Mandel to assess the degree to which the law of value has become reified as some functional logical tool, unable to explain or even conceive of capitalist decline.<sup>64</sup> Mandel adamantly insists that despite living in an era dominated by 'late capitalism',<sup>65</sup> where the rate of profit comes under attack from 'six basic variables of capitalist production',<sup>66</sup> and despite the increasing 'attempts at private and state regulation of the economy', 'the law of value (still) prevails in late capitalism as a whole'.<sup>67</sup>

There are many political reasons one could cite for Mandel's rejection of the possibility that the law of value is negating within capitalism. For example, the fact that it *may* lead to the reformist position of a 'planned capitalism' adopted by R. Hilferding; or even worse the 'Bernstein's' of this world.<sup>68</sup> However, one gains the first approximation to a more fundamental reason when Mattick observes how,

Instead of explaining the crisis cycle and capitalist  
development as governed by the law of value, Mandel  
does the reverse : he seeks confirmation of the law of

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<sup>64</sup> Mandel has dominated western marxist political economy with the sheer volume of his theoretical output; as such, he exemplifies what is good and what is bad about contemporary Marxist political economy and is thus an ideal benchmark for critique.

<sup>65</sup> 'Late' is a category which appears to relate to a multitude of economic, political and ideological changes. For example, (and in order) permanent inflation and the growth of multinational capitals; the trend toward super state spheres of influence; the growth of 'regimentation' (where visible and invisible regulators ensure the steady); and, finally, the continuous growth of the economy as financial giants become taken over by 'anonymous boards of directors' bureaucratic functionaries' and Trade Union leaders. See E. Mandel (1975).

<sup>66</sup> To quote Mandel (1975) - 'These variables include the following central items : the organic composition of capital....distribution of constant capital between fixed and circulating capital...the development of the rate of surplus value; the development of the rate of accumulation...; the development of the turnover time of capital and the relations of exchange between the two department' (of production), p527

<sup>67</sup> Mandel, *Ibid*, p527.

<sup>68</sup> Mandel, *ibid*, p523-27.



value in the surface appearance of capitalist production.<sup>69</sup>

The correct observation, if what has been stated so far is accepted, would have been to say - 'as governed by the laws of the disintegration of value'. That Mattick himself is never aware of this suggest a reification on his part too. Nonetheless, Mattick's point about Mandel's reversal - seeking to prove the law of value in empirical phenomena - is an important one. It is this very reversal which leads Mandel to consider all aspects of a nations political economy; state sponsored industries and services, permanent inflation, crisis theory itself...etc; as being driven by, or as being proof of the existence of, the law of value. 'There is no doubt that only one law of value exists',<sup>70</sup> argues Mandel, and every event is deemed to be proof of the existence of this 'abstract law of motion'. In fact it is the stated purpose of his work *Late Capitalism* (1974) to reveal all the main changes of appearance capitalism has gone through in its 'late' post world-war two stage as, in Mandel's words, '*the function of the inner laws of capital*'<sup>71</sup>

The problem is not Mandel's insistence on 'laws of motion', which is an important ontological and methodological category. The problem is that just like Hilferding, Mandel develops the law of value as a *universal abstraction*. It is no longer a concrete abstraction pertaining to the social form of production relations and their contradictory development and decay. With Mandel 'the law' is an invariable given; an epistemological anchor to Mandel's historical analysis of capitalism. There are no laws of a transition and partial negation of the value form of labour here, his reversal - seeking confirmation of the health of the law of value in empirical phenomenon - ensures this.

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<sup>69</sup> P. Mattick (1981), p174.

<sup>70</sup> Mandel, op-cit p70.

<sup>71</sup> Ibid p23.

The reversal effectively turns every manifestation of 'late' capitalism into a function of an 'abstract' law of value. The result of which is that Mandel divests himself of a theory of transitional forms and reduces his categories of late capitalism' to a *political history* of capital's complex exploitative movements about the world economy. This in itself is a valuable aspect of Marxism. The point however is this : because Mandel treats the law of value as an 'accumulation machine', which may falter, but can never wither away; his category 'late capitalism' fails to provide a *political economy*<sup>72</sup> of exactly what it is that is so *late* about contemporary capitalism.

The heart of the problem resolves itself into an implicit rejection of the dialectical categories of 'identity', 'difference' and 'law'<sup>73</sup> (to be discussed shortly) which has lead to the reification of the 'law of value' despite all the caveats that it is a 'social relation'. It is this which, arguably, blocks contemporary Marxist accounts of decline in general of which Mandel is an exemplar case. Note his definition of the 'law of value',

the economic mechanism in a society of private producers  
which distributes the total labour power at the disposal

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<sup>72</sup> By political economy I mean a Marxist political economy which should strive to *explain the essential inner structure of capitalism*. Simply put, and paraphrasing the St Petersburg Messenger (see chapter three), one needs to disclose the essential laws which 'regulate the origin, existence, development and death, the social organism' the essence of which in our case is the law of value. Mandel fails to deliver on the death, or to be more specific to the present, the decay aspect.

<sup>73</sup> This is referred to in more detail in chapter three. However, a brief explanation of these essentialist categories is as follows. There are two types of identity at work in all social theory. There is the dominant one having its basis in atomism which stresses the individual parts of an object cannot be one thing and simultaneously something else. There is the less dominant one at the heart of dialectics which stresses that a thing can be one thing and another simultaneously. This fact is the heart of the dialectical contradiction. For example people are whole entities in themselves, this is as far as atomism goes. the more essentialist response would be to add; only in so far as they are only parts of a greater whole - society. The basis of the contradiction between individual freedom and its social boundedness lies in the production process. In capitalism this bond is constituted by the duality of labour as simultaneously concrete and abstract. The 'law' one spoke of becomes in this respect the law of development and dissolution of the contradiction within labour. As such the law is necessary and a real process. Conversely atomistic law can only be accounted for on the basis of regularities perceived in the constant conjunctures of accidental non essential relations individuals encounter. Subjective value theory in economics is one such 'law' which is based on the atomist view of identity and non contradiction.

of society...between various branches of production, via the mediation of the exchange of all commodities at their values.<sup>74</sup>

What does this definition indicate? Essentially this : Mandel quite correctly describes the *quantitative* aspect of value, but neglects the most important *qualitative foundations* of the latter. In line with the argument put forward here, such a loss can mean only one thing : the law of value becomes reduced in its essence to an atomistic bundle of labour times united by the *concept* of 'value', the 'substance' of which becomes reduced to 'the social average productivity of labour',<sup>75</sup> which is nothing but another concept. Thus Mandel reverts to Kant for his dialectic and Durkheim for his functional analysis of the institutions of 'late' capitalism.

To amplify. Mandel claims any Marxist theory of capitalist political economy must understand and relate three defining aspects of its reality. Firstly, the appearances or superficialities of the concrete world of capitalism; secondly, the intermediary links (eg, rising organic composition of capital, relative surplus value extraction..etc); thirdly, the 'inner relation' (the value relation). The 'third', according to Mandel, enabled Marx to 'grasp historical reality' (Mandel's first aspect - concrete appearances), and give it unity. However, as the 'inner relation' itself (the value relation) was a 'somewhat idealised and typified inner structure',<sup>76</sup> the 'second aspect' (intermediary links, eg, organic composition of capital) has to serve two functions. Their interconnections must serve to *verify* Marx's apparently 'ideal-type' 'inner relation' of value theory *and also* serve as intermediaries to the manifold concrete appearances of capitalism. The strong implication is that, for Mandel, the law of value serves as an *ideal-type*

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<sup>74</sup> Mandel, op-cit, p594.

<sup>75</sup> Mandel op-cit p594.

<sup>76</sup> Paraphrases are from Mandel, *ibid*, p18.

*abstraction* to be *verified*. Apparently, for Mandel there remains nothing *substantial* to the law of value itself. There is no internal relation between the categories he speaks of, and so these categories merely become so many variables to be verified. Hence Mandel can, indeed *must*, argue that,

up to a certain point *all* the basic variables of this mode of production can partially and periodically perform the role of autonomous variables.<sup>77</sup>

An investigation of the correlation between these variables is an important part of 'Late Capitalism', for Mandel, because his thesis ,

is that the history of capitalism (concrete appearance) and at the same time the history of its inner regularities and unfolding contradictions (value relations), can only be explained and understood as a function of the interplay of these six variables.<sup>78</sup>

The problem Mandel faces along with much post war western Marxist political economy, is that by failing to develop theory out of capitalism's *real substantive unity* - the contradiction within labour - he is left only with a Kantian abstraction called 'value'; with a Kantian 'substance' called 'social average labour time', with which to unify the manifold appearances of capitalism. The latter explained as a perpetual function of this abstract unity. In relation to what has been argued here, one can say much Marxism has in fact fallen foul of all that Hegel criticised Kant for with regard to the latters metaphysical scepticism.<sup>79</sup>

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<sup>77</sup> Mandel, op-cit, p38.

<sup>78</sup> Mandel, op-cit p39, I have added bracketed words.

<sup>79</sup> The interested reader is referred to Hegel's *Logic* (1975), p65-94. Hegel says of Kant 'There is a dualism in his philosophy...on one side stands the world of sensation..This world he alleges to be a world of appearances...on the other side and independent stands a self apprehending thought..(which)...in the critical

With value theory in such a reified state, the transgression to further explanatory concepts such as 'Fordist regimes of regulations', proposed by regulation theory, was, perhaps, inevitable. It is further evidence of a Marxism impelled towards the methodologies of Kant and Weber in an effort to breath explanatory life into the categories thrown up by the value form of labour. The problem is, however, that a deeper ontological analysis of *what is in decline* then becomes an impossibility. As we shall see the in substantive nature of Kantian inspired categories, such as 'Fordism and Post Fordism, obscures a more profound critique of capitalism in the twentieth century.

## 2.6 Capital Logic Approach 2

Regulation theory characterises the epochs of capitalism as the movement between pre-Fordism, Fordism and Post Fordism. As a school of thought it has its origins in the work of Agliatta (1979), with many subsequent additions by others, for example Jessop, (1982, 1990 1992); and Hirsch, (1992). The concepts have been widely deployed to explain many facets of social life from the economy, the role of the State and even modes of architecture (Gunn, 1991). However, it is as an explanation of *regimes of accumulation* and *modes of regulation* that is of most concern to us here. Despite some variations, there exists a certain core of ideas concerning the regulation theory which enable it to be classified a school. It is these core ideas which will be subject to critique here.

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doctrine ....is divested of every specific form, and thus bereft of all authority' (p93). Arguably western marxist value theory is left in as similar an abstract state as Kants 'self apprehending thought'.

Regulation theories (RT) emerged precisely because of the failure of existent Marxism to explain the deep structural crisis which has plagued western capitalism since the mid 1970s. Theories have been one sided, so the argument goes. Two prominent Marxist efforts have fallen short of a full explanation: those of 'profit squeeze theory' and theories of 'the long wave'. Long wave theory successfully locates the crisis ridden nature of capitalism in the immanent tendency for the rate of profit to fall (TRPF). The contours of 'the long wave' of capital accumulation are given their shape by the sequence of a rising rate of relative surplus value extraction: cheapening of means of production and consumption; rising organic composition of capital; initial success of counteracting tendencies to offset falling rates of profit; and, finally, the eventual failure of counteracting tendencies and actualisation of a falling rate of profit. According to RT there is little problem with this per-se (Hirsch, 1991). That is to say the reification the law of value suffers in long wave theory is not the problem. The problem is simply that these abstract laws need to be concretised. Their concrete manifestations, depict how, why and under what circumstances the TRPF and 'long waves' will actualise and resolve themselves.

Bequeathed a concept of the law of value which apparently has no absolute limits, RT search for more conceptually concrete manifestation to capture in theory the movement of the abstract law of value. For example, Hirsch, initially likes the look of 'profit squeeze theory'. But then concludes that the theory is too superficial. It does not convey the true nature of class struggle beyond the level of class struggle over distribution of incomes. In effect, profit squeeze theory can only explain counteracting tendencies and not the nature of an epoch of capitalist development (Hirsch, 1992).

RT's believe that the concepts of Fordism and Post Fordism can *substantiate* (give concreteness to) the *abstract* laws of motion of capital, which apparently

has no concreteness of its own (Jessop, 1991). In other words, whereas Marx clearly envisaged the value form as having a content (concreteness), of its own, that is a substance of its own - abstract social labour - RT's do not recognise this and so have to create ideal type concepts such as 'Fordism' to do the job. Hence it is the contours of Fordism, not the emergence, consolidation and decline of abstract socially necessary labour, which becomes the focus of explanatory attention.

The substantiation takes the following form. Fordism, for example, becomes a process of two interrelated parts: a regime of accumulation (guiding the law of value in the economy); and a mode of regulation (the involvement of the State politically in regulating consumption and culture to assist the regime). Together they serve as a synchronic 'concrete social framework' guiding the abstract laws of motion of value, which apparently is external to it. The concept 'Fordism' has many factors within its rubric. For example, the part that deals with setting the regime of accumulation, exhibits a culture of mass production of standardised commodities; the deskilling of labour; and scientific management, usually Taylorism, as the main mode of control over workers in the labour process. The bit that deals with regulation designs a central role for trade unions in national wage setting; adapts controls over demand in the form of Keynesianism; and creates a welfare state. All of which regulate consumption to accumulation and so attempt to stave off the onset of the next 'long wave' in its decline phase. If/when the mode of regulation cannot keep apace with the regime of accumulation then a realisation crisis becomes actualised, the long wave comes to a faltering end and the fragility of the only formal unity of the abstract law of value breaks down. This heralds the beginnings of a Post Fordist accumulation strategy.

Thus, the deep structural crisis that hit western capitalism around the mid 1970s is due to Fordism's failure as an institutionalised counteracting tendency to offset the TRPF. Post Fordism is an attempt (still embryonic) to restructure/substantiate the formal unity of the law of value, by establish a new regime of accumulation and mode of regulation. A regime of accumulation is said to be in the process of coming to be. It includes a post Taylorist organisation of labour along more flexible, individualised lines, with the split between core and periphery becoming more pronounced; a micro-chip technological revolution which aids and abet the extraction of relative surplus value via mass production of *differentiated* commodities. The mode of regulation must fit the more flexible regime of accumulation in the Post Fordist world of the future. Hence, it consists of a strong authoritarian State, able to distance itself from the economy, but capable of centralising its political rule. The fragmentation of collectivities ushered in by a resurgent market, provides the basis upon which the State can impose political atomisation. Reinforcing this process is the dismantling of the welfare state; the privatisation of public assets; the weakening of the old pluralist political system and destruction of national wage bargaining systems.

Without a doubt, some of the descriptive parts of the theory have a certain ring of truth. Although, as some have argued (Clarke, 1992; Bonefeld, 1992), one would look in vain for any evidence of the ideal-type Fordist or Post Fordist world portrayed by RT. The biggest problem however, is not empirical, but ontological. Force fitting the dialectical movements of capitalist social relations into ideal types, merely obscures the aforementioned tendencies inner connections and mystifies their real context - a declining capitalism. Because they deny value its real substantive content - abstract labour, RT's sever the value world from its articulation and grounding in society and ground it rather in the world of ideas and concepts. The law of value becomes an *epistemological*



*device* to aid a *functionalist* analysis of modes of regulation and regimes of accumulation. Further, because their law of value is a concept divorced from its ground in society, it has no real developmental tendencies, or tendencies towards decline. Hence the law of value becomes a universal law of society in the abstract and can apparently arise, unscathed, from every conceivable crisis, 'long wave' or otherwise. The political implications of moving away from labour as the ground of Marxist analysis is clear too. Capitalism is universally dynamic, there is life in the old (ageless?) social relation yet, therefore the left should press to reform it (in the interests of the working class of course!) It is no accident that many adherents to RT have called for trade unions to 'get real'; strikers to stop their old fashioned (read 'Fordist') nonsense; and for the Labour Party to 'modernise' itself ready for another attempt to reform capitalism.

The argument in the next chapter confirms that Trotsky's famous warning - 'from a scratch to the danger of gangrene' - was never more appropriate to the Marxism's considered above. It will be argued that the neglect of Marx's starting point - the two-fold nature of labour - is the main reason why Marxist theories of decline have remained trapped within an explanatory discourse concerned with *intra* capitalist struggles, creating false dichotomies between industrial and financial capital. It is also the main reason why modern Marxism is forced to seek out Kantian abstractions such as Fordist regulation regimes. As noted, the root of the reification of value theory lies at the level of (post Marx) classical Marxism. To recapture the *substantive* and *methodological* point of departure for an analysis of capitalist decline, requires that one clarifies the ontological significance of Labour in Marx's work. This task is taken up in chapter three. The proceeding chapters will then *operationalise* the *theory* of capitalist decline constructed in chapter three and develop a genetical and historical account of the decline of the capitalist social relation in Britain. This chapter ends with a brief recapitulation of the critique so far.

## *2.7 Overview and Summation of the Critique*

I have argued that bourgeois theorists disarm themselves of a real analysis of British capitalist decline, when they choose to ignore the **specific social form** under which production occurs. By choosing instead to view the production process as a neutral technical zone they are compelled to seek the source of decline in inessential aspects, namely : state interference or the psychological disharmonies between management and labour. In the case of the Right there can be no mystery as to why their analysis should centre on the universal technical aspects of production and exchange. Quite simply, by doing so, they attempt to persuade all who will listen of the 'naturalness' of market based relations and the 'unnaturalness' of non-market state forms of production.

If the non-Marxist Left (NML) theory also reifies the production process, at least its analysis has the benefit of revealing beyond doubt that state intervention is far from being a hindrance to markets, in point of fact a positive necessity in bolstering an ailing British capitalism. Essentially, however, NML theory throws little light on the source of decline. The cumulative causation's of decline it offers, such as, 'supply-side deficiencies' and 'inelastic demand' capacities of British commodities; are merely the manifest effects of a deeper ontological source of decline which escapes their atomist method of enquiry. Their views, it can be argued, express the interests of those groups in society who seek *class compromise* between labour and capital. In as much as this is the case their political economy centres on the belief (however conscious or unconscious) that in order to maintain general market relations, value expansion must, at certain points, be sacrificed to the bureaucratic administration of useful needs. This maintains control over organised labour by keeping them at arms length from real

political decision making at the point of production. This in turn, prolongs the political rule over production as a whole for a somewhat unstable factionalised capitalist class.

As far as the Marxist contribution to British capital's decline is concerned the situation, is far from satisfactory. With the law of value dismissed or ignored (arguably for the reason given in this chapter) their central categories owe more to Kant and Weber than to Marx. 'Hegemonic class rules', 'Fordist' and now 'Post-Fordist production regimes', torn from their basis in value relations and their content - abstract labour - are, at best, mere descriptive abstractions. Similarly, their 'ideal-type' comparative decline analysis of Britain vis-a-vis other more 'mature' capitalist nations, becomes a poor substitute for analysing the real source of decline: the decay of the capitalist *social form* (value) and *social content* (abstract labour) of production.

## CHAPTER THREE

### CONSTRUCTING A MARXIST THEORY OF DECLINE.

#### *3.1 Marxism and the Category of Decline*

If we did not find, concealed in society as it is, the material conditions of production and the corresponding relations of exchange prerequisite for a classless society, then all attempts to explode it would be quixotic.

(K. Marx, *The Grundrisse*, p159)

The quote above reflects Marx's belief that if the present society contained no transitional forms (on the basis of which a movement towards a classless society is possible), then the whole Marxist project would be utopian, little more than a leap of faith. Marx, however, firmly believed capitalist society was inherently transitional. When the May 1872 edition of 'The European Messenger' of St Petersburg reviewed *Capital*, Marx was of the opinion that its reviewer had captured the spirit of his scientific endeavour - to capture in thought the *transitional nature* of society. Later editions of *Capital* carried the proceeds of this review. The reviewer made the particularly important point that the outcome of every accurate scientific investigation into economic life must be an attempt to disclose,

the special laws that regulate the origin, existence  
development, death of a given social organism and  
its replacement by another and higher one.<sup>80</sup>

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<sup>80</sup> Marx, *Capital* Vol 1 p28 (Progress Publishers 1983).

The European Messenger was quite taken with the fact that Marx had adopted this approach to the study of capitalist society. An approach which compelled him to search out the 'law of the phenomena' and its 'transition' from its present form into another. Indeed it is this aspect that 'the messenger' (to Marx's pleasure) holds aloft as *the objective* of 'scientific investigation into economic life'.

With some exceptions, Marxist's analysing British capitalist decline often infer that something is 'ebbing', 'shrinking', 'dwindling'..etc. When they refer to phenomenon such as profitability, balance of payments crises..etc, they are indeed adequate expressions. However, such words do not capture what was inferred by the *European Messenger's* reporter who spotted something more profound in Marx's explanation of what was occurring within the social relations of capitalism. In order to capture the spirit of what decline infers here, one would use more appropriate words such as 'decay', 'dissolution', 'disintegration', 'decomposition'..etc. These words give better expression to the *manifestations* of a deeper process, what Marx sometimes referred to as the '*self negation of capital*'.

Marx chided Adam Smith and David Ricardo whom he considered to be the best of bourgeoisie political economy, for dealing inessentially with the problem of capitalist decline. Adam Smith and David Ricardo simply could not conceive of an *internal* cause of capitalist decline. Any notions of decline they did harbour were 'partial' and 'reversible' decline (much like the terminology of the modern day 'de-industrialiser'). Smith, for example, pointed to problems of too high an interest rate; Ricardo pointed to nature - the decreasing marginal efficiency of land. Marx in *Capital* by contrast established the *manifestations* of decline, when developing his critique of the *organic composition of capital* and the

related *socialisation of labour*. Such incites provide *indications* of the *source* of decline, although, nowhere did these indications receive elaboration. Henry believes that Marx could conceive of the regressive antagonistic aspect of capital, even if Marx did not draw them out fully on paper, solely because of his chronological place in history;

Marx was able to write capital only when the subject of his enquiry, capitalism, had reached a level of development in which it showed its regressive features as well as displayed the social forces that could lead to its elimination.<sup>81</sup>

Certainly this fact was a very big help, however there is more to the matter than this. Marx had a different methodological outlook than bourgeoisie political economy. The key factor was his ontological commitments to the centrality of labour, the transitory forms labour evolves through and the specific dual form it took under capitalism. Marx brought a mixture of Aristotelian and Hegelian categories of philosophy to bear in shedding light on this ontology of labour (a point that will be expanded below). Marx, in a famous passage in *Capital*, points out,

a commodity presents itself to us as a complex of two things - use value and exchange value....Labour too possesses the same two-fold nature; I was the first to point out and to examine critically this two-fold nature of labour contained in commodities...This point is the pivot on which a clear comprehension of political economy turns..

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<sup>81</sup>J.F. Henry, *The Making of Neo-CLassical Economics*, p180, Boston Unwin Hyman, 1990.

Thus, Rubin was right to stress that Marx's 'starting point is not value, but labour'. However the critique does not stop at 'why labour has of necessity to take the form of value', but, if it is to do justice to the claims made in the *European Messenger* which Marx approved of, must beg a more penetrating question: under what conditions does the dual nature of labour contained in commodity form begin to degenerate and with what consequences for the categories of value? Marx skirted around the issue, but never made the degeneration into a more precise theoretical form. Certain remarks made in *The Grundrisse*, do provide a strong *indication* of how the dual nature of labour begins to transmute and what the consequences of this transmutation are.

In the *Grundrisse* Marx was quite specific about how and why the social labourer is substantiated in production on the basis of concrete social labour; and how and why the value form becomes increasingly subordinated. Marx argued that under capitalism labour time is the ultimate source of wealth in the form of value. However capitalism faces an inescapable contradiction which eventually brings about its decay. As capital develops so too does the *social* productive power of labour, so much so that the product of labour bears less and *less relation to labour time and so value creation*. In other words commodities produced are substantiated more and more *as* use values and less and less *as* aliquot parts of the value form (Grundrisse p704-706). Given that labour power is the commodity par excellence, then, it follows, although Marx does not spell it out, that the value form of labour (Marx's most important discovery) is in decline. If the value form of labour is in decline, this can only mean that its substance - abstract labour - is in decline also.

Marx is quite clear as to the cause of this tendency toward the negation of the commodity form of production - it is the emergence of the socialised labourer and its productive potential which outgrows its value form. Therefore, one may

say that the essence of *decline* is found in the process whereby one identity (*ground*) for the social relations of production - abstract labour - begins to wane, while another identity - socialised labour - begins to develop. As Marx argues -

it is neither the direct human labour he himself performs, nor the time during which he works, but rather the appropriation of his own general productive power, his understanding of nature and his mastery over it by virtue of his presence as a ***social body*** - it is, in a word, the development of the ***social individual*** which appears as the great foundation stone of production and of wealth. The *theft of alien labour time, on which the present wealth is based*, appears as a miserable foundation in face of this new one.....As soon as labour in the direct form has ceased to be the great wellspring of wealth, labour time ceases and must cease to be its measure, and hence exchange value (must cease to be the measure) of use value.....With that, production based on exchange value breaks down, and the direct, material production process is stripped of the form of penury and antithesis (ibid p705-706, my emphasis in bold).

The limited nature of capital, due to the developing social integration of labour, is perhaps never made more clearer by Marx than in the following pronouncement;

On the one side, then, it (capital) calls to life all the powers of science and of nature, as of social combination and of social intercourse, in order to make the creation of wealth independent (relatively) of the labour time employed on it.



On the other side, it wants to use labour time as a measuring rod for the giant social forces thereby created, and to confine them within the limits required to maintain the already created value as value. Forces of production and social relations - two different sides of the development of the social individual - appear to capital as mere means, and are merely means for it to produce on its limited foundation. In fact, however, they are the material conditions to blow this foundation sky-high (ibid p706).

There is, then, clear indication from Marx that the essence of decline involves an inverse relationship between abstract and socialised labour; the former weakening as the latter strengthens its grip on production relations.

I wish to argue below, that this socialisation of labour is central to what Marx, as mentioned above, refers to as the 'self negation' of capital. In addition, it is argued that this negation was the *basis* for the emergence of finance capital in Britain. The fundamental role of finance capital is to *oversee* and attempt to *arrest* capitalist decline. To get to a point where this can be substantiated, requires that two prior stages of explanation must be initially negotiated. Firstly, an explanation of what exactly abstract labour *is* will be undertaken. This will situate the category within Marx's general exposition of the essentials of the law of value. Secondly, a little must be said about the ontological status of categories such as 'negation', 'essence' 'law', 'identity' and 'difference' and their role in society in general and the decline of abstract labour formation in particular.

### 3.2 *The Role of Abstract Labour in Marx's Theory of Value*

The law of value is not just a *theory* which helps one understand social reality, rather it is inherent in the structure of capitalist society, giving that society order. The theory of value expounded by Marx is thus a set of interrelated concepts which capture the living process of this law and how it constitute the essence of capitalist society. The fundamental and ideal condition for the existence of the law of value is that the dominant form of labour is wage Labour. This indicates that labour's only connection with production is through the selling of its labour power to a capitalist class who, by definition, own and control the means of production and so surplus labour. Once labour is separated from the means of production, the latter is no longer the natural mediation for the self expression of man. Instead the means of production now stands opposed to labour as capital, something alien which creates and recreates labour's exploitation and alienation.<sup>82</sup>

When wage labour dominates economic discourse, the direct production bonds between people are severed and older collective relations die. Ideally it is only through productive activity that labourers themselves are associated to each other. The best approximation to this ideal scenario was the period of British history following the abolishment of the poor laws in 1834 and the defeat of Chartism which ushered in the economic and political atomisation of labour for decades to come. Given such conditions in their ideality the implication is clear: divorcing labour from the means of production atomises every individual labourer one from another. However, it is not only labour which becomes atomised. In addition, the owners and controllers of capital also stand atomised from each other. Therefore, it can be stated that, given a fully functioning law

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<sup>82</sup>See K, Marx & F, Engel's *Collected Works*, No3, wher Marx and Engels provide their exposition of alienated labour in all its forms.

of value (eg, unbridled by payments to labour outwith the wage relation and devoid of monopolistic control of markets by capital), then members of all classes relate socially only as *commodity owners*.

An individual's being or identity as a commodity owner, is the basis of a peculiar dual 'identity' endured under capitalist relations<sup>83</sup>. As individuals with use value needs *and* 'bearers' of the exchange value producing process. For example, *labourers* own their own capacity to labour, a *useful activity* which must become an *exchange value creating activity* if the capacity is to be realised. *Capitalists*, having realised labour's capacity by exchanging it for a wage and uniting it with the means of production, are also commodity owners of many potential use-values at the end of the production process. However, like the workers labour power, it remains only a potential use value until it is exchanged. In this way the capitalist too is the bearer of a value relation.

The 'ideal', then, is to have no *directly* social production relation between individuals (intra *and* inter class). Social relations outwith, such as feudal, are crushed under the 'juggernaut of expanding capital', to paraphrase Marx, until individuals are *of necessity mediated by exchange at every turn*. Here then is the ontological basis for the rise and dominance over society of the value form, the social basis of prices. Stated briefly, capitalist society, as all societies must, expends and distributes social labour. However, as indicated, capitalist social relations atomise individuals into private commodity producers. A fact which poses the ontological contradiction of how their private concrete labour (whether it is the worker or the capitalist with a factory full of potential use-values worked up by concrete labour) is to be socially sanctioned in such a manner as to reveal its expenditure and distribution *as socially necessary*.

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<sup>83</sup>We come back to the category of 'identity' shortly.

Clearly it is through market exchange and so the 'price mechanism', that this ontological contradiction is resolved. But this is only the phenomenal form of the resolution. The market transforms use values into exchange values. However to do this requires some common ground between these two different natures, otherwise their relation would be accidental. As Marx proved against Samuel Bailey, the accidental claim is untenable. The ground must in fact be a *negation* of the two qualities; a negation which preserves each *within the one form*, or the one *identity*, otherwise their could be no unity. It must also constitute something *different* too, otherwise it would collapse back into being simply use value related or exchange value related.

Marx was aware that the existence of commodities proved that an inner unity did exist. Marx ( in *Capital*) traced the emergence of a *universal equivalent* commodity in the shape of gold. Its capacity as a universal equivalent rested on the fact that class struggle over surplus value extraction had forced on society the need for one commodity to be singled out as a vehicle primarily of exchange, which would best represent the social value of particular commodities. As the private and particular value rested on the particular and private labour time taken, then the universal equivalents secret is that it represents socially necessary labour in the abstract. The abstraction here is a real one; it is a social process, which the bodily form of gold does its best to contain and represent. Gold, as the universal equivalent, then, becomes the ground or negation through which particular exchange values are socially measured for their allotments of abstract socially necessary labour. As money capital, gold is the form of value par excellence; thus gold is the ground of the form of value *and simultaneously* the ground of its substance - abstract labour.

It is important to recognise that the ground or negation of use and exchange value cannot be achieved by any mere *symbol*, such as, for example, a *currency*

in and of itself. A currency represents exchange value and bears no relation to use value, eg, is not itself a use value. Therefore the ground/negation offered by currencies would only be apparent not real. Again it must be stressed that the real ground uniting exchange value and use value must have a commonality to both: it must have, in other words, both potentials within it. In a word it must be a commodity. Without commodity money, that is to say, without gold, use and exchange value would begin to lose the ability to unite. That is to say exchange value would weaken its dominating orbit around use value: use value would less and less be tied to socially necessary *abstract* labour criteria. In fact use value would be tied increasingly to the conscious regulation of *concrete* labour's social necessity for society (at first through embryonic forms of planning, ultimately in an organic plan necessarily involving the whole society in some way). Necessarily so, because once use value had moved from the orbit of exchange value entirely, then its other ergon - meeting social needs - would dominate. The expression of this new ergon could only be accomplished if all individuals were politically active in deciding these needs. Much of these issues will be raised later in the thesis, for now it is suffice to know that implicit in Marx's value theory is its suppression.

For Marx, then, generalised commodity exchange, as it deepened its hold on society, was, stripped of all inessential content, **the social process between individuals which reduced their holdings of concrete private labour to abstract social labour**. This social valuation of private labour, then, is achieved through their negation as abstract socially necessary labour, which is given actuality by the exchange of commodities. In this manner as Marx remarked constantly, our social relations take the form of things because things take the social form of value relations. As our social exchange relations develop so too does the expression of value. Eventually, as indicated, it becomes a universal equivalent: gold, which is represented at a suragatery level, by the world

currencies that at different periods of capitalism's history act 'as good as gold' in ever decreasing power, for example, Sterling and latterly the Dollar.

The whole drive behind such social relations of course evolves out of the capitalists need to extract a surplus from labour. As owner of a commodity, labour power, the worker is paid his value in exchange for the use of his labour power (the wage subject to the class struggle may be higher or lower but must gravitate towards his value)<sup>84</sup> If this for example was the equivalent of three hours work and the worker had sold the use of his labour for eight hours then a surplus value of five hours falls to the capitalist. This is just a simple illustration to make the essential point that the capitalist, as controller of production, is interested in production and exchange solely in respect of its **valorising** capacity. Therefore, not only is one dealing with a productive organism which can become social only via the circulation of commodities, the latter's capacity resting on its dual nature as both a use-value and value; but also with a society where the value form takes overriding priority in relation to 'productivity' or the over coming of 'supply side restriction' so fetishised by both Left and Right of the political spectrum which concerns itself with De-Industrialisation.

This brief excursion into the basic ontology of Marx's L.T.V. leaves one with these initial conclusions : concrete labour is the basis of abstract labour, abstract labour is the basis of value and value is the basis of money/prices, in a word they are 'identities in difference'. To be more precise, the *different* social categories above, from class struggle to price, are the product of the contradiction between two *identities*: concrete need fulfilling labour and abstract exchange value creating labour. The dual identity was touched on above, it is the ground for the *suppression* of capitalist value relations. it is also, because of

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<sup>84</sup> Marx deals with the physical and moral elements that determine labour's value in Capital Volume One Chapters vi vii

this, the ground of the developing categories of a theory and practice of *transition*. The fuller ramifications of this contradiction are detailed below.

### ***3.3 Identifying the Categories of Transition***

Marx's critique of capitalism was fundamentally a critique of its *transitory laws*, the principle law being the law of value. Modern Marxism travels along a different ontological path than Marx. For them (see chapter two), the law of value is not in a state of transition, but, on the contrary, is deemed to remain fundamentally undisturbed as capitalism 'develops' from one cyclical crisis or long wave to the next. As a result the full implications and meaning of capitalist decline have become obscured. To unearth the meaning of capitalist decline, requires one disclose the nature of the *transitions* undertaken by the law of value. It is commonplace amongst Marxist to claim that the law of value is a social relation, but not so common to expand on the ontological context of this 'law'.

Meikle<sup>85</sup> reveals the strong relationship between the essentialist world view of Aristotle and Marx's way of looking at the world. Marx's doctoral thesis appears to offer confirmation of his essentialist leanings. He sided with Epicurus's claim that atoms are internally related parts of a substantial form and that knowledge of the world must take this into account. Democritus's claim, that the world was constituted by the blind collision of atoms having no specific formal relation, was firmly rejected by Marx. Teeple summaries one of the major ontological findings Marx took from his dissertation;

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<sup>85</sup>Scott Meikle, (1985).

The atom as first principle (essential form) and  
appearance (given determinate material qualities)  
represent respectively the two sides of the realised contradiction.<sup>86</sup>

Thus Marx appears to have been won over towards the disposition of essentialism very early on in his intellectual development. As Rosdolsky (1977); Rubin (1979) and others have adumbrated, this disposition towards a materialism that went beyond appearance to grasp the necessary forms, was to prove to be the key in Marx's revolutionising of the categories of political economy bequeathed him by Smith and Ricardo. As Meikle points out, 'Marx's understanding of the historical process embodies categories of essence, law and necessity', all of which he was to gain from Aristotle.<sup>87</sup> In addition, to the influence of Aristotle, one cannot forget that Marx also 'avowed himself a pupil of that mighty thinker Hegel'. Hegel's categorical understanding of *negation* was undoubtedly a decisive factor in Marx's unique synthesis of Aristotelian essentialism and Hegel's dialectical 'logic'.

There are differences between an Aristotelian understanding and an Hegelian understanding of the categories mentioned above. Fundamentally their differences have been sublated by Marx and so Marxism; the categories have been taken to a deeper level of abstraction. This implies Marxism appropriates the categories of essence, law, identity, negations..etc, in a different way than did Aristotle or Hegel. It is outwith the scope of this thesis to consider what those theoretical differences might be. The thesis simply hopes to put Marx's synthesis *into practice* and be judged on its explanatory power in determining just what is at the heart of capitalist decline in Britain.

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<sup>86</sup>G. Teeple, *The Doctoral Dissertaion of Karl Marx*, in The History of Politcal Thought (journal), p99, No11, (1990).

<sup>87</sup>Meikle, 1985, op-cit, p3.



What one can say, however, is that Marx paid homage on a number of occasions, in *Capital* and elsewhere, to Aristotle's grasp of material reality as constituted by real natures, which have a purpose (efficient, material, formal and final cause) determined by their form (essence) and develop and decay on the basis of necessary laws, which, barring accidents, realise the purpose. Aristotle's grasp of the real nature of his own society, as Marx indicated, almost uncovered the secret of value. Clearly, Marx was an advocate of Aristotle's method of enquiry and ontological persuasion. Meikle's argument (1985) that Marx was an essentialist cannot be seriously contested, nor can the explanatory power of seeing Marxism in this light be seriously doubted.

However, there is more to Marxism than its Aristotelian heritage. Marx also had the benefit of Hegel's explication of *negation*, which brings into relief a much sharper understanding of dialectics, than is evident in Aristotle's work. Certainly the category of negation is *absolutely decisive* in Marx's critique of political economy *and* to his understanding of its downfall and the necessity of communism (even if it is not inevitable). To take account of the sublation one can call Marxism '*dialectical* essentialism'. One needs to explicate the *dialectical essentialist* understanding of the categories and progressively introduce them into political economy. Hence below I introduce the categories *essence, identity, difference, dialectics, law and negation*, progressively, before combining them in a critique of capitalism in *transition* and *decline*.

Taking *essence* first. The *essence* of an entity is not reductive to any one thing, on the contrary, it signifies the irreducible relation between an entity and its parts. The relation is a *contradiction*. As a first approximation one can say the contradiction is that *systematically* (and so necessarily) the parts of an entity are repulsed from and attracted to the entity. More fundamentally the contradiction resolves to this: the parts of an entity are an *identity* in so far as

they are species kinds of that entity, but simultaneously they are *different*, in so far as they are individual parts. Take societies in general, individuals are *identical* as social beings, but as individuals, they strive to attain/retain their *difference*. This is a natural state of affairs which no society can do away with. Individuals can only be individuals in and through society. In class divided society, however, individuals have their identity divided. The class an individual belongs to is the basis of their divided identity. This double identity is the basis of alienation and the basis of an individuals reluctance on most occasions to identify themselves with a class (a divided identity) even though objectively they prosper or become ruined because of its existence. Only on certain occasions can they be drawn to act as a class because their lives as individuals have become insufferable.

A more specific appreciation of the dialectic between identity and difference can be ascertained by considering the dispute over the working class nature of individuals in capitalist societies. Their condition as exploited wage labour serves as the basis of their more substantial *identity*. Yet members of this class will always be *different* too, as particular individuals and/or groups, for example, oppressed women, blacks..etc. They strive to assert their differences (eg, feminist and black liberation movements), sometimes by *denying* their more substantive identity (as class bound), sometimes by *embracing* class identity. Whether class identity is denied or embraced, it is always *the* conditional fact of life in class based societies. Thus it could be argued that for the black movement to *actuate* their differences and express them freely, they have first to embrace and change their more fundamental identity or class status which binds them to their oppressed status. In this instance it is a great disservice of working class movements to attempt to *crush difference* under the category of class identity. A political act which alienates the oppressed from class politics. Far better to embrace difference and identity in a revolutionary politics. Perhaps this was

Lenin's point in his critique of 'economism' as the current vogue in revolutionary politics in *What Is To Be Done?* It was certainly implicit in Trotsky's formulation of the 'united front' strategy.

If identity and difference are the essence, then the concept of dialectics expresses the negation of the two as the living contradiction of all entities/societies. The drive for individuals to produce those social conditions most conducive to the development of the individual is a dialectical one. Individuals must negate themselves as social beings in society, thus individuals will use their capacities and powers to make a society which best expresses their desire for freedom. Thus the dialectical relation of identity and difference in society cannot be done away with, but they can be expressed by people in *different forms*. Ultimately the best form is the one which does *not* sacrifice identity in the name of difference (eg, as capitalism does) or difference in the name of identity (eg, as the Soviet Union did). I believe Marx's fundamental point was that in class societies, formed on the basis of one class owning and controlling the extracted surplus labour of another, identity and difference will take alienated forms and will also be out of balance (suppressing either one or the other) because of this. One does not have to look far to see the fetishism of the 'individual' within our own society.

Turning to *law*. Law is the *movement* of the *contradiction* between identity and difference which constitutes an entity/society. In this sense law is inherently bound up with dialectics: law the name we give to dialectical processes of change and development. It is what organically binds society *as a society* and not a mere aggregate of individuals or institutions. Thus theorists who on the one hand deny atomism, but on the other hand speak of the social whole, while

denying dialectical laws, are contradicting themselves.<sup>88</sup> Without dialectical relations between individuals, institutions and classes, society would fragment and would not, therefore, credit the name.

Social laws, then, are the dialectical negation of individuals within a class based society. The *form* of social class relations and scope of labour's productive powers interact to create a historically specific form of surplus labour extraction. It is through this prism that the dialectical laws of the negation of individual in society takes specific form too. Thus social laws of *development* refer generally to the movement of the contradiction between the *identity* imposed by determinate social production relations and *difference* imposed by the need for human individuality to express its powers and capacities.

Prior to capitalism, forms of slave and feudal class relations remained parochial as a result of which the social ties of a *direct dependency* were more pronounced. As Meikle, suggests, such relations exist on the threshold before the first turning point in the historical relationship between individuals and society, where direct dependency dominates.<sup>89</sup> Because of this the forces of identity naturally overwhelmed those of difference. Individuality was stultified and could not find true independent expression, hence was not the central issue then that it was to become. Capitalist production relations, through the intrusion of the value form and its resultant the market, polarise the categories of identity and difference as no other society before has done. However, in doing so, capitalism lays the ground for a more thorough assimilation of identity and

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<sup>88</sup>Adam Smith and Emile Durkheim are two of the more important philosophers who spring to mind here. Although the contradictions of such theory abound with modern theorists of society, for example, so called 'institutionalists' such as J.K. Galbraith and of course the non Marxist de-industrialisers critiqued in preceding chapters of this thesis.

<sup>89</sup>As Meikel, op-cit points out, there are two turning points, one from the direct dependency of slave and feudal forms of society, the other from a society of alienated apparant independence (capitalism) to communism. The movement is dependent for its dynamic on the forms of extraction of surplus labour, which in turn relate to the productive powers of labour and social relations corresponding to them.

difference, in the shape of communism. A fact implicit in Marx's depiction of communism as 'freedom from necessity' (not the abolition of necessity). Or as Meszaros would have it, people would mutually benefit from the interchange of their capacities and powers, rather than the exchange of value which characterises the society preceding communism.<sup>90</sup> The 'freely associating producer' of communism is a concept which perfectly encapsulates an unalienating blend between identity and difference. Meszaros, reflecting on a point raised by Marx, captures the essence of it, 'Marx defines communism as "the genuine resolution of the *conflict* between man and nature and between man and man - the true resolution of the strife between existence and essence, between objectification and self-confirmation, between freedom and necessity, between the *individual and the species*". This utterance should not be interpreted to mean that now "individual" and "mankind" become the same concept...On the contrary, when the possibility of resolving the age old conflict between individual and mankind is in sight, only then it becomes possible to draw adequately the line of demarcation between the ontological sphere of the individual and that of mankind'.<sup>91</sup> Of course the movement and revolutionary transformation from capitalism to communism is a protracted historical process, the necessity of which may not be realised.<sup>92</sup> Capitalism flatters to deceive when it comes to expressing difference *as freedom*. While society remains capitalist, the market breaks all direct bonds and elevates individuality to a higher plain, until the cult of individualism it fosters, denies the validity of *any* identity separate from bare individuality (this is in fact the real ground for the emergence of an atomistic world view).<sup>93</sup>

<sup>90</sup> I. Meszaros, *The Communitarian System and the Law of Value in Marx and Lukacs*, in *Critique*, No23, 1991.

<sup>91</sup> I. Meszaros, (1986), p276-7.

<sup>92</sup> In many ways this thesis is concerned with disclosing under what circumstances capitalist relations in Britain, although in decline, have sought to frustrate this necessity, through the incorporation of the working class into Labourism (to be defined later in the text).

<sup>93</sup> Hegel, to his credit, lays waste to this erroneous view prominent in 19th century bourgeois philosophy. See the shorter *Logic*, ed by W. Wallace, p144-45, third ed, (1975). However, as Meikle (1985) points out, atomism has renewed its ascendancy in philosophical quarters during the twentieth century.

At a deeper level the identity constituted by capitalist society (regardless of the claims of the atomist, or the claims of superficial appearances which present themselves to us) is imposed in a more rampant form: the value form. Individuals, as wage labourers, in order to be enabled to use their creative powers and realise their individual capacities and needs, must have their individual capacities reduced to the identity of the value form. Thus individual differences are suppressed under the imposed identity of wage labour: the identity of *being* commodities and the identity of *producing* commodities. The process at the heart of the relationship between identity and difference is *negation*. A category which needs to be introduced at this point. Marx and Marxism is indebted to Hegel's understanding of the dialectic and in particular the category of *negation* in the dialectical process.

*Negation* refers to the movement between two qualitatively different social categories, based on their grounding in a third social category which exists to mediate the two. The reason mediation is possible is because the third category has elements of both qualities within itself. Without the ability to negate, the two qualitatively different categories would be discrete and so accidentally related. This is in fact the philosophical disposition of the atomist regarding the nature of being. They believe the one is identical *to the one* and to no other. As Hegel observes, 'So long as the one is fixed as one, it is certainly impossible to regard its congression with others as anything but external and mechanical'.<sup>94</sup> Clearly this is a conflation of identity and difference, so that identity is conceived as simply *being* different. Thus things, atoms, individuals are seen as having their identity *in* their difference. Yet, as the atomist acknowledges, individuals experience repulsion *and* attraction. The atomist would claim externality here in the sense of accidents. However, as Hegel observes in his *Logic*, the *systematic*

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<sup>94</sup>Hegel (1975), op-cit, p144-45.

*nature* of repulsion and attraction calls forth the prospect that there must be an *internal relation* uniting individuals: a necessary relation, a necessary identity more ontologically significant than an identity conflated to difference.

Hegel indicates the essence of negation, 'Quality, as determinateness which *is*, in contrast with the **Negation** which is involved in it but distinguished from it, is **Reality**'. Negation is no longer an abstract nothing, but as a determinate being and somewhat, is only a form of such being - it is as otherness'.<sup>95</sup> For Hegel reality *is* the inner unity between individual qualities, based on their negation by something 'other', which is an inherent and necessary part of them. Of course the individuals and the 'otherness' which internally bind them through the process of negation, can vary in *form* and *content*. For example, one may speak of individuals and society (as we have done above), or of the relationship between production, exchange, distribution and consumption, within a specific social form of surplus extraction. Marx, for example, chides the vulgar Hegelian economist for the abstract identities they would create between the negation of 'production' into 'consumption' and vis-versa. For Marx this was not the key to the real negation. Firstly, the economists left out the mediating links of distribution and exchange. Secondly, attention should have focused on the *specific form* of production relations. Then, and only then, can it be shown that production relations exhibit the essential powers of negation, which are the primary determinants of how and when and under what conditions distribution, exchange and consumption occur.<sup>96</sup>

Reality is thus a process whereby, what appear to be discrete individuals, are in fact individuals who experience unity through negation into 'otherness'. The reality denoted depends on the object in question. 'Individuals' may be about

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<sup>95</sup>Hegel (1975), op-cit, p133, *ibid*.

<sup>96</sup>Marx, *The Grundrisse*, (1973 edn), p88-100.

individuals generally and 'otherness' may refer to society in general. It may also refer to the *historically specific* production relations of capitalism and the law of value. It is this reference point which is our concern. Thus it is time to turn *negation* specifically on the categories of capitalist political economy, to support a theory of its decline.

Bringing essence, law, identity and difference and negation together and referring to the earlier overview of the theory of the law of value, one can say, as a first approximation, that the essence of capitalist society is the contradiction between use value (difference) and exchange value (identity). The inner core of the contradiction and so essence of capitalism, is the contradiction within labour, which is the real ground for the contradiction between use and exchange value. As indicated above, labour has a two-fold nature - in creating use values it is concrete labour; in creating exchange values it is abstract labour. That is to say the substance of useful labour is concrete while the substance of value creating labour is abstract labour.

The *dual nature* of labour is very important to understanding the laws of transition Marx spoke of. The dual nature of labour is in fact the basis for *two identities* at work within capitalism. An identity substantiated by the fact that labour creates use values for need; and another identity substantiated by the fact that under capitalism one has abstract labour creating exchange values for profit. There is a contradiction between the two: they live off each other, but one must subsume and eventually must destroy the other.

Whilst abstract labour formation remains unrestricted and in the ascendance, the *social identity* of the *value world* dominates individuals and *negates* concrete need fulfilling labour. In such a situation it acts as a barrier to class identity. As



indicated earlier, gold was absolutely crucial for the continuation of the dominance over use value and concrete social labour producing it. As the universal equivalent, it is the best attainable (after much social trial and error) material encasement of the expression of value and its content abstract labour. One can understand the full horror of the capitalist class in the 1930s, when each western capitalist economy in turn gave up the gold standard, only if one understands that, without gold, capitalism loses its ground for abstract labour and the value form: the fulcrum through which the value form dominated and sublated the identity of use value and need. A decline from gold allows the identity of directly social labour to grow and assert itself, just as importantly, in taking away the ground for abstract labour, it weakens the dominance of exchange value and the 'naturalness' of the profit motive. In effect the decline from gold signifies the decline of objective commodity fetishism, which seriously undermines subjective commodity fetishism. From this point on capitalism is in decline and the use of political atomisation (reification) to slow down and halt the ascendancy of a working class identity based on social labour and need, becomes crucial to the systems survival.<sup>97</sup> One begins to see Marx's intimations about the decline of capitalism in a much clearer fashion and hence just why bourgeoisie political economy, as Marx suggested, recoiled in horror at the very conception that crisis could be anything other than external and therefore reversible. For example, Marx wrote;

Apart from the terror which the law of the declining rate of profit inspires in the economist, its most important corollary is the presupposition of a constantly increasing concentration of capital's, ... This on the whole, is the result of all laws of capitalist production. And if we strip this fact of the contradictory character

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<sup>97</sup>Points which receive more detailed exposition as the thesis develops with its case study of British capitalism.

which, on the basis of the capitalist mode of production is typical of it, what does this fact, this trend toward centralisation, indicate ? Only that production loses its private character and becomes a social process, *not formerly - in the sense that all production subject to exchange is social because of the absolute dependence of producers on one another and the necessity of presenting their labour as abstract socially necessary labour (by means of money) - but in actual fact.* For the means of production are employed as communal, social means of production and therefore not determined by the fact that they are the property of an individual, but by their relation to production, and the labour likewise is performed on a social scale.<sup>98</sup> (Emphasis mine)

If, then, abstract labour formation begins to weaken, the negation of useful labour is incomplete. In this case the *social identity* forged around use value and need gains ground and directs individuals into collectivities, in order to attempt to consciously administer what was once the preserve of market spontaneity. The barriers erected against class identity become considerably weakened. These are laws which develop of necessity. Whether the working class can consolidate their identity as a class is of course not as subject to necessary laws. Chance takes a major role; the confidence of the class; the weakness of the capitalist class; the strength of the capitalist class to turn potential class identity into differences of colour<sup>99</sup> and sex; international situations; the strength and political affiliations of the intermediate classes..etc.

<sup>98</sup> Karl Marx, *Theories of Surplus Value, Part Three*, Lawrence and Wishart, p445 (1978 edn).

<sup>99</sup> On this issue see Hillel Ticktin, *The Politics of Race in South Africa*, (1991), who explains how the issue of race helped divide the South African working class and enable the capitalist class to continue to rule, on the basis of concessions to the white working class. Chief concession being to redistribute a portion of the surplus value extracted to a substantial section of the white working class. Ticktin's analysis deploys the category of

All this is a far cry from the theory of 'de-industrialisation' critiqued in chapter one. Illustrating the differences between Marxist ontological claims and the implicit ontological claims of de-industrialisation theory, brings into stark relief the greater explanatory potential of Marxism with regard to capitalist decline. To the de-industrialiser, society is a simple compounding of either discrete individuals or institutions. Even when some allow of 'classes' into their theory, they are generally of a subjective, discrete nature, atomised from the point of production and struggling with other classes over the *distribution* of *use-values*. The Marxist view is radically different. In this view society is a substantive organic whole which, whilst constituted by individuals, institutions and classes, cannot be reduced to a mere aggregate of them. Whilst it is not ignored that individuals are important with their own identity and rationality, it is nevertheless emphasised that they are bound together by a more essential knot, as it were; that is, they are bound together as **species kinds** via an essential unity they all share. 'When we consider bourgeois society in the long view and as a whole', noted Marx, '..' then the final result of the process of social production always appears as the society itself, ie, the human being itself in its social relations'. The production process as such has only one subject - individuals - 'but individuals in mutual relationships, which they equally reproduce and produce anew'.<sup>100</sup> It is the acknowledgement of this essential unity that distinguishes the atomist from the essentialist. Every individual, institution and class, is related to, and develops specific characteristics from, the given social reproduction relations in society. This is the basis of a very important category of *identity* to Marxism. As explained above, our identity as individual human beings is cemented by a *real* contradiction: we are individuals with certain unique self interests and traits *only*

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abstract labour to reveal that apartied, far from leading to an increase in the ruling classes extraction and share of surplus value, was in fact a burden on the process.

<sup>100</sup> K. Marx 'The Grundrisse', (1973), op-cit, p712.

*because* we are a mere particular of the substantially greater social reproduction process.

The importance of 'identity' to *political economy* is of course very great. Indeed, it is embedded in the many categories applied to the study of 'de-industrialisation'. In fact one can say that the atomist viewpoint on 'identity' (basically a thing or individual is its discrete self and nothing else) actually determines that Britain's 'problem' *is* the de-industrialisation of the material production base. The dialectical essentialist understanding of 'identity', on the other hand, reveals the 'British problem' to be nothing less than the *decline of a social form of production relations*. For example, take some of the categories of the debate around de-industrialisation considered in the previous chapter : 'labour', 'use-value', 'industry' and 'manufacturing'. To de-industrialisers, as 'identities', they are of course their empirically given selves, as they manifest materially and most certainly not anything else. For Marxist's, on the other hand, the matter is rather different. They are all the above and more besides. For example, labour *is* also abstract labour; use-value *is* also an exchange value and so a commodity; industry and manufacturing *is* also a valorisation process, or, value creating zone.

All the latter characteristics of each category share the same space with the former characteristics and yet are very different : *identical but different*. This, for Marxists is the natural order of all things capitalist and relates to their general world view that industry and its universal labour processes only exists in and through social form. As far as capitalist society goes the former (technical aspect of production) can only hold together as an ordered unity through the latter's social form (the valorisation process). These latter characteristics are not of course innate, natural, or, eternal. Rather, they are seen by Marxism to be historically specific and social, and as such as having a *transitory* nature. From

this point of view 'de-industrialisation' cannot be explained by technological determinism, because the material technical aspects only exist and generate change *through* the social form. Therefore de-industrialisation must be explained as the decay of this social forms ability to advance industry.

To explicate the implications of this dual identity, for a theory of *transition* and *decline*, one needs to turn to the *categories of political economy* to reveal under what conditions abstract labour may weaken; might fail to negate concrete labour and become partially negated itself. One must also know more about the link between this and the development of labour's other identity, concrete social labour activity, and in what manner it expresses itself socially in an ever more direct fashion.

### ***3.4 Political Economy and the Categories of Dialectical Essentialism***

In the previous chapter modern Marxism was subject to critique regarding its reification of political economy into a kind of functionalist capital logic. The source of this is a particular conception of 'law' and hence what the law of value is perceived to be. The particular conception is atomistic. Which is to say, the world is deemed to be, if not a direct ensemble of individuals and classes of individuals, then without a substantive and knowable essence. 'Law' then has two meanings: as the outcome of regularities, open to proof and falsification; and/or as the product of a concept engineered to create theoretical unity out of an essentially accidental world. In the case of the latter, law becomes an ideal-type, originally made famous by Weber, although it has longer roots in Kantian metaphysics. It is this conception of 'law' and so the law of value as an inessential regularity, which lies behind Regulation theories need to create ideal type concepts such as Fordism and Post Fordism. It is also Hilferding and

Lenin's slippage in and out of atomism and essentialism, which hinders their development of a theory of finance capital. Activating the conception of law explicated in the previous section, provides a substantive basis for the categories of political economy and, so to speak, breaths life and death into them. The result is that one begins to get a better understanding of the nature of the epoch we now live through.

Ticktin<sup>101</sup> has attempted such a dialectical restructuring of Marxist categories to make sense of the epoch. In the process he has unleashed a theory of great explanatory potential. One of his central methodological points concerns the category of 'law'. If we approach this with an alien ontology, argues Ticktin, - perceiving 'law' to be a mere pattern of events or constant regularities - then one can juggle the categories of political economy till doomsday and still not get very far in an understanding of the epoch. Ticktin follows Marx and views 'law' as an ontological as well as epistemological fact. 'Law' is the movement of a contradiction, or, as Ticktin describes, the unfolding of the process of interpenetrating of the polar opposites of that contradiction<sup>102</sup>. When the law of value is recognised in this way the categories of political economy can begin to be related *dialectically*. Further still, because the law of value is the movement of a contradiction, then its development cannot be linear (out goes Hilferdings peaceful transition to socialism); and it must adhere through a process of origin, development and decay.<sup>103</sup>

For Ticktin the moving contradiction of interpenetrating opposites within capitalist society can be located within the commodity form of labour - 'the particular categories of concrete and abstract labour'.<sup>104</sup> He points out that as

<sup>101</sup> See Hillel Ticktin's articles - *The Transitional Epoch, Finance Capital and Britain* and *Towards A Theory of Finance Capital*, in Critique 16 and 17 respectively.

<sup>102</sup> Critique 16 p25

<sup>103</sup> *ibid*

<sup>104</sup> *ibid.*

this inner contradiction grows, so too do the social pressures which threaten to tear the form of abstract labour from the working class. Out of this process, the contradiction, in order to maintain itself, develops new forms and laws which serve, not only to complicate the *analysis* of commodity production, but also to *ontologically* alter it. Ticktin argues that it is only by commencing from the contradiction of the commodity form and its laws of development, that all the earlier mentioned categories in Hilferding and Lenin's theoretical arsenal can be structured into a coherent theory of finance capital and so theory of capitalist decline.

Ticktin's recognition of 'law as contradiction in motion', enables him to structure the categories of political economy according to whether they stress the *developmental tendencies* of capitalism, or whether they express its *laws of decline*. For example, the developmental tendencies of capitalist accumulation bring forth increasing amounts of fixed capital, leading to increased valorisation. The massive amounts of surplus capital which result can then expand production even further and/or result in the exporting of capital which serves to internationalise the division of labour. Simultaneously, however, certain laws of decline are in operation. As it is Ticktin's task to present a theory of finance capital, and as finance capital is the embodiment of the laws of decline, then these laws of decline are given central attention in Ticktin's analysis. Hence it is emphasised that the very increase in fixed capital which reaps so much profit for capital, also calls into question capitalism's existence as the laws of decline assert themselves. For example the more fixed capital the slower and more costly the accumulation process, the greater the organic composition of capital, the greater the moral depreciation of capital and, most importantly, the greater the socialisation of labour which makes the increasing costs of investment even more risky. The result is the increase of forces threatening to negate the law of value.

Capital thus begins to experience profound difficulties in its particular forms as fixed and variable capital, as a result the growing tendency is to revert to type - *circulatory capital*. This reverting to type is the basis out of which finance capital emerges to control accumulation. Finance capital as collective capital, because abstracted away from ownership of any particular capital's, attempts to monitor the process whereby money capital circulating within itself, by-passing the source of its existence (abstract labour) which has become the source of its decay (socialised labour). Initially, capital responds by shifting to industries and/or countries with low levels of fixed capital, such as railways, mining and/or the USA,, Argentina..etc. This relieves the problem only to create it another day, because in the race for ever higher profit rates, or simply to maintain them, capital must develop its own fixity and a socialised labour once again. Hence the *systematic* tendency for the world capitalist system is toward parasitism - ever more reliance on circulation without valorisation.

Parasitism includes a number of related activities for Ticktin. It refers to a finance capital which must slow down or even retard the rate of development of socialised labour, whilst still living off surplus value. The result is the dominance of a finance capitalist class extracting profit via the exchange of fictitious capital and the sucking dry of productive capital via mergers takeovers and asset stripping. The former mode being dominant in Britain where finance capital had an 'independent' existence, the latter mode being dominant in Germany and the USA where finance capital had a stronger affinity with industrial capital.

In essence finance capital is the epoch of an abstract social capital facing an abstract social labour and consciously outflanking labour's attempts to take political control of socially based production. Ticktin points out that the starkest example of this process had occurred in Britain prior to world war one. In this



sense the pre-war period was in essence a 'transitional epoch' with British finance capital leading the decline internationally. The epoch becomes more complicated however. First by the Russian revolution of 1917, which weakens capital's ability to operate as world capital, and so weakens the finance capitalist class politically. Second by the bureaucratic degeneration of the Soviet Union eventually leading to Stalinism, which becomes a powerful atomising force, not just on the Soviet working class, but the world working class. In effect the two main adversaries of this epoch - capital and labour - had been weakened and this had provided the material basis for the development of production based on capitalist and non capitalist/ non socialist forms. What emerged out of this stalemate in the west was eventually to be termed the 'Keynesian welfare state' : a government administration of industrial capital which forced an emphasis on consumer products and the direct but bureaucratic production and distribution of use values such as health care and education. Ticktin points out how, with finance capital constrained and the working class atomised by Social Democracy and Stalinism, a compromise was established in this epoch of transition. A compromise which developed deeper roots throughout the early to mid decades of the 20th century. The Keynesian welfare state solidified this compromise as 'nationalisation', 'full employment guarantees', 'social welfarism', state subsidies to private capital and the construction of a sterling area wholly for the benefit of finance capital.

Referring back to the previous chapter the point was made that a theory of finance capital, in as much as it must incorporate the valorisation process and the speculative forms of money capital, has to be a theory which grasps the full implications of the epochal shift that finance capital represents - something Hilferding and Lenin's theory did not achieve. So how has Ticktin's theory, which is developed on the basis of a dialectical essentialist understanding of 'law', fair in this respect? Undoubtedly it has great explanatory power. It

provides a sound basis for a theory of a *transitional* epoch, the heart of which is the repulsion of finance capital at one pole and the socialised worker at the other pole. Ticktin has retrieved the Marxist understanding of the categorical links which brought about the polar antagonisms which characterise the epoch. In the process new life has been breathed into categories such as abstract labour, value etc.

His theory, however is a prolegomena rather than a finished article; a source of further enquiry rather than an end result. A point endorsed by the fact that, although Ticktin refers to the socialisation of labour in Britain, he never, in a detailed way, explains how this relates to labour's abstract conditions of existence within capitalist production. In the last section of this chapter this was explained as dialectical developments in the *dual identity* within capitalism - abstract labour and socialised labour. The latter providing the substantive ground for the development of use value and need over and above exchange value; the former providing the substantive ground for exchange values dominance. While abstract labour dominates, signified by adherence to gold, the commodity form of production remains systemic in its control over labour. Hence the recognition of a gold standard is crucial to commodity fetishism. Once socialised labour gains ground, the adherence to gold weakens as capital can no longer dictate wage adjustments and the movement of labour, but is instead, forced to increase prices and monopoly control over prices. This heralds a weakening in commodity fetishism, or, in other words, substantiates to a greater degree labour's identity as socialised labour. eventually the adherence to gold collapses. With the ground for abstract labour diminished, abstract labour formation becomes restricted and labour moves steadily from a class in itself into a class for itself. The commodity form of production is unable, alone, to achieve systemic control of labour. At this point there is *potential* for labour to actualise its power and transform itself into a class. This potential can never again be

eradicated, although its actuality can continually be frustrated. To stop *potential* from leading to *actual* class formation, capital has to seek out external forms of control over labour.

From this point accumulation of capital and mechanisms of control over labour become *external* to the identities of either abstract labour or socially integrated need based labour. One has to be precise about what *external* means in this context. Firstly, it does not mean outside or discrete from, quite the reverse in fact. It means a new external source of *identity for capital* to ground or, rather, *negate* itself alongside its weakening ability (or desire) to negate itself in the value form of labour. Of course this negation is alien to capital because it does not expand value. However, it does allow the development of political and economic controls over labour, additional controls the ailing systemic controls now require. Because external, the controls sometimes conflict and sometimes gel with valorisation. Nevertheless, as the forces of socialised labour mount against the weakened abstract labour, external control over labour takes more and more precedence over accumulation. This, as explained shortly, is the heart of the development of Labourism.

This double identity is *implicit* and not *explicit* in Ticktin's analysis. The interrelationship between abstract and socialised labour on the one hand and finance capital on the other hand, therefore, remains to be fully explicated and then grounded in a more detailed study of a particular economy (operationalised). In more concrete terms, Ticktin's reflections that British labour in the epoch of transition is 'backward', 'parochial', 'nationalistic', and 'cemented with the privileges to which Lenin so graphically pointed', penetrating as they are<sup>105</sup> remain reflections, which still require to be taken up and developed. These reflections and the theory of finance capital must be

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<sup>105</sup> Critique 17 p7

embraced within a theory of 'Labourism' - the subordination of a re-atomised socialised working class to the needs of a declining capitalist system.

Ticktin's main aim was to reinvigorate the Marxist theory of finance capital by bringing the essential categories of capitalism back to centre stage and structuring them dialectically to provide an understanding of the transitional epoch. In this respect his theory is successful. The fact that his regeneration of the theory of finance capital has either been ignored and/or passed over in silence and so neither extended nor contested in recent years, would appear to confirm Ticktin's comment that Marxist methodology is as 'clear as mud' to modern Marxism.<sup>106</sup> It also, unfortunately, confirms the element of political expediency and class compromise which pervades much modern Marxism. For example, Marxists who believe healing the 'rift' between industrial and finance capital will secure the best 'short term deal' for labour, hardly take kindly to a theory which reveals beyond doubt the idealist bourgeois nature of such an undertaking.

What I wish to do now, in accordance with the task of this thesis, is to utilise Ticktin's retrieval of the Marxist explanation of the categories at work in the epoch of finance capital, and, in light of the theory developed in the previous section, build on it to provide a deeper understanding of the decline of capitalist social relations in Britain. Labourism as a category of capitalist decline, must be fully explained on the basis of developments in the *dual identity* of labour and the necessity to impose *external* (in the sense indicated above) controls over labour to pre-empt its development as a class for itself. Thus labourism as a category of decline, will be identified as the *systemisation* of external control. In as much as it is, it must be related to finance capital *as* a new ground for capital's

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<sup>106</sup> Critique 16 p24.

continued existence under conditions where the old ground has experienced serious degeneration.

The remainder of this chapter is given over to developing a political economy of labourism and the internal role that finance capital plays in the process. The following chapter will then apply this theory to Britain and in so doing provide an *historical* materialist overview of the socialisation of labour and emergence of finance capital. Subsequent chapters will explain in detail the conditions within British capitalism for the eventual consolidation of Labourism as a systemic control over labour during the interwar years and the crucial role finance capital played in the process.

### ***3.5 Decline, Labourism and Finance Capital.***

Decline refers in essence to the decay of the contradiction within labour. As mentioned this relates to the loss of abstract labour's substantive identity and the gains made by socialised labour's substantive identity. However, the latter gain expresses two meanings, the one negative the other positive, which we need to be clear about at this stage. On the one hand it refers to a negative decomposition of labour's abstract identity. It is negative in the sense that, without communism the concrete use value creating, need fulfilling, character of labour becomes decomposed and bureaucratised: it becomes the eventual basis for the systematising of external, control over labour. On the other hand it *potentially* refers to the more positive Latin meaning 'decadere', or, literally, 'falling away'. In this case the positive signifies the process whereby the falling away of the alien character of labour - its value creating abstract side - advances on the basis of the realisation of democratic control over needs. For the latter to actualise, to counteract the former, requires the subjective intervention of labour

as a class for itself; anything short of this will allow the subjective intervention of capital to determine the outcome in its favour. The capitalist class is the ruling class and collectivises its rule around the money form. It is, therefore, more able to constitute itself subjectively in order to continue its rule. Labour, on the other hand, is atomised by the money form and less able to constitute itself subjectively. Even when the substantive basis of the money form diminishes, its powers to atomise labour are still potent. To add to this, labour, to be successful, has to abolish the capitalist system and erect socialism, if it is to actualise its substantive identity based on socialised labour. This requires a far greater degree of subjectivity than anything required by the capitalist ruling class. This dialectic becomes evident within the overall dialectical development of capital accumulation, to which attention now turns.

A theory of capitalist decline must start from the recognition that capital has of necessity to accumulate surplus value in order to survive. We know from the above that the substance of value is abstract labour and that abstract labour, the product of the value relation between Capital and Labour, takes as its highest material form *money capital*. Money capital is the highest material form because it best reflects capital's essence as above all *circulating capital*. Capital, in order that it accumulate surplus value, must *perpetually circulate*: must maintain itself in a form which allows it to *be* value as a process of expansion. In this sense, money capital is the general form of capital which allows this perpetual motion.

The problem for capitalists is that to accumulate, capital must relinquish its *general form* and assume *particular forms*, such as variable capital, commodity capital and fixed capital. However, all these particular forms exhibit the potential for fixity above and beyond what capital would, ideally, prefer, thus the fixity can become increasingly alien to capital *as circulating capital*. It is the

process from *necessary* fixity to *alien* fixity which underlies the negation of the contradiction within labour and so underlies capitalist decline. Let us consider the matter more closely.

In essence capital *is* circulating capital. However there is a contradiction at the heart of its circulatory nature. The contradiction for capital is this: within its more 'highly developed determination as circulation for the expansion of value' (to paraphrase Marx)<sup>107</sup>, there is a contradictory unity between its more concrete determinations; namely, production and circulation. *Ideally*, for 'capital as such', ie circulatory value expanding capital, the process of production should eventually reflect the process of circulation. This ideal relationship was emphasised by Marx in *Capital* (Volume Two). Specifically, he points out how capital requires three interrelated forms in its overall circuit : money capital, commodity capital and productive capital. As Marx explains : 'Capital describes its circuit normally only so long as its various phases pass uninterruptedly into one another'. This requires that production turnover (circulation) become as quick and efficient as possible. When capital achieves this then, 'money capital, commodity capital and productive capital do not therefore designate independent kinds of capital'.<sup>108</sup> In such a situation capital exhibits a *necessary* fixity.

However, as Marx also points out : 'it is in the nature of things that the circuit itself necessitates the *fixation of capital* for certain lengths of time in its various phases'.<sup>109</sup> As such this necessitating systematically develops and 'designates' the potential for 'independence' between two kinds of capital; namely, fixed and circulating.<sup>110</sup> These two categories of 'capital as such' contain a contradictory

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<sup>107</sup> K. Marx in K, Marx and F, Engels (1975), *Collected Works* (1857-61), (MECW), No 29, p9  
Lawrence and Wishart.

<sup>108</sup> K. Marx *Capital*, (1974), Vol 2, p50, Lawrence and Wishart.

<sup>109</sup> K, Marx, *Ibid*, (my emphasis).

<sup>110</sup> This fundamental contradiction between fixed and circulating capital has been largely ignored by Marxists engaged in developing a theory of Finance Capital. As far as I am aware Hillel Ticktin is the only

unity which in specific conditions threatens to breach commodity production and the contradiction within labour. Thus arises an *alien* fixity. Specifically, the contradiction which appears as the opposition between fixed and circulating capital intensifies the rift between the two polar opposites of commodity production - exchange value and use value; abstract labour and concrete labour.

Examining this dialectic more closely, we note that, having entered the production process and feeling the competitive pressure, capital becomes seized with the initiative to make the particular individual concrete labour it exploits as close to abstract socially necessary labour, or better still, below abstract socially necessary labour as it is possible for concrete labour to get. This implies the development of the productive powers of labour are increasingly integrated, concentrated and centralised. Thus, In capital's attempts to realise the goal of abstracting labour activity in production, it is compelled to assume an increasingly *fixed form in production*. Hence the tendency to ground out of existence concrete labour and impose the sole dominance of abstract labour to aid circulation and rapid valorisation, leads to its opposite in the form of a greater and greater degree of fixed capital. The opposing yet attracting forces of fluidity of labour and fixity of capital, expresses capital's development from its *formal* subsumption of labour to its *real* subsumption of labour.

Formal subsumption refers to the fact that when capitalist social relations initially takes over a societies political economy it does so in a formal sense, that is, it leaves the old ways of material production relatively untouched. Hence labour is only formally sublimated under the identity of abstract labour and is still strongly attached to parochial forms of identity in social labour and need. Under these formal conditions capitalist social relations are expressed predominantly

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Marxist to have made this connection. What follows has been influenced by aspects evoked by Ticktin's aforementioned theory in Critique Nos 16 and 17.



(hence not exclusively) by the wage-labour relation and absolute surplus value extraction. That is to say, capital accumulates and circulates via a production process constituted by artisan crafts of a heterogeneous nature, all with their own controls and restrictions on the flow of valorisation. A sense of *identity* with the use value creating telos of production is still strongly evident.

I take capital's real subsumption to mean the compulsion to break down labour heterogeneity and fixity under the driving whip of capitalist competition to increase the rate of exploitation. Here the identity grounded in abstract labour finally dominates the rationale of labouring activity: labour becomes the infamous cog in a value creating exercise. Commodity fetishism reaches a peak as labour's use value creating identity becomes successfully negated by the value form. This compulsion saw the movement toward the creation of a labour process more in keeping with capital's value expanding essence. That is, it saw the movement towards a labour process occupied by increasingly abstract homogeneous labour. A 'labour' more adequate to capital, because more adaptable to a speedy circulation through the labour process.

The attempt to reduce labour craft fixity and control over the flow of production, however, leads to the simultaneous growth of capital's fixity in the production process, in the material form of concentrated machinery. So, the drive to accumulate compels the capitalist system to increase the abstraction of labour, but in the process this requires a greater level of fixity on capital's part; the very thing which hinders capital's ability to circulate and accumulate! This is not, of course, the end of the contradictions building up for capital. More fundamentally, capitalism also begins to dig its own grave, in as much as the compulsion foists upon capital another, all consuming, contradiction - the developing social integration of labour, which threatens to negate its value form of existence as abstract labour.

The contradiction is embedded within the heart of capitalism and cannot be resolved. On the one hand, in order to expand, capital has of necessity to reduce the fixity of craft type labour and expand the proportions of its form as fixed capital. As such capital is compelled to expand in a form which can only circulate value in slow seepage's over many turnovers. Exactly how many turnovers will depend on the size of fixed capital; a particular capital's position in the commodity market; and capital's ability to control an increasingly socialised workforce. On the other hand capital has to reduce all the fixity building up within the production process to socially necessary abstract labour, by dissolving itself once more into its general money capital form. It must do this if value is to circulate and realise the expansion occurring in the production process. The contradiction is an acute one for the capitalist class. As Marx noted :

As long as it is tied up in the process of production, it is incapable of circulation, and hence is virtually devalued. As long as it is tied up in circulation, it is incapable of production, posits no surplus value, is not capital in process.<sup>111</sup>

As Marx implies, and building on what has been suggested above, any 'bottle necks' in the production sphere, must act as a drag on capitalist circulation and, in as much as it does, act as an effective *devaluation* of capital.

Another source of devaluation occurs too. Fixed capital is prone to increasing rates of moral depreciation of the value imparted to commodities due to the intensity of competitive accumulation between capital's. This fact intensifies the imperative for production, as valorisation process, to occur as smoothly and as quickly as possible. These obstacles and the growing organic composition of

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<sup>111</sup> K, Marx, Op-Cit, (MECW No 29) p9.

capital, which give them expression, however, great though they are, pale into insignificance next to the most fundamental problem for capital. The higher levels of fixed capital bring on to the historical stage a higher concentration of directly socially combined living labour; which increasingly, through emerging economic and political organisation, acts as a barrier to capital's exploitation of labour and so a barrier to the smooth efficient use of fixed capital.

As the degree of fixed forms of capital develop, both moral depreciation of capital and increased socialisation of labour develop the contradictions within the capital value relation in ever more chronic fashion. Eventually, for the larger dominant capital's which emerge in each industry, the atmosphere in the production process becomes unconducive to the risking of huge amounts of money capital in the increasingly large scale investments of fixed capital required to valorise capital. The development of public limited joint stocks of capital, lessen the individual risk, but do not abolish the conditions. In fact the centralisation implied, is the basis of capital's *organised collective* response to labour.

To briefly recap, I have argued that, due to the competitive compulsion to expand value, capital must increasingly forgo its essential nature as circulation capital and develop two contradictions, the one debilitates its further expansionary tendencies - greater concentrations of fixed capital - the other threatens capital's very existence - the greater socialisation of labour. This latter aspect forms the focal point of capitalist decline. For in as much as capital is expanding value and the substance of value is abstract labour and the greater socialisation emerges to negate abstract labour; then we can say the process described above heralds the decay of the contradiction within labour in its positive meaning - as the falling away of the value form of production which

alienates human labour. This gives added impetus for capital to do the next obvious thing: come off the gold standard.

The reaction of capital is to protect the gold standard and revert to type, that is, stagnate the development of productive forces and take flight back into the purer circulatory form of money capital. Due to the socialisation of labour and negation of its essence - abstract labour - capital's flight into circulation takes an essentially **parasitic form**. The latter is simultaneously capitalism's highest attainment (the money form) and its most decadent (a money form without any substance). However the lack of substance provides it with short term flexibility: it can prey on productive capital and labour and in so doing manoeuvre accumulation either abroad or to other industries, where labour is less socially integrated and the composition of capital is lower.

This brings one to the actualisation of decline in its negative connotation. For, as the ground for capital declines and takes flight into parasitic activity (eg, earning interest through secondary shares, loans to Government and financial speculation), although the use value nature of production asserts itself increasingly, the subjectivity labour must assert to realise the potential for socialism, is a difficult task to achieve. Capital, with its greater substantive base for collective unity, can make use of the lack of subjectivity of labour and hence labour's wavering in the transition from a class in itself to a class for itself and ground a second lease of life for itself in bureaucratically regulating use value and exchange value. Hence without a **political** transformation on the part of the emerging socialised labour, the use value nature of production, and so the provision of needs, becomes bureaucratically controlled by an ailing capital faced with the breakdown of the value relation. This situation *potentially* opens up room for a new social category to emerge within the decaying form of capitalism, as the contradiction within labour between its concrete and abstract

form becomes mediated by a bureaucratic regulation of production. If this *potential* becomes *actual* then the further abstraction of labour in production can recommence, relatively safe in the knowledge that the socialised labour which emerges to negate capitalism, becomes transformed and re-atomised via a bureaucratic regulation of labour in both an economic and political sense. However, because the bureaucratisation of use value is a negation which must enhance the identity of use value and needs (even if undemocratically), very special circumstances are required before capital would tie itself into such a situation. Hence, although a necessity to stave off decline, capital will only systematise Labourism if labour has been pacified to such an extent that use value and need can be extended without the necessary extension of the social integration of labour around a political programme for socialism. Thus for many decades the potential may not actualise, if ever, and capitalism will be visited by permanent unemployment beyond the needs of a reserve army of labour. For de-accumulation (deflation) and unemployment would be the only methods of control over labour.

The *potential* of course has realised itself in the historical process. Gradually Labourism became systemic and allowed the continuation of accumulation, hence the post war boom. The orthodox view of Labourism is to refer to it as a political phenomenon with contradictory 'Left' and 'Right' political manifestations. The argument here however, is that it must be given further recognition as a **socio-economic production category** which bureaucratically regulates and atomises the labour process and in so doing allows the further abstraction of labour. When systemic, it becomes the new ground for capital's continued, if compromised rule. It is also very much evidence of capital's decline. Labourism rests on the bureaucratic regulation of use value and need. Thus for capital to ground itself on this, is tantamount to assisting the further weakening of its original ground abstract labour. For example, the gold

standard, to all intents and purposes by this time a sham, but one which keeps the semblance of commodity fetishism, must be done away with when Labourism becomes systemic. Essentially capital could be assisting its own negation. That is why Labourism is not something capital will engage with lightly. The next chapter examines the historical development of the genetical process outlined here. A brief history of labour's social integration in Britain, is recounted, as it bears on the theory outlined here. The rise of finance capital, as a response to the threat from the social integration of labour, is explained in chapter five. The main task of chapters four and five will be to explain the *necessary* reasons for capital's loss of control over labour; the process whereby finance capital emerges as a **necessary** response to this loss of control; and the speculative nature of finance capital's initial flirtation with Labourism, before it eventually succumbed. Exactly why and under what circumstances finance capital eventually succumbed to systemic Labourism, will be the subject of chapter six.

## CHAPTER FOUR

### THE SOCIAL INTERGRATION OF LABOUR

Marx once commented that the proper scientific path of critique was to move from the concrete to the abstract, then from the abstract back to the concrete. He was, of course, referring to the manner in which thought grasped first the *appearance*, then the *essence* and, finally, the complexity of that *essence* in its more *concrete* environment. This chapter and those subsequent to it attempts to redeem the scientific value of this method of enquiry with regard to the theory of the *concrete essence* of capitalist decline in Britain. Chapters one and two dealt with the concrete appearance, in as much as it provided a critique of current theories of decline. Chapter three moved back to the abstract, in the sense that the essential social form of capitalism was sought out and the inner contradiction leading to capitalist decline and transition were exposed. This chapter and the rest of the chapters of the thesis, will bring the abstract back into the concrete to provide a dialectical essentialist history of capitalist decline in Britain.

The immediate task of this chapter and chapter five is to provide a historical overview of the emergence of socially integrated labour and finance capital (as the dominating form of capital). A crucial part of this overview is to reveal how and why the emergence of these two manifesting forms of labour and capital, *necessarily* corresponds with the emergence of *Labourism*. Chapter six will then provide a detailed *dialectical essentialist theory* of the history of the specific class struggles which allowed Labourism to gain hegemony over the British economy to become a *systemic* control mechanism over labour. Special historical conditions where necessary for the class struggle to be compromised

by Labourism. To capture this chapter six seeks to discuss the major pillars of Labourism and how they *necessarily* evolved , however at first discretely and with only *accidental* relations between them.

Through the prism of the debate in the nineteen thirties surrounding 'the plan or the market', the chapter then discusses the special conditions provided by Stalinism for transforming the discrete pillars of Labourism into a holistic system of control over labour. Throughout, the dominating influence of finance capital will be explicated. Chapter seven then analyses the Labourist system as it emerged after world war two. Attention focuses on its essential instability as a ground for capitalist survival. It will be argued that the initial intention of bureaucratically regulating use value and exchange value, to prevent their outright oppositions and the open class struggle it presupposes, merely purchased a short period of compromise, before inevitably heightening the class antagonism between capital and labour. This and the following chapter, then, sets the historical scene by specifying in more concrete terms the emergence of the epochs two main protagonists: socially integrated labour and finance capital.

#### ***4.1 The Challenge of Socialised Labour***

In the last quarter of the nineteenth century quantity turned to quality as far as the British labour *movement* was concerned. The labour movement began to assert its class presence. The threat that labour posed dealt capitalism in Britain a blow from which it could never fully recover. The strategy from this point on for capital, as will be explained in the following chapter, was to develop *as finance capital* and to hang on to political power in an effort to slow down the negation of value relations. There is little surprise, then, that labour historians have paid



particular attention to the labour movement in the period 1870-1926. This was the period of capital's peak and decline in Britain. Scrupulous attention by the labour historian has provided microscopic detail of the duration, extent and number of strikes and lockouts; the reciprocal developments in trade unionism; and responses of the TUC and the Labour Party. However as Cronin correctly points out, little in the way of a *general theoretical understanding* of the era has been forthcoming.<sup>112</sup> A lack of theory inevitably means that labour history 'is chopped up into the history of one or another industry or union, and such history revels in the local and particular...confined to narrow bands of time'.

Empiricism, then, has robbed the labour historian of a more profound understanding of why the years post 1870 are important. They *assume* its importance, then move from signpost (growing strike rates, union legal immunity gains) to signpost (growth in union membership, the development of the Labour Party) to 'prove' the importance of the post 1870 era. The main preoccupation, (due to any number of political reasons) appears to be to, 'emphasise elements of *continuity* over those of *change*, to denigrate and minimise the genuine achievements of labour, and to stress the strength of tradition, sectionalism and conservatism among workers rather than the secular increase in class awareness and organisation.'<sup>113</sup>

To emphasise the forces of continuity is profoundly conservative, especially so when, in denying the social world an essence, they have nothing but accidental relations to pin continuity to. *Continuity and change*, for the labour historians, can only be built on the *regularity* of surface facts (appearances). The conservative historian then chooses to ignore/play down new 'regularities' and fetishise old ones, possibly in the belief that the new will somehow go away.

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<sup>112</sup> J. E. Cronin, (1982), *Strikes 1870-1914*, in, C. Wrigley.

<sup>113</sup> J. E. Cronin, *ibid*, p81..

Marxism bases its analysis of continuity and change on capitalism's essence: the commodity form of production. Developments here will decide whether a particular act is evidence of continuity or change. In point of fact the same act can be evidence of change even if it has occurred many times previously, it all depends on the context: the current development of the contradiction within labour's dual form. For example, strikes by labour have been *continuos* throughout the development of capitalism. However, a strike when the capitalist system is at its peak and commodity fetishism is strong, may be qualitatively different to a strike in a situation where the development of the contradiction within labour has weakened commodity fetishism considerably. Thus what is, apparently, evidence of continuity, can also be evidence of profound change; it all depends on developments within the essential contradiction.

With this qualification in mind, we can point to a number of *tendencies*, all in existence to one degree or another *before* 1870 (continuity), which came together *after* 1870 to transform the labour movement into an insurmountable obstacle for capital (change). Of these the most significant were: the rate and nature of strikes, the trend toward deskilling, the development of a distinct labour community and the concentration of labour with the growth in large scale productive units. At first the latter grew slowly through internal growth, then more rapidly through merger and acquisition.<sup>114</sup> It is in and through these tendencies that labour becomes socially integrated and expresses its capacity for collective action. The outcome is that labour begins to realise its *capacity* to act as a class against capital. The effect of each tendency on labour will be explored separately here. After which the manner in which they interrelate to socially organise labour and repel capital, will be explained.

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<sup>114</sup>J, E, Cronin, *ibid*, p81.

## 4.2 The Concentration of Labour

By 1870 the real subordination of labour was in full swing as the factory form of organisation became dominant. The average size of factories had been increasing for decades, but began to increase dramatically in the last quarter of the nineteenth century. This concentration of capital, found its corollary in the concentration and general development of a proletariat. According to Marglin, 'The putting-out system, with its pitiful vestiges of worker control, virtually disappeared in Great Britain by mid-century. And weaving was about the last important holdout of cottage industry. Where this alternative was not available, the worker's freedom to refuse factory employment was the freedom to starve'.<sup>115</sup> Thus in the intervening period between the abolishment of the Poor Law Act (1834) and the first stirrings of a State sponsored social wage (1905), labour, subordinated by capital (formally at first through the market, then increasingly and more substantively within production), became governed by abstract labour. However, the governance, no sooner than it had occurred, began to be threatened by the social integration of labour, which the concentration and intensified abstraction of labour in production predicates.

The concentration was rapid. Factories producing commodities such as clothing, shoe making, hosiery and furniture...etc, took the place of small outwork units.<sup>116</sup> Transport and mining industries had grown enormously and by 1911 employed some 15% of the working population.<sup>117</sup> Hinton claims that by 1890 'The growth of the mines, railways and factories swelled the intermediate stratum of the working class, the semi-skilled', who now accounted for 45% of labour.<sup>118</sup> The impetus of being the 'workshop of the world' between 1830-1870

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<sup>115</sup> S. Marglin, *Origins and Functions of Hierarchy in Capitalist Production*, in T. Nichols (1980).

<sup>116</sup> J. Hinton, (1982), *The Rise of a Mass Labour Movement*, in, C. Wrigley, p23.

<sup>117</sup> J. Hinton, *ibid*, p22, in, C. Wrigley.

<sup>118</sup> J. Hinton, *ibid*, p23.

had spurred on competitive accumulation and generated vast sums of retained profits. This, and the development of joint stock and limited liability company status, paved the way for the deepening of capital's concentration and centralisation post 1870<sup>119</sup>.

By 1885 the number of limited companies were as many as 10,000 and by 1913 the limited liability company form had characterised 65,000 units of productive capital and extended throughout most industries<sup>120</sup>. In London alone by 1890 the concentration of labour was evident; 750 of the 8,500 factories accounted for 56% of the workforce.<sup>121</sup> Across the industrial landscape large conglomerates of productive capital's in textiles, iron, steel, printing, foods and chemicals..etc, appeared in rapid succession after 1870.

Many more citations can of course be made of the same descriptive nature. For our purposes, the empirical evidence is clear in its *implications* that the late nineteenth century bore witness to an acceleration in the development and dominance of large scale production units and, by definition, the *concentration* of labour.<sup>122</sup> Musson concurs with most economic historians when he observes how 'the growth of joint stock organisation was closely associated with a remarkable expansion in the scale of business operations, as large companies developed not only by expanding their own operations but also, increasingly, by taking over, amalgamating or combining with other firms. The joint stock

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<sup>119</sup> P. Mathias (1983), correctly points out that productive capital centralised and concentrated overwhelmingly by virtue of retained profits. British Banks invariably kept their distance, supplying short term loans. Whilst the other main source of external finance - stock market flotation - accounted for only a quarter of the finance necessary for expansion. Reasons for this have been suggested and will be expanded on later in the chapter. Nevertheless, the point we sh not forget is that during the period post 1870 to 1913 the stock exchange did advance the move towards greater concentration and centralisation of capital.

<sup>120</sup> A. E. Musson (1977), p246-247.

<sup>121</sup> A. E. Musson, *ibid*, p245.

<sup>122</sup> Musson, *ibid*, p245-255.

company facilitated, through transfer of shares, the merging of private family firms or companies into larger corporate concerns'.<sup>123</sup>

Of course joint stock and limited liability facilities existed prior to 1870, However after 1870, along with retained profits, they became an indispensable aid to productive capital's future development. This situation, it should be noted, was not simply born out of the need to fund an ever larger turnover of capital investments. Primarily, this reliance was due to the fact that productive capital had begun to experience falling rates of profit and falling prices and increasingly sought a distance from valorisation, while maintaining links with it. Trade cycles had troubled capital intermittently for decades. However, trade cycles in the context of over accumulation difficulties and the concomitant problem of a rising organic composition of capital (which again is predicated on a concentrated labour), meant the joint stock company was a necessary path to maintaining capital *as* circulating capital. Thus, in response to a rising organic composition of capital, over accumulation and the threat from a socially integrated labour, capital was forced into its first spate of horizontal and vertical mergers<sup>124</sup>. Merger mania helps the dominant factions of capital to keep up profit rates while keeping the other 'negative' forces at bay. Thus the merger of capital is designed more to *distance* capital from the market; *regulate* profits and prices; and *retard* the development of new fixed capital, rather than for 'rationalisation' (read valorisation) purposes.<sup>125</sup>

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<sup>123</sup> Musson, *ibid*, p248.

<sup>124</sup> Horizontal were the merger is with other similar productive capital units making and at the same state of developing the same use value. Vertical were merger is to buy up previously independent suppliers down the line or a number of retail outlets up the line from the finished use value. The former is more in evidence when the general rate of profit decline and or trade is depressed. The latter is the greater tendency when accumulation is booming and scarcity and high prices of supplies threaten the profits of productive capital.

<sup>125</sup> I discuss later how finance capital has a determining role in merger activity, by relating it to one of a number of *internal* controls it administer over productive capital and so socialised labour. In this instance however, mergers are productive capitals response to a rising organic composition of capital.

It is note worthy how many non Marxist analyses implicitly views retardation as a problem of 'quaint, but mysterious English tradition'. Mathias, in an otherwise sound empirical account of Britain's' economic history, for example, can only lament the fact that, 'In England, too often, the objective was to share markets and set prices which when followed allowed the least efficient firm to make profits and go its own way. Very often Britain seemed to get the worst of both worlds in this respect'.<sup>126</sup> In one respect Mathias is correct - British capital did get the worst of both worlds. However the both worlds referred to are more to do with a high organic composition of capital and the simultaneous emergence of social and organised labour, than the move to monopoly and retardation of fixed capital investment, orchestrated by a mysterious 'English traditionalism'.

This brings us to some crucial underlying points which need to be made regarding a Marxist interpretation of the empirical data regarding industrial concentration. The period 1870-1913 saw major developments in the centralisation and concentration of capital - and along with it the concentration and centralisation of socialised labour. As a result of this socialisation, labour finds organisation against capital is both easier and more powerful in its impact. In effect, mergers, cartelisations, amalgamations, all designed to overcome a rising organic composition of capital, inadvertently develops, in a kind of 'hot house fashion', the very force which can potentially destroy it - socially integrated and increasingly organised labour. Of course, the converse is true too: the concentration of capital also brought with it the *socialisation of capital*, indeed it sets the basis up on which finance capital eventually develops, (this is an issue which will be expanded upon in chapter five below).

The 'hot house' socialisation of labour had important ramifications,, not the least of which was its facilitation of *collective* strikes Cronin points out that the

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<sup>126</sup> Mathias, op-cit, p361.

period between 1870-1914 was one when the strike weapon against capital became the dominant form of workers collective action.<sup>127</sup> The most important fact, however, is the context within which waves of strikes took place. Against a background of industrial retardation and developing concentration of labour, the emergent strike waves shook capital to its foundations.

The *overarching context*, which forms the ultimate basis to the *manifestation* of worker power, was that labour's negation into abstract labour had reached the point where it experienced a negation of the negation into socialised labour. This double negation gave added impetus to the other side of labour's dual identity, its use value and need fulfilling capacity. As this double negation began to assert itself, a number of other crucial manifestations surfaced. Capital found it increasingly difficult to keep wages in any rough approximation to the value of labour power. In addition, the rise of a labour movement challenged capital's right to distribute labour from one industry to another as and when valorisation required. Taken together, the estrangement of wages from the value of labour and the growing quasi-fixity of labour, lead, inevitably, to a build up of pressure upon capital to *either* discipline labour and remain on gold; *or* to take flight into parasitism in the City and/or international accumulation and remain on gold, a decision which eventually became irresistible.

Capital chose the latter path. Exactly why it did will be the explanatory task of the next chapter. What can be said here however is that whatever the path chosen its route would only buy an extension of time before its inevitable termination: the fall from the gold standard. As gold formed the objective basis for abstract labour and so commodity fetishism, it is understandable that its shell like existence would be fought over by factions of capital and the Labourist element, with some ferocity. Collective strike action is an important

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<sup>127</sup> J. E. Cronin, op-cit, p74.

manifestation of the developing contradiction within labour and capitalist decline, hence its concrete manifestations need to be discussed. Before discussing the strike waves, two other important developments, themselves implied by the concentration of capital and labour, needs to be mentioned - the development of working class communities and the tendency toward homogenised labour. The strike waves which affected Britain during the period 1870 to 1926 served to gel all of these factors and push labour towards becoming a class *for itself*.

### ***4.3 Community and the Deeper Social integration of Labour***

The increasing socialisation of labour in production becomes profoundly enhanced by labour's community ties outside of the point of valorisation. Community and the socially organised labour process combine and interact upon workers consciousness, breaking down and weakening the strong impulses of commodity fetishism. This is especially so when the fixing of profits, prices and wages, in the larger monopoly capital's - in order to manoeuvre against rises in the organic composition of capital - becomes an increasingly conscious and bureaucratic affair. The strength of labour implied by work and community ties, found expression in the so called 'Great Depression'. The 'depression' struck around 1875 taking hold until the mid 1890s. However, with the evidence provided by the many accounts of this era, it could only be classed as a depression for capital not organised labour. Capital's valorisation prospects were depressed whilst the material standard of life for labour in work was generally in a state of elevation. As one historian points out, 'Money wages almost doubled between 1850 and 1910, rising by one third between 1880 and 1914'<sup>128</sup> One can

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<sup>128</sup> Mathias, op-cit, p345.



conclude with some validity that labour's growing socialisation and organisation in production *and community defences*, provided the basis for the positive change of fortune.

By the late nineteenth century the urbanisation of the working class had increased dramatically. Labour was drawn together within a number of very large cities; London, Manchester, Glasgow, Liverpool and Birmingham were among the 30 largest cities in the world. It was also communalised into a number of suburban towns which were on the increase in this period.<sup>129</sup> By 1901 twenty five million people, it is estimated, lived in cities or towns. Thirty cities in England and Wales had a population of over 100,000 and Glasgow had concentrated within it some 20% of the entire Scottish population.<sup>130</sup> This new urban population growth undermined the paternalist relations fostered in the mill towns which densely peppered the North of Britain, establishing a more independent working class. Another important factor in the strengthening of community was the decline in migration from mining communities after 1870.<sup>131</sup>

Of course urbanisation often brought labour further within the orbit of middle class hierarchy and status, leading to divisions within labour in the form of increased paternalism and the development of a 'labour aristocrat'. The effect was to atomise any tendency towards *collective* thought and action. Nevertheless, such factors of division were outweighed by the developing social integration of labour in production. One can concur with Cronin when he argues that sufficient emphasis has not been given to the effects of urbanisation on 'the development and implications for politics and other forms of collective action' upon the working class.<sup>132</sup> More especially when strong evidence

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<sup>129</sup> K. Robbins (1983), p57-58.

<sup>130</sup> Robbins, op-cit, p56-57.

<sup>131</sup> J. E. Cronin, op-cit, p85.

<sup>132</sup> J. E. Cronin, op-cit, p85.

suggests that 'these increasingly solid communities represented a substantial increment to the strength of labour'.<sup>133</sup>

There are numerous examples of the powerful effect of socially integrated labour across community and workplace. One particularly important occasion when labour's political organisation at production intertwined to great effect with its political organisation of community was the Glasgow rent strikes of 1916. During the first imperialist war Glasgow housing communities, supported by striking shipyard workers from the Clyde and many trades and community action councils, overturned Government inspired inflationary rent increases and forced Parliament to create legislation guaranteeing a rent ceiling.<sup>134</sup> One of the major factors uniting Clydeside workers committees (and similar committees on the Tyne and in the Midlands and London too) across the community and workplace, was the developing abstraction of labour in production, which manifested itself as the problem of deskilling. Capital's compulsion to crush all vestiges of difference within labour at the point of production, gathered pace alongside the development of large scale industry after 1870. As such it is a tendency which, when overlaid and interconnected with the concentration of labour and strengthening of community ties, has important consequences for both labour and capital.

#### ***4.4 Labour's abstraction in Production: the Tendency and Its Contradictions***

There has been much debate within sociology surrounding the terms 'skilling' and 'de-skilling', more particularly after Braverman's regenerative essay on the

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<sup>133</sup> J. E. Cronin, op-cit, p85.

<sup>134</sup> See for example J. Hinton's account (1972).

sociology of work in capitalism (1974). There are two sides to the debate: pro-Bravermanites and anti-Bravermanites. Pro-Bravermanites depict an inevitable trend towards deskilling. Anti-Bravermanites argue *either* that there is (as well as a process of deskilling) constant reskilling also; *and/or* that there is little objective criteria on which to judge what should be classified as 'skillful', ergo there is no way of asserting a general trend towards 'de-skilling'. The problem with both sides in this debate is that they discuss labour activity separated from a grounding in its dual identity: as social need fulfilling activity and abstract labour formatting activity. As *sociological categories*, both arguments - for and against deskilling - oppose each other and cannot be reconciled. Situated within *Marxian categories of political economy*, however, their reconciliation, is possible.

Deskilling and reskilling are better seen in the context of the interpenetrating and opposition of the *identity* of abstract labour and *difference* of concrete labour. The real basis of 'deskilling' is the furtherance of abstract labour formation. Capital's compulsion to abstract labour, necessitates a continual breaking down of any obstacles standing in the way of labour's ability to move between tasks in the process of valorisation. Evidence of 'reskilling' does not do away with this necessity. What it does point to is that the balance of class forces have swung against capital, although not necessarily towards labour. When the balance has swung *towards labour*, labour asserts its political power in order to claim the job they perform as 'skilled', wresting as many of the *material gains* and securities as it can from capital. When the balance of class forces swings against capital, but not in the direction of labour, then forces for class compromise (for example, Labourism) can establish 'tradition, custom and practice as 'skilled'. This creates divisions within labour and/or 'purchases' the necessary compromise with capital vis-a-vis labour.

As the biggest balance of force to swing against capital is the elimination of the ground of abstract labour and the development of the ground of socially integrated labour, then what manifests as '*reskilling*' is, more fundamentally, evidence of the *break up of abstract labour formation*. Thus, in as much as a *healthy capitalism* has a *tendency* to grind labour to abstraction, this tendency will *manifest* itself as a definite trend towards what is referred to as 'deskilling', expressed in *essence* as labour's ever greater flexibility and malleability between tasks in the process of expanding value. By the same token, the more that abstract labour's ground in gold weakens under the weight of a greater *identity* developing in socialised labour, the more the issue of 'reskilling', *as* status divisions within labour, will appear to dominate political discourse between the classes. This dialectic was very much in evidence during the period 1870-1926. In fact it forms the *real basis* of that less essential concept *the 'aristocracy of labour'* and the subsequent political and theoretical contusions which emerge from it.

At first glance to point to a trend towards the greater abstraction of labour in British capitalist society from the 1870s appears to run up against the fact of a prominent 'labour aristocracy'. Whilst not denying that labour had deep sectional divisions this sociological phrase makes too much of *subjective* separation within labour and ignores the *objective* forces at work unifying labour. The category arose out of a misunderstanding of the epoch between 1870 and 1926, and although correctly identifies that something important was developing in the sphere of class compromise, it erroneously conceptualises it as the problem of a labour aristocracy, rather than as the development of Labourism - a category of political economy developing more out of capital than labour.

The question of why the British working class had not acted as a class to overthrow capitalism, became all too easily, yet superficially answered - a

section of the working class had become 'embourgeoisified'. Like most sociological concepts 'labour aristocracy' is almost impossible to clearly define. If one bases it on 'skill', *as defined by traditional artisan craft skills*, then its foundations are dubious. Throughout the period under discussion old artisan craft skills were being made obsolete by new technique and machinery. All industries experienced the effects of the abstraction of labour subjectively as one of 'deskilling'. John Burns, a leading figure in the Amalgamated Engineering Union (one of the supposed exemplars of labour aristocracy), appears to refute any suggestion that a labour aristocracy could be holding sway, when he argued that, 'Labour saving machinery is reducing the previously skilled to the level of unskilled labour, and they must, in their own interests, be less exclusive than hitherto'.<sup>135</sup> The quotation sums up the fundamental force at work in the first part of the era - the abstraction of labour.

The general view amongst a substantial section of historians<sup>136</sup> - albeit with a variety of approaches - appears to be that a definite trend towards the dilution of skill *was* occurring. Apprenticeships were becoming less of a necessity in gaining acceptance into the swelling ranks of the 'nominally skilled'. As a result of this, and as a reflection of the threat of 'new unionism', craft unions were forced to *open* not *close* their doors to the wider labour movement. Hardly the act of a vibrant and confident 'labour aristocracy'. As one source confirmed,

The growth of the semi skilled sector at the end of the century was indeed one element...in the narrowing of the gap (in status, not earnings) between skilled workers and the rest of the working class (as reflected both in the growth of non-apprenticed skilled labour, outside the control of the craft

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<sup>135</sup> Cited in H. Pelling (1976), p101.

<sup>136</sup> For example see, E. H. Hunt, *British Labour History*; G. Anderson, (1982), *Some Aspects of the Labour Market in Britain*, in C. Wrigley, op-cit; H. Pelling (1976), op-cit; J. E. Cronin, (1982), *Strikes 1870-1914*, in C. Wrigley, op-cit.

unions, and in the corresponding emergence of all-grades trades unions as opposed to exclusive craft unions) and a cause of skilled workers' integration into the mainstream of the labour movement.

Evidence of a deep distinction within labour on the lines of a 'labour aristocracy', tends to fall back on wage differentials and a host of subjective factors, which, whilst important, cannot account for the failure of working class revolutionary politics to emerge. According to one source wage differentials on occasions amounted to as much as 30-40% within the same industry. However, Hobsbawm has argued, convincingly, that such differentials rest on the traditional craft unions ability to limit or control the market supply of labour and less on inherent substantial skill differences.<sup>137</sup> The dilution of skill and alongside it the increasingly open membership policy of certain craft unions, implies that even wage differentials cannot be used to conjure up a deep division within labour, because they would apply increasingly to labour in general. Wage differentials in any case were never consistent, but forever *fluctuating*. In some years, unskilled labour would earn a wage equivalent to 'skilled'. In other years 'unskilled' wage labour could be lower or even higher than skilled' labour. The biggest factor was not so much an *objective* division *within* labour, but the intensity of *capitalist demand* for labour. The latter was a factor in certain *status* differences within labour<sup>138</sup>. Again hardly the basis for an account of the deep chasm within labour *causing* revolutionary failure.

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<sup>137</sup> See Hobsbawm, *Labouring Men*, ch 15.

<sup>138</sup> Of course the main basis is to do with the intrinsic importance of labour for human development. It was not just Marx, but people like A. Smith before him and E. Durkheim after him who pointed out the stultifying effects of the capitalist division of labour on human welfare. For this reason labour will always strive to create their own unique input into the most seemingly menial of tasks apportioned to them as an off spin of capitals desire to control every vestige of labour process activity. This fact is implicit in Braverman's work and in articles such as produced by J. L. White who reveals how the attempt to deskill the cotton industry in Britain although successful in large part, could never vanquish labours ability to stamp their own identity on the labour process; see White's, (1982), *Lancashire Cotton Textiles*, in C. Wrigley, p209-229, op-cit.

The effects of a cultural divide within the working class, whilst evident is somewhat overstated. As dilution of skill took effect, craft unions tended towards a policy of *general unionism* as befitted labour's developing abstraction. In the case of the engineering workforce, the effects of labour abstraction - deskilling - transformed it into a revolutionary vanguard<sup>139</sup> Thus, although vestiges of status and wage differentials remained to divide labour, the view that this amounts to a categorical divide amongst labour is overplayed and weakens an understanding of the growing homogeneity of labour and the real chasm developing between it and capital. The real process and trend towards deskilling after 1870 served to radicalise rather than embourgeoisify traditional craft workers and draw them closer to the emerging general unions of the 1880s in the fight against capital. The deskilling of traditional craft labour accelerated and intertwined with the massive amounts of new unskilled general labour in transport, mining and municipal industries such as the Gas industry.<sup>140</sup>

The reality is that there was more of a convergence than a distinction between unions during the period 1870-1913. The emergence of Labourism, as defined in this thesis as a category of political economy, moves away from blaming *sectionalism within labour* as the main culprit and locates the cause in an effective counter revolution by bourgeois forces. A Labourism, moreover, effectively under written by the doctrine of 'Stalinism in one country' (how this occurred, will be addressed in a later chapter). Of course, in emphasising the forces at work in abstracting the *identity* of labour over those of *difference*, does not mean one ignores the important sectionalism between 'skilled' and 'unskilled' labour. This sectionalism was clearly evident and capital played on it relentlessly. What it does mean however, is that one *can* remove the

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<sup>139</sup> See J. Hilton's detailed study, *The First Shop Stewards Movement* (1972).

<sup>140</sup> So much so that, as Pelling points out, by 1890 at the TUC conference 'there was clearly sufficient support for their (new union) views from some of the old unions to prevent any appearance of a split in congress along the lines of new against old', H. Pelling (1976), *op-cit*, p102.

overbearing excuse of a 'labour aristocracy' which blocks an appreciation of the radicalising effects of the tendency to increase the abstraction of labour and the full implications of the counterrevolutionary nature and roots of Labourism.

'Deskilling', then (seen as the greater malleability and flexibility of labour, as part of the tendency toward the greater abstraction of labour in production, rather than the fetishisation of some notion of universal skill), takes on a vital and significant role in the destruction of central pillars of capitalist containment and rule. Firstly, deskilling tends to break down the negative impact on labour of competition between workers in the market place for jobs. More crucially deskilling, in the form that it manifests itself in capitalism - abstraction of labour - leads to an increase in the social powers and interconnections of labour. As such it is the basis upon which labour's collective solidarity *at the point of exploitation* is constructed, adding powerful assistance and cohesion to the developing *concentration* of labour and stability of its *community* ties.

It is worth reminding ourselves once again of the forces within the accumulation process which compel this process. The dynamism to accumulate impels on capitalists the need to control the labour process - so eliminating any control labour may exert over the product and the pace of work. *Necessarily*, therefore, capital drives to make production as *free flowing* a value expanding unit as is possible, hence the latent tendency to reduce labour to abstract labour. For the capitalist, then, labour must become as circulatory as capital. It is on this basis as a *necessary* feature of capital, that a distinctive trend towards deskilling occurs. Therefore the greater quest by capital for control over labour and increased profitability, holds within it the potential for turning the world of capital upside down by breaking down the divisions amongst workers and uniting them in the common aim of securing, for the goal of need, the social powers of production.



Having outlined the *concentration* of labour; its increasing *communal* ties and its developing tendency to *abstraction* and so *objective homogeneity* in production, an account for the growing wave of strikes which took place during the period in question will be proffered. This wave of strikes, it is argued, had the effect of develop and deepening the interconnections of the process so far outlined. As a result the social integration of labour deepens and extends its social organisation against capital.

#### ***4.5 The Strike Waves and the emergence of a socialist voice***

Taken together, the concentration and centralisation of capital and labour; the increased urbanisation allowing for community links between the working class; and the trend toward the deepening of labour's abstraction, provide the substantive ground in and through which a number of distinct strike waves consolidated the organisational forces of labour and effectively shattered the confidence of capitalist accumulation in Britain. Of course, each strike wave eventually receded to a degree and allowed capital to claw back some of the concessions made on wage and work conditions. However, each wave deepened the organisational, as well as socialising forces, of labour and weakened the forces of atomism and internal division. For example, the first wave of activity - 1870-1873 - which was marked by a ten-fold increase in strike action,<sup>141</sup> unified the class around agitation for the 9 hour day. The outcome was an extension of union organisation amongst labour. Membership of TUC affiliated societies grew from 250,000 in 1870 to 1.2 million by 1874. In the depression years which followed in the wake of the economic victory, the

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<sup>141</sup> J. E. Cronin, op-cit, p86.

working class as a whole learnt, with the onset of deflation, that the tactic of indexing wages to prices, worked effectively during the boom, but served as a basis of wage cutting during the depression. The lesson learnt was that in future struggle, labour must not restrain wages to value, as implied in indexation, but must instead go *beyond value*.

The next wave of strikes over the period 1888-1891, specifically the militant upsurge of *new unionism*, signified evidence of a more profound nature: the further abstraction of labour was beginning to give way (negate) to the deeper socialisation of labour. The Gas Workers Union; the National Union Of Dock Labourer's in Glasgow, Liverpool and Irish ports; The National Amalgamation of Labour on the Tyne; the General Railway Workers Union, as general unions, all gave expression to labour's growing abstraction and organisational potential.<sup>142</sup> It is not simply that New Unionism opened up to *labour in general* the opportunity to organise against capital; just as importantly it encouraged the breakdown of the subjective divisions within labour. Perhaps more important still, New Unionism heralded the emergence of a socialist voice (in the form of syndicalism and, to a lesser degree, municipal socialism). This 'socialist voice' operated at the level of the class as a whole; urging unity and rejection of the forces of division still latent within the labour process.

The successes of the strike wave<sup>143</sup> and the emergence of a socialist voice was decisive in forging the view amongst the more militant strands of labour that capitalism was to be challenged, not over this or that reform, but *as capital*. Capitalist apologists grew very anxious during this period. The following remarks reflects the contemporary bourgeois intellectuals hankering for the golden days of craft unionism and his growing horror of what, he feels, New

<sup>142</sup> See H. Pelling, *op-cit*, chapter vi, for a detailed account of the rise of new unionism.

<sup>143</sup> According to Cronin, *op-cit*, p86, union membership almost doubled in the period 1888-1890 whilst the number of, mostly successfully executed, strikes rose from 517 to 1211.

Unionism heralds, and illustrates well above all the class anxiety of capital as a whole;

The older unions, presided over by men having some knowledge of political economy and of the conditions of trade, have a defined policy. They desire, when it is possible, to improve the conditions of the working man.....

This policy is stigmatised by the secretary of the new Union. His policy and that of the union is that of the daughter of the horseleech; it is a policy of continual importunity. The new Union cares not whether men are ill or well paid; it is ever ready with a fresh demand. Concession does but wet its appetite; it claims for labour the whole of the profits made by labour and capital combined; it aims to be the absolute dictator of the conditions of toil; to say who shall work and how much he shall receive....The principle which underlies the militant union is the principle of socialism. In the first place, the individual's subordinated to the class; in the second place, the class desires to obtain the whole of the profits which are derived from capital and labour combined. In other words, it desires to confiscate capital.<sup>144</sup>

The wage gains of 1888-91 were quickly recouped, through deflation and the discipline of unemployment after 1891. Nevertheless the real victory for labour was in establishing the spectre of socialism as an ideological alternative to capitalism. This development increased labour's socialisation and, in turn, its organised response to capital. This ideological gain was not to be clawed back as wages and conditions were to be. The spirit of socialism now gripped the leaders of the labour movement. This would now serve as the foundations upon which the next wave of strikes would be pitched, between 1911 and 1919. This wave of strikes culminated in insurrectionary activity in the context of, what

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<sup>144</sup> Edmond Vincent, (1974), *The Discontent of the Working Classes*, in T. Macay, *A Plea For Liberty*, p213-14, cited in J. Saville, *Trade Unions and Free Labour*, in M. W. Flinn and T. C. Smout, *Essays In Social History*, p253-254.

many consider to have been, a near revolutionary situation during 1919.<sup>145</sup> The underlying socialisation of labour when a strike wave hit hard in 1911, brought an immediate response, not only from capital, but from the capitalist Government, forced into the arena *directly* and *overtly* to support productive capital in its hour of need against the forces of labour.

Troops were mobilised in an attempt to break strikes unfolding in the Mining villages of Wales and in the Ports of Liverpool and Glasgow. Strikes made a *quantitative* breakthrough between 1910-1913, averaging 750 workers a strike, as opposed to 350 during 1889-1892. The success rate was also high - 44% of strikers (1.1 million) victorious. However, just as important was labour's *qualitative* breakthrough, both 'in the extent of organisation achieved in the teeth of tremendous and quite unrelenting employer opposition; and 'the serious diminution in the control which the leaders of the men used to exercise over their rank and file'.<sup>146</sup> This break with the union leadership had opened workers to the ideas and influence of syndicalism to a greater degree than before. A 'new philosophy of direct action and militancy'<sup>147</sup> infused labour. Some of the leading militant workers experienced growing awareness of the necessity of overcoming the reformist actions and compromises of both union leaders and government bodies, and became drawn to syndicalist ideas. Despite the many failings of syndicalism it did develop a partial critique of Labourist trends of class containment in this epoch. As such their rejection of Parliament, Labour Party and trade union bureaucrats, and their call for independent industrial action by labour, won them much support. More specifically, syndicalism consistently offered an alternative to reformist unionism through its adoption of an ideology of workers control.

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<sup>145</sup> See for example, the article *1919: The Critical Year*, by C. Wrigley (1980), in his pamphlet, *The British Labour Movement In The Decade After The First World War*, Dept of Econ, Loughborough University.

<sup>146</sup> J. E. Cronin, op-cit, p90.

<sup>147</sup> J. E. Cronin, op-cit, p90.

Recognition of the threat to survival posed by labour for capital is clear in the vigorous efforts of the state to contain labour by bureaucratic means. One Royal Commission (1867-9) after another (1889-92 & 1903) tussled with the 'labour problem'. Special Labour Departments were established from 1893. Efforts were made even earlier than this to foster relations with union leaders as a means to help contain the power of labour. In this respect one has a series of legislation designed to gradually immunise unions from legal action and push them towards a compromised existence within capitalism: *The Trade Union Act* of (1871), ended the danger of prosecution for conspiracy against unions taking strike action and gave legal protection to union funds; *The Conspiracy and Protection of Property Act* (1875), provided limited rights for peaceful picketing. *The Employers and Workman's Act* (1875), ended worker liability for breaches of the employment contract. In addition the 1906 *Trade Dispute Act*, which granted direct immunity to unions, tightened up legal loopholes exploited by the *Taff Vale Company decision* of 1903 to sue the *Amalgamated Society of Railway Workers*.

This plank of labour law, as the *Taff Vale decision* demonstrates, brings into relief the fact that labour law was not simply a *function of incorporation*, but the outcome of heated class struggle. Ultimately, however, labour law was used to codify the Labourist compromise and, in so doing, it served as the basis upon which both trade union officialdom and capital would bureaucratically derail labour militancy. To this end the incorporation of union leaders and institutions was of paramount importance throughout the period - especially so in that it served to allow official trade union leaders the time, resources and status to battle against socialist forces within labour.

By the end of the First World War, capital had been forced off the gold standard and the State had begun to intervene heavily in the process of valorisation. Capital was losing control over an increasingly collective labour. Throughout the period and up until the mid 1920s the ruling class were in a state of disarray, finance capital sought one solution and Labourist forces another, in their attempt to contain labour. Tension mounted when the influence of the Bolshevik revolution began to assert its impact on the British working class. Bentley captures the atmosphere in the ruling class camp in this period when he remarks how

The socialism which Lloyd George confronted after 1918 seemed to him something harder and colder...In the country he spoke not of socialism but of bolshevism (and) he wrote of 'the great struggle which is to come'.<sup>148</sup>

The first two decades of the 20th century saw independent working class collectivity reach new heights in Britain; heights which have never been attained since. As indicated above, syndicalist ideas of socialism had gripped the most politically advanced sections of labour. The main thrust of its practical politics was that trade unions were to become the vehicle for achieving socialism; and the General Strike was to be the main weapon in the trade union arsenal. The militant sections of collective labour were predominantly concentrated in Coal mining, Docks and Railway industries. Between 1910-14, a series of strike waves deepened its hold over labour and began to bring whole cities to a standstill. The State had increasingly to resort to sending in police and troops in

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<sup>148</sup> M. Bentley, (1974), *The Liberal Response To Socialism*, in, K. D. Brown, *Essays in Anti-Labour History* p49, MacMillan.

an attempt to regain control. This, for example, was the case in Hull, Manchester, Salford, Liverpool and Glasgow.<sup>149</sup>

The period 1910-22 witnessed the development of key worker organisational initiatives such as *Worker Trades Councils* and *Worker Co-operatives*, alongside of the emergence of *Councils of Action*. These organisations were responsible for, amongst other things, the 'hands off Soviet workers' campaign. The States Minister of Labour in 1920 revealed their general awareness, however rudimentary, of the *qualitative* changes taking place within socialised labour when lamenting the fact that, 'What is called 'class consciousness' is obliterating the distinction between those who follow different occupations'.<sup>150</sup>

Amidst post war demobilisation and unemployment, key sections of the labour movement were beginning to move from the bounds of a class in itself to the bounds of a class for itself. The trade union bureaucrat, who, particularly during the first world war, was seen as an accomplice to State inspired working class oppression, could exert, as yet, only marginal influence over labour. Thus labour was still in large measure autonomous from the rigid policing role of the State and its agencies. Hence it really was a crucial period of class warfare and working class potential. According to the British labour historian J. E. Cronin, this was the period when 'technical, social and economic processes' were at work, combining, to internally homogenise the working class and cause it to be 'less sharply divided within itself'.<sup>151</sup> The concentrated socialising forces of labour were beginning to make their class presence felt. Within the cities, a distinct working class culture was emerging, which allowed the point of

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<sup>149</sup> For a concise empirical history of the conflict between capital and labour in Britain, see J. Sheldrake, (1991), *Industrial Relations and Politics in Britain 1880-1989*, Pinter Publishers.

<sup>150</sup> The Minister of Labour 1920 is cited by J. Cronin, (1984), in, *Labour and Society in Britain 1918-1979*, p22, Batsford.

<sup>151</sup> *ibid* p27.

production struggles a basis upon which to spill over into political struggle. Cronin again notes how :

The militancy of 1917-20 transcended the issues of wages and prices and dilution and even war itself. It was, more than any previous or subsequent unrest, a mobilisation of the working class as a class and of their institutions and neighbourhoods.<sup>152</sup>

Engineering workers epitomised this. Their growing militancy was due to the dilution of their skill status during the war, undermined by a flood of semi-skilled men and women. Effectively, the growing abstraction of their labour under the drive of war production needs, led to their radicalisation. Thus as Hinton's study reveals, this *supposed* bulwark of *aristocratic reaction*, became a central focus of socialist ideas and latent soviet power.<sup>153</sup> Hinton explains how , realising there would be no turning back to craft exclusion after the war, Engineers, unabridged by union hierarchy and set free from parochial craft concerns were able 'to release the traditions of local autonomy from the narrow embraces of a defensive craft consciousness, to transform them into weapons of an ambitious class offensive'.<sup>154</sup> Of course the shop stewards movement fragmented after the war under the impact of capital's counter offensive. However, this should not blind one to the fact that the capacity for militant action realised by sections of the working class give living expression to the socialist claim that workers can make 'the ideological transition from syndicalism to sovietism'.<sup>155</sup>

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<sup>152</sup> *ibid* p31.

<sup>153</sup> J. Hinton (1972), *op-cit*.

<sup>154</sup> Hinton (1972), *op-cit*, p15.

<sup>155</sup> Hinton (1972), *op-cit*, p15.



There is a tendency amongst many Marxists to be cynical of the optimistic assumption that the working class in Britain were acting *as a class* on important occasions during this period; usually on the grounds that such optimism is born of an 'economistic' outlook, which romanticises working class struggle. To some degree this may be justified - there is a definite tendency towards 'economism'. However, this cynicism is overly pessimistic also. The cynic, by and large, looks at this period of British worker struggle through the distorting prism of Stalinism and Labourism and, as such, the hold these categories have exerted on working class politics *since* the nineteen thirties. What we must not forget is that during the period presently under discussion, Stalinism had not yet developed and Labourism had still not gained a central foothold in order to re-atomise the growing worker collectivities and stratify them into bourgeois collective bargaining groups.

Until the Fabian/Labour Party and TUC could effectively join forces with Conservative social chauvinists such as the Chamberlainites, to ensure a bureaucratic atomisation of the emerging socialised working class, it was Syndicalist's such as Tom Mann who inspired the workers movement politically; and it was the *Anti-Socialist Movement*, the *Economic League*, and the *Liberty and Property Defence League* ideologues who inspired the capitalist counter-offensives. At this stage, then, everything was still up for grabs in the class struggle between capital and labour.

Up until that watershed in British working class formation - the 1926 general strike, the Labour Party and TUC, despite the States careful nurturing, were essentially still on the side lines with respect to any hegemonic control over the working class. This period, in working class history was characterised by a struggle between, on the one hand, Syndicalism, striving to breakdown the political divisions between workers; and, on the other hand, Labourism,

attempting to consolidate its reason for existence, by working flat out to deepening sectional divisions in the working class and deepens the divisions between the British working class and international labour via patriotism.

To summaries, then, the period 1870 to the mid 1920s was a crucial one for both capital and labour. The period witnessed the concentration and centralisation of capital and labour; labour's urbanisation within communities and the weakening of divisions within labour. Under the welter of a series of strike waves, labour became both more socially integrated in production and politically organised outside of production against the forces of capital. Before moving on to consider the rise of finance capital which is implied by the developments already identified within labour, it is worth taking stock and clarifying some of the important implications from what has been asserted above. By doing so, hopefully a deeper ontological understanding will be gained as to why the initial movement away from production by finance capital was an absolute necessity for their survival.

#### ***4.6 Socialised Labour And The Decommodification of Labour.***

The category, *socialised labour*, has a number of attributes which can be divided, for analytical purposes, into two levels of abstraction from the complexities of the capital relation. At a deeper level of abstraction one has socialised labour's *genetic attributes*; these are properties of the inner laws of capital's decay. At a more concrete level of abstraction one has socialised labour's *historical attributes*; these are empirically verifiable trends within production and within the labour market. Taking the *historical attributes* first, these manifest around the creation of 'internal labour markets' and the increasingly 'relatively autonomous' spheres of control in production, which the

emerging socialised labourer forces capital to concede on an increasing basis from 1870 onwards. The fact that these categories in later decades (after the consolidation of *Labourism* post 1939) became transformed as mechanisms of control *over* labour, is not the immediate point. Initially they were capitalist concessions which cost capitalists dearly. Economically, they raised labour costs, hindered technical change and deflated profit rates. Politically, they advanced the self confidence of socialist forces. In essence the dominant capitalist enterprises were forced, under compulsion of class struggle, to *internalise* the employment relation: that is to keep it once removed from the strict criteria of valorisation. Hence wages, work conditions and the division of labour are fixed by internal administration between management and the developing trade union bureaucracy and less by market forces.<sup>156</sup> Put in genetical terms, the decline of abstract labour and so rise of a socially integrated labour, means that the first embryonic forms of the *decommodification of labour* begin to take shape. It is these latent implications, as well as the threat of socialism, which thrusts finance capital onto the scene to oversee and attempt to reverse the decline of the capitalist system.

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<sup>156</sup> Industrial Relations and Labour Process Theory literature is replete with examples of this trend. On internal labour markets and there connection with the 'relative autonomy' experienced by the emergent socialised worker, see A. L. Friedman, (1977), *Industry and Labour - Class Struggles At Work and Monopoly Capitalism*, (Macmillan).

## CHAPTER FIVE

### THE RULE OF FINANCE CAPITAL, ITS NATURE AND EXTENT.

In this chapter a more detailed explanation of finance capital will be provided. It will be argued that to *understand* what the category of finance capital *is*, it is necessary to address three crucial perspectives: One is required to explain *why* finance capital emerges; *who* the finance capitalists are; and, finally, *how* finance capital exert their rule over other factions of capital and, more fundamentally, over labour. Of course there can be little doubt that all three perspectives overlap in various ways. For example, *why* finance capital emerges to rule, will have ramifications for *who* will constitute the finance capitalist and *how* they will practice their rule. Nevertheless, in the first instance, any comprehensive *theoretical* account must address each perspective in isolation.

In the early days of finance capital's existence, *why* they ruled and *how* they exerted their rule produced more contradictions for capital than cures. One of the main contradictions was that finance capital were initially drawn towards *two opposing* positions, which had contradictory policy implications: an *attraction* towards Labour, with the aim of *endorsing* Labourism as a new system of controls over labour; and, simultaneously, a *repulsion* from labour, into finance circulation and a parasitic relation to production. As opposing positions, they disrupted finance capital's ability to exert *hegemonic* control over other factions of capital and labour. Instead their controlling influence could only be partial and so ill defined. As a result, British capitalism lurched from one crisis to another, without any apparent long term strategy. It was a scenario which characterised the period between 1870s-1930s in Britain, one which we will endeavour to recap on later in this chapter, when critically assessing the *historical* manifestations of class struggle as it unfolded during this period. In

doing so, it will hopefully bring into sharper focus the reasons for the indeterminacy which characterised the era. For, although *necessary* for capital's survival, Labourism was never *inevitable*, or, *pre-determined* in any sense. The task of this first section will be to lay the foundations of such an enquiry by providing a detailed theoretical account of the *why's*, *how's* and *who's* of finance capital's rule. I open with a critical consideration of *why* finance capital emerges to exert its capacity to rule, then move on to consider *how* they exert their rule, before, finally, providing an exposition of *who* the finance capitalists are.

### ***5.1 Why Finance Capital Emerges As Ruling Capital***

The rule of capital in general, is exerted automatically through the money form; the necessity that one particular faction of capital emerges to rule collectively, belies the fact that the automatic functioning of money and commodity exchange has begun to lose this capacity. Thus an answer to *why* finance capital emerges to exert its rule, must commence with the power of money capital.

Sayer (1991) points out how, for Marx, capitalism *at the peak of its powers*, exerted a spontaneous rule over individuals (whether they be capitalist or labour). The rule took two related forms. Firstly, commodity fetishism atomised individuals, in the sense that their social class relations could only find expression as a private individual relation *through* commodity exchange. Secondly, based on the above, the laws of private property subsumed classes *as* abstract juridical individuals; again the result is to deepen the forces of atomisation and spontaneous control by the market. The State, *when capitalism is at its peak of power*, rests on these two pillars of control and thus *appears* as a neutral arbitre, between free and equal individuals, while in *essence*, in

maintaining the existence of these forms of atomisation, the State endorses and supplements capital's *class* rule over labour.

In so far as capitalism is able to develop and maintain spontaneous control over labour in the above described manner, individual capitalists and groups of capitalist do not have to consciously manipulate the system to achieve the same end. Capital, *at the peak of its powers*, owns and controls the only social power resource required to rule: money capital. The circulation of money capital, successfully atomises classes *into* individuals, who relate to each other only as commodity producers and exchangers. The capitalist, as Marx argued, keeps his social power over society 'in his pocket'.<sup>157</sup> Sayer elucidates the meaning of this profundity. 'Power', he attests, is externalised, residing now in objective forms outside of people rather than in their differential subjective identities. It is, literally, disembodied. And it is this objectification which enables power to be exercised by individuals *as* individuals rather than as personifications of a community'.<sup>158</sup> Thus, capitalists gain a *common* currency of power in money, whilst labour *as a class* becomes atomised into abstract juridical individuals. In effect capitalists rule their system without really trying to act in common *as a class*; the basis of their rule - money - achieves this for them.

A capital *at the peak of its powers and capacities*, then, provides in money capital, the *source* of capital's rule over labour. Of course, factions *within* capital will continue to compete, conflict and jockey for power within the State. However, at the peak of power, this will have more to do with the particular interest of one faction of capital in *extending* its particular share of surplus value over others. But, what of a capitalist system in decline? No animated object can be frozen at the peak of its powers of development, there must be growth *and*

<sup>157</sup>Marx, (1973), *The Grundrisse*, p94, cited in D. Sayer, (1991), p67.

<sup>158</sup>D. Sayer, *ibid*, p67.

decline. If the forces acting for decline become greater for capital, then one can imagine its forces of spontaneous rule *through money capital* may considerably weakened. Chapter three carried the argument that money capital, is the basis of commodity fetishism, which has as its ground abstract labour. In turn, it was argued that abstract labour must be grounded in gold if it was to *substantiate* the interpenetration of exchange value and use value and thus subordinate society to the extraction of surplus value. Given this argument, the decline of the system from the anchor of gold, surrenders abstract labour's ground and leaves its (positive) negation - socialised labour - with ever more scope to stamp its telos on society and the class structure. The ramifications of the decline from gold are enormous. An essential ramification is that commodity fetishism breaks down and individuals from both classes find it easier and all the more necessary to act *as a class*. This has important implications for the emergence of the *collective* mobilisation of finance capital.

The gold standard substantiated capital's aim to grind labour *as a class* into *abstract individual atoms of labour*. Capitalists could rule almost by automaton. Thus it is little wonder the bourgeoisie, in debates surrounding the gold standard during the late nineteenth and early twentieth century, projected mystical and godlike powers and adulation on gold. It was thought to be the vital equilibrium of capitalism, whose disappearance would cause chaos and stagnation. As one source put it, gold was a, 'thermometer measuring the economic activity of a country'. It provided a warning against unbalanced budgets, restricted credit expansion to the expansion of value and acted as a cure for inflationary excess (the de valorisation of money capital). It also acted as a crucial counterweight to the rise of 'collectivism' and 'municipal socialism', which, for capital, had been a kind of cancer like development, destroying 'individualism'. As Roberts pointed out, to the capitalist, 'the spectre of collectivism was everywhere'.<sup>159</sup>

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<sup>159</sup>R. Roberts, (1984), p24-5.

There had been a 'rapid extension of municipal trading' between 1890 and the mid 1900s (local and central government public ownership and provision of commodities such as gas and water..etc).<sup>160</sup> To the capitalists of the era, this heralded the development of socialism, or, for them, what amounted to the same thing, mankind's stagnation and descent into barbarism. As one source would have it, 'The conclusion..to which we are driven, is that the balance between individualism and state action has been upset by the introduction of municipal trade. We are entering upon a barren region of human stagnation, where reigns a steady decay of all the faculties making for the good development of the race...Effort is stunted intelligence is weakened and responsibility destroyed'.<sup>161</sup> The desperate attempt to cling to the powers of gold, was an attempt to weaken such municipal advances as the thin end of the wedge to socialism. Ultimately, the concern with decay and stunted development, had more to do with the degeneration of the social commitment to the circuit of capital and valorisation, than to mankind's species powers.

The importance of gold becomes apparent when capital moves off it for any reason. When British capital set itself adrift from the gold standard, as a response to the need for war planning in 1914, the forces of collectivism became magnified and the bourgeoisie could hardly wait to re-establish gold's 'curative powers' as soon as the war came to an end in 1918. This was because, allied to an increasingly socially integrated labour, then coming off gold provided fertile ground for the emergence of a militant and politicised working class. As described in the previous chapter, strike waves increased their intensity, trade union membership soared and socialist ideas spread rapidly. Capital's 'knee jerk' reaction was to move back to gold immediately the first world war came to an end and as soon as the domestic class struggle allowed. However, before the

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<sup>160</sup>R. Roberts, *ibid.*

<sup>161</sup>R.T. Nugent, in R. Roberts, *op-cit.*



return to gold could be completed, capital had to work hard over a number of years to provide a collective response that was coherent enough to take the sting out of labour's threat. The extent of labour's militant advances during this period, haunted capital for some decades and proved to be a major restraint on finance capital's attraction to Labourism between the wars (a situation discussed in detail in chapter six).

Money capital which is backed by gold, then, provides the *potential* source of an automatic social power for capital; whilst any movement away from gold, weakens this social power and develops the need within capital for collective (therefore a more conscious) response from both classes, who are compelled to fight it out for control of the system. Capital has to *consolidate* its position as a class for itself, in order to prevent labour's transformation to a similar ontological status. This means capital will attempt to regulate the ideological forms under which labour struggles; endorsing reformist ones and doing its best to limit the effects of communist theory. Thus it is no accident that much of the debate in the late nineteenth century was systematically edged toward the safer terrain of *municipal trading*. Municipal trading, although indigestible to capital, was preferable to municipal socialism. However, when the socialisation of labour developed further still and the ideas of syndicalism began to grip labour, municipal socialism soon became the 'preferred' option (supplemented with national chauvinism) of a bourgeoisie struggling collectively to maintain control of the system. Fundamentally, the class struggle is defined and redefined by the opposition and attraction between use and exchange value. Both are grounded in abstract labour, however, without gold backing, abstract labour loses its ground and as a consequence *can no longer* act as the automatic mechanism which ensures the subordination of use value and need (and so the working class) to the criteria of exchange value and profit. As a result the opposition of use and exchange value overrides any attraction - class struggle becomes more naked;

capital for its part, fights for the world of value, labour transgresses this 'world' and pushes needs and expectations of needs beyond the dominating orbit of the 'value imperative'. It is within such class eruptions that finance capital emerges to attempt to ensure the survival of the crisis ridden capitalist system.

Labour will struggle use value further away from its orbit around abstract labour; capital will struggle to ensure exchange value remains the dominating form of production relations. The point is, with abstract labour shaken from its central co-ordinating and controlling position within the economy, both capitalists and labour are forced to act *collectively* to achieve their aims. Capital must control the drift towards use value and need as the driving motive of production, whilst also harnessing the depleted force of exchange value. To do this necessitates that capital maintain the dominance of exchange value throughout the commanding institutional heights of capitalism: in the major boardrooms, in the City of London and in the State. The task of collectivising to protect the overall interests of capital, falls to those strategically placed individual capitalists who have hegemonic financial control over these institutions. This elite association of capitalists are the *finance capitalist* and they form into a collectivity called *finance capital* (an issue we return to shortly).

To reiterate, when the gold standard exists, capital is equipped with its own internal form of control, without the *necessity* that it acts in unison, as the contraction and expansion of market forces will do the job eventually. As Marx said (in relation to capitalists more than anyone else) 'Every individual possesses social power in the form of a thing'. However, 'Take away this social power from the thing, and you must give it to persons to exercise over persons'.<sup>162</sup> Putting this in more specific terms, capital, robbed of the social power of gold, must assert its rule *collectively* over labour. The collective response to labour

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<sup>162</sup>Marx, *The Grundrisse*, p94.

now becomes a *necessity* and no longer a *contingent* luxury. This is crucial and has the most important ramifications.

The fall from gold signifies capitalist decline. The decline should not be seen as accidental or superficial, in the sense that capital can retrieve the gold standard (or something similar) at a later date, rather, it is an irreversible degeneration of the capitalist social relation. Capitalist decline means that the social power conferred on money to atomise and commodify classes, has been weakened considerably by the advance of socialised labour. The *social integration of labour*, forces the *negation of abstract labour's* powers of atomisation and constitutes labour *as a collective force* facing capital. The gold standard from this point, is no longer viewed as a universal natural condition, but a threatened and endangered species, embroiled in the politics of decline.

Gold may remain, shell like, for some period *after* the dialectic of the situation warrants. In fact the contradiction for capital is that gold *must* remain at the centre of economic exchange, even as a shadow of its former capacity to establish the condition of commodity fetishism automatically. Yet simultaneously capital is aware that, because the objective conditions amass against gold and weaken it as an anchor of internal control over labour (and control of other capital's too), then alternative forms of control must be sought. The alternative form must be capable of seizing control of, and over, an emerging political economy of *use value* and *need*. Because of this capital is forced to do the unthinkable: come off gold for good and begin to establish Labourism. It is precisely the consequence of these opposing policy directions - desiring to remain tied to gold, but needing to ditch it - which become the motive force for a disparate capitalist class to draw itself together as never before and begin to assert a more conscious rule over the declining system. *This is the basis upon which finance capital emerges* and exerts its power to rule capital in general

against the threat of labour and its increasing potential to move from a class in itself to a class for itself. The waves of labour militancy throughout the twentieth century, have had the effect of honing and refining finance capital's ability to exert its collective rule. The militancy of the 1870s to 1920s, issued forth the strategy of imperialism; labour's subsequent acquiescence to Labourism between the 1930s to 1960s and the restrictions placed on international capital movements, forced finance capital to collectively reorientate towards domestic accumulation and the sterling area. Finally, the renewed waves of militancy between 1960s to 1980s, forced finance capital to put an end to Labourism and re-establish more intense forms of parasitism, in an effort to circumvent labour once more. Although each situation served to threaten the rule of finance capital in different ways and to different degrees, they also effectively served to hone such rule and intensify the development of the collective cohesion of finance capitalists. These issues will be addressed shortly in more detail. The immediate and essential point to make here is this: the potential political power of socialised labour, in the face of the loss of capital's central means of achieving objective commodity fetishism automatically, provides the vital condition for the emergence of finance capital. Thus all knowledge of *why* it rules ultimately hinges on this understanding.

The threat from *living* labour and capital's weakening grip on the gold standard, provides the most crucial reason for the rise of finance capital. However, it is still not the whole reason. Implicit in the emergence of socialised labour, is the *rising organic composition of capital* (dead Labour) and the *tendency* for profit rates to decline. We need to reflect on this other side to 'the problem of labour' in order to have an all-sided account of why finance capital emerges to exert its rule. It can be said that the weakening of the power of money capital to assert control over labour provided the *necessary conditions* for finance capital in Britain to assert conscious rule, whilst the effort to deal with the threat of

socialised labour *and* the rising organic composition of capital, made *actual* these *necessary conditions*. More specifically, the manner in which finance capital in Britain dealt with the problem of a rising organic composition of capital, also had important ramifications for *why* and *how* finance capital exerted its rule over labour.

On most occasions, the organic composition of capital is treated as a *universal* technical process. Whilst it is, both universal in its applicability to *capital in general*, and technical in its manifestations, it also operates in *particular* ways within *specific economies*. Unfortunately, the particular concrete manifestation (products of the peculiar structures of class struggle within different economies) are usually overlooked. Yet, the way the problem of the organic composition of capital is dealt with *is* invariably specific to economies. Therefore, analysis of the organic composition of capital, can unlock vital clues as to how finance capital develops in *particular economies*. In what follows we discuss *both* the *universality* and the *particularity* of the problem of a rising organic composition of capital, thus developing a firmer understanding, both of the insurmountable nature of the problem facing capital and the reason why finance capital rules in the manner it has done and continues to do in Britain for over one hundred years.

## ***5.2 The Problem of a Rising Organic Composition of Capital***

The organic composition of capital (OCC) is a central feature of Marx's theory and subsequent Marxist economic discourse (see for example, Mandel, 1975; Fine & Harris, 1979; Ticktin, 1983). The concept has its complexities, however its essential logic is simple, yet profound: the composition of capital will rise systematically relative to living labour power, despite fluctuations, and the general rate of profit across the economy (and economies) will decline. In what

follows I develop an overview of the technical argument, then apply its dialectical implications for the British class structure and development of finance capital.

*The Organic Composition of capital: A Technical Exposition*

The OCC is constituted by two related parts: the technical composition of capital (TCC) and the value composition of capital (VCC). The VCC is the social measurement of the existing value tied up in machines and labour..etc, and the expansion of value, or the extent to which the economy as a whole increases the productive powers of labour over and above existent values (a manifestation of the capital labour social relation mentioned earlier). The TCC is the use value or material technical side of this process. It measures the relationship between the development of machinery and labour activity. The common sense finding is that as capitalist industry has developed and expanded the use of machinery (in all its forms) increasingly outstrips that of labour; in fact labour activity (in terms of hours spent working) may even begin to decrease absolutely. Whilst this may be progressive in universal terms, in that it sets the basis of freedom from the necessity to labour long hours, it has a negative effect on VCC and so is negative only within capitalist relations.

If one leaves out the extension of the working day, VCC can only rise if employers' apply machinery to the labour process at an increasing rate. By doing so it increases the productive powers of workers and delivers an increase in relative surplus value. It is relative, in the sense that a greater amount of labour power creates extra value for the employer relative to the pay and hours worked by workers, which may remain fixed. Thus under the strict discipline of competition employers are compelled, in general, to raise the TCC in order to

raise the VCC and so relative surplus value. The problem for capital is that the continual raising of TCC (the increase of machinery relative to labour) reduces the source of value: labour power (or living labour). The more that capital is driven to increase TCC in order to increase surplus value, the less living labour is required. Because labour power is the source of surplus value, then this is indeed a real problem for capital in general.

As mentioned, OCC is the result of the outcome of inevitable progressions in TCC related to changes occurring to VCC, a point we need to detail. Briefly, the TCC always rises, but cannot be directly measured as it deals in different *qualitative kinds* of labour and capital. However, observation informs us that TCC rises, which is to say that more capital is increasingly employed relative to labour. Although one cannot see the VCC, it expresses in *value terms* the TCC relation through the social process whereby production (viewed as the sum of TCC) *mediates* through market exchange and *mediates* back to production. The VCC, unlike the TCC, can grow or diminish, depending on the socially necessary labour time taken to produce the TCC and commodities in circulation. The interplay between TCC and VCC determines the overall movement in OCC. For example, when the TCC rises, but the VCC remains unaltered or falls, then the OCC will decline relieving the rate of profit across the relevant industry and/or the economy which subsequently rises. However, if the opposite is the case, then profit rates may fall. The *primary* way of keeping up rates of profit and so dampening the upward movement of the OCC, is to increase relative surplus value extraction (RSVE). It is the need to do precisely this, which of course drives so relentlessly the rise TCC.

The problem for capital is that increasing RSVE reduces the amount of necessary labour needed to valorise an ever increasing amount of capital. This reduction means that the source of surplus value - living labour - is being reduced

at the very time when RSVE needs to become ever more intensive to offset inevitable rises in VCC (despite counteracting tendencies, Marx, *Capital*, ch13 &14). There reaches a point where RSVE cannot keep pace with the rise in VCC. At this point OCC rises and profit rates fall. Empirically the tendency to reduce living labour is clearly defined in western capitalist economies. In relation to the threat it imposes on profitability rates, the reduction is of vital concern to capitalism. As an objective fact, it is something capitalist organisations have to deal with. But, from a macro level, it is something that the circuit of capital must attempt to circumvent. This brings one to a crucial point concerning the particularities of the responses possible to the universal problem of a rising OCC. The particular circumvention adopted in Britain aligned itself with the primary reason for the emergence of finance capital - the emergence of socially integrated labour and decline of commodity fetishism - to produce a specific manifestation of finance capital's rule in Britain.

### *Specific Responses to the Universal problem Of the Rising OCC*

The problem of falling profit rates linked to the rising OCC, has been inherent to capitalism for well over a century. Ticktin (1983), has written about the way finance capital responded in the latter part of the nineteenth century and early part of the present century, by circumventing the growth of fixed capital and seeking out fresh reams of surplus value in industries with an inherently lower level of fixed capital and so higher levels of circulation. The rising OCC forms much of the backdrop of capitalist decline, a problem which still exists today, hence capital has learned by trial and error, for over a century, to deal with it.

Trial and error alone, however, would not have allowed capital to survive. Capital must, therefore, have developed strategies to deal with the problem



*systematically*. The problem can only ever be contained, never resolved, for it is inherent to capital itself. Capital, as dead labour, mounts up in ever greater proportions to living labour, as the fatal residue of its insatiable need to extract ever greater amounts of surplus value. For labour, it holds the immediate prospects of intense alienation and exploitation. More fundamentally, however it contains the promise of freedom from necessity. For capital it holds the fear of terminal decline. Dealing with the OCC strategically, therefore, becomes a necessity for each capitalist economy.

The problem for a system which lives by feeding vampire-like off the back of living labour is immense, as the following points illustrate. The trend across economies in the western hemisphere for over a century has been one of a slowly expanding workforce, but in the context of a *rapidly decreasing utilisation of living labour power*. For example, the annual hours of necessary employment in Britain is a shrinking cake which must be divided and re-divided amongst a growing workforce (one reason why, over and above class struggle, systematic reductions in average weekly hours of labour have become such a necessity). Here one has a general *indication* of the fact that a rising OCC means less social labour time is *necessary* to set into motion larger amounts of capital and commodities. Recent figures for European OECD economies highlight this. For example, between 1980-87 on the basis of an employment rise of a mere 0.2% GDP averaged a rise of 1.9%, productivity averaged at 1.7% ('The Kreisky Commission on Employment issues in Europe', in *A Programme For Full Employment in the 1990s*, OECD Report, 1989). Recently the *Employment Gazette* (Nov, 1992, p544), noting the general trend in the EC reflected on the fact that ' Nowadays it is clear that on a full lifetime basis there has been significant reductions in working time. The generally later entry into the labour market...and generally earlier retirement means that over a life time working hours are significantly lower than even a decade ago. Charles Handy's analysis

of a trend from a lifetime of about 100,000 hours work (47 per week for 47 weeks per year for 47 years) to about 50,000 (35 hours per week 35 weeks a year for 35 years) appears to have some truth in it'.

Thus, ignoring shorter run fluctuations in employment figures and profit rates, and ruling out the wholesale destruction of science and technological applications to the labour process, there remains an inescapable *general tendency* that the OCC keeps increasing, profit rates keep declining and that surplus population keep increasing. Marx's point that '...capitalist accumulation itself..constantly produces and reproduces in the direct ration of its own energy and extent, a relatively redundant population of labourers...' (Capital Vol 1, p590) is as true today as it was in the middle of the last century, with one qualification: the depression years of the 1920s and 1930s witnessed the development of an *absolutely* redundant population of labourers, because capital and labour where in stalemate, with finance capital refusing to move towards a Labourist compromise. Once the compromise (Labourism) had been established, labour became fully employed, through the mixture of commodity production and the State's administration of a social wage. In the present era, with the collapse of the Labourist compromise, the social wage has been cut back and redefined through internal quasi-markets to create a tighter relation with its commodity status. Hence, once again, over the past 20 year period, one has the phenomenal appearance of an *absolutely redundant* section of labour.

With little or no new social forms of labour control in sight, save depression and decline itself (a point we take up in coming chapters), the absolute redundancy of labour in evidence today signifies a prolonged stand-off between capital and labour. The recent G7 Conference in Detroit (Feb, 1994) to discuss the problem of the 35 million unemployed throughout the OECD, was evidence of capital's *concern* with the stand-off situation. However a conference of concerned

capitalists, cannot hold back the tide of objective socialisation and a rising organic composition of capital. It is, therefore, of little surprise that the conference came to nothing noteworthy. Nevertheless, it is worth repeating: the very fact capital considered holding such a conference, is testimony to the fact that the ruling classes, internationally, are concerned at the possible future political fallout of an unemployment problem they can do little about, within the confines of their declining social system.

Of course capitalism is an antagonistic social relation, not a mechanism, hence decline on the basis of a rising organic composition of capital and the threat from labour, is neither pre-determined nor unilinear. Within *specific* economies and *specific* companies, profit rates may very well move upwards and downwards, this is necessary: capital's struggle to valorise labour power is always particular and circumstantial, as well as a universal relation. Nevertheless, the *general trend* is a downward movement in the rate of profit. The *general* trend may be down, but *specific* economies will develop *specific accumulation strategies* in an attempt to circumvent the process. In addition, the accumulation strategy adopted, *however pragmatically* followed, will *tend* to be imparted to, or reflected within, the company strategies of the largest and most dominant public limited enterprises of the specific economy in question. For example, the German economy and the dominant enterprises of which it is comprised, have, to date, tended to ward off the rise in OCC in the, supposedly, orthodox way: by advancing RSVE at an even faster rate than VCC rises. The German economy has put an emphasis on developing the TCC through a deeper commitment to advancing technological know-how, research and development and commitment to fixed capital investment. Financial capital in Germany provides the bulwark of this accumulation strategy, a process explained by Hilferding long ago (1911). As Will Hutton enthuses, 'The German banks are uniquely powerful, holding shares themselves and on behalf of others in the major German companies,

making long term loans, acting as information clearing houses, assessing industrial and commercial prospects in partnership with borrowers. They are the stable backers of German industry...'163

Hutton, like many other social democrats on the left, appears to think such arrangements are permanent and beneficial to both capital and labour. One must remember, however, that the so called 'social market' approach, eulogised by social democrats, is predicated on the political atomisation of the indigenous labour movement and its acquiescence and alienation within strong institutional networks, which act to guarantee their bureaucratic policing. The suppression of labour is the primary condition, however another very important condition for the successful execution of this type of accumulation strategy is necessary too: the ability to capture and control an expanding world market, a contained working class and the commitment to fixed capital formation and expanding world market share, means that, although the commodities produced and marketed are hosts to less and less deposits of exchange value, the *total* surplus value created can be enough to outstrip the rising TCC. The result is an accumulation strategy which can pull up the rate of profit (but only whilst such specific social conditions last it needs to be emphasised).

In as much the specific conditions still hold for German capital, the German economy will remain committed to domestic valorisation in and through stringent bureaucratic controls and related legal network ('co-determination'), which, taken together, *compromise* the commodity status of labour. Any sustained loss of market share and/or prolonged world recession, however, will inhibit surplus value formation and shake the containment of labour strategy to its foundations. Likewise, any move towards a State which expands the social wage faster than the capacity to valorise, will fall victim to sustained bouts of inflation and,

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<sup>163</sup>Will Hutton (1995), p264.

redistributing *too much* of the surplus value away from capital, which may call to a halt the incumbent accumulation strategy.

Any of the above, may bring an end to an accumulation strategy which has remained intact in Germany (barring inessential changes) since the end of the second world war. The recent depression in world trade and commitment to re-unification, has seriously tested the German economies commitment to this particular path. A point worth reiterating, however, is that the commitment is predicated, above all, on the successful institutionalisation of potential and actual conflict between capital and organised labour. That is to say, the German ruling class have, only been able to adopt this particular accumulation strategy, because of its control over the labour movement. The control is still largely intact. For example, we are informed, 'In the recent German recession Volkswagen were able to negotiate wage cuts and reduce working hours in agreement with its unions, and Daimler Benz slashed its labour costs by over DM1.5 billion within a year' (Hutton, p263). Thus so called 'co-determination' institutions, which lie at the heart of the compromise, rest on the deep compliance of official trade unions, which themselves rest ultimately on labour's defeat during the fascist period. The recent disquiet amongst the organised steel workers, on the one hand, and the growing belief within the financial community that industrial ties are too constricting, on the other, indicates the beginnings of possible fault lines appearing in the German accumulation strategy.

Another way finance capital may attempt to deal with a rising OCC, the British way (which is our main concern here), is to gain monopoly control of the domestic market with the intention to suspend, or dampen down, the development of fixed capital investment (in other words the growth in TCC). The nexus of financial controls and personal links, extending from the level of

the company to the City of London (see below), have undoubtedly served such a function. This accumulation strategy is predicated on the inability to politically suppress and atomise labour sufficiently. The poor development of fixed capital and the inability to control labour, of course, have negative ramifications for relative surplus value extraction. In other words, Dampening down the TCC and labour resistance to valorisation, tends to limit the growth in the pool of relative surplus value extracted. The negativity is amplified by the fact that British trade union bureaucracy can gain a foothold within the social structure. Using labour's militancy and the pragmatism of investment strategies and the necessary loss of real identity suffered by management, trade unionism can win concessions for itself and labour, which further limit surplus value accruing to capital. It is on such a basis that trade unionism becomes a central part of Labourist containment.

However, the negative effects of the above on the ability to extract relative surplus value need not be too much of a problem for the large and dominant sections of British capital in the short term, for three reasons. Firstly, dampening the rise in OCC means that VCC need not increase with the same order of intensity to affect the rate of profit. Thus, although there can be a restriction on the rate of growth of relative surplus value extraction, the rate of profit need not decline because the limited growth of TCC and VCC also means the limited growth in the OCC. Of course the average rate of profit will be lower in such an economy, however, the system may determine this to be as good a trade off for survival than any other. Secondly, In conjunction with the above, there are added supplements acting to push up the rate of profit. One supplement is an overbearing emphasis on psychological management theories to increase surplus value extraction, without recourse to a rise in TCC to accomplish it. Specifically, 'human relations' management practices take the place of 'Taylorist' orthodoxy (which implies high levels of fixed capital). The supplement serves to

*intensify* and *extend* the use of labour power to make up for the relative lack of deployment of capital. The intensification of labour, increases both *absolute* and *relative* surplus value extraction, although not to the degree that a systematically high rise in TCC would achieve. Thirdly, and perhaps most importantly, a *necessary trend* towards finance speculation in secondary shares and money markets provides a crucial means whereby capital may mark up its low average rate of profit. The outcome of such an accumulation strategy is that capital can control labour sufficient enough to survive. In addition, profit rates for finance capital and other dominant sections of productive capital which are related to it, can, in general, be maintained (through the mark up); whilst the relative rate of growth of the productive forces is retarded. While British capital could maintain its central place within the *sterling area*, the relative stagnation of productive forces did not have to manifest as de-industrialisation, due to the fact that the relative obsolescence of TCC, which produced high prices and poorer quality of commodities, could be passed on to colonial countries, captive within the orbit of sterling.<sup>164</sup> A *manifestation* of this strategy of accumulation, as the *sterling area began to uncoil*, has been, amongst other things, the accelerated process of de-industrialisation experienced by the British economy. As emphasised in the opening chapter, de-industrialisation became part of the social furniture of British capitalism during the fourth quarter of the last century. The decline was halted to a trickle between 1940 and the mid 1970s, due to the fact that finance capital had secured a Labourist containment of labour. We take up a detailed account of how Labourism eventually became systemic within capital's decline, in the next chapter.

It is relevant to mention here, in relation to the problem of the rising OCC, that in recent decades the decline of industrial capital has accelerated in response to the

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<sup>164</sup>See Coakely & Harris (1983), for a good account of the important role the sterling area played for finance capital and the City of London.

dissolution of the Labourist compromise. To this end, in recent decades hybrid forms of control of labour have been in evidence. Alongside the more obvious collapse of national level wage regulation and the decline of social welfarism, the casualisation of work via part time working and subcontracting has increased. This process has reduced the power of labour to resist increased work loading; in combination with multi-tasking it reduces the porosity of labour power and leads to the re-commodification of labour in exchange. The valorisation of labour power is also extended via so called 'temporal flexibility' projects: 'roll on roll off shift working' and/or annual hours/over time, increases absolute as well as relative surplus value expansion. The latter also ensures that any new capital investment that is made, is used as much as possible before it becomes 'morally' depleted due to new technology and so new standards of socially necessary labour usage. The use of a more flexible labour supply and valorisation ensures that more of labour power is productive for employers within a given working day and less of it takes the form of constant capital or unproductive labour power. The main point is that British capital, by adopting these methods and by making use of the City of London, has, despite the collapse of Labourism and the sterling area, continued its systematic approach to circumventing the problem of a rising OCC. Thus the present era is distinguished from the Labourist one, by the fact that capital must now squeeze, from section of labour power as much value creating capacity as possible, whilst condemning other sections of labour to structural unemployment, amidst economic depression and social decay, in order to achieve the same goals of controlling labour *as a whole* and the OCC problem. The result is that Britain has been the graveyard of productive capital during the past two decades. In essence this mirrors the initial response of finance capital to capitalist decline in the last quarter of the nineteenth century, but with one crucial difference: this time it cannot use the potential of socialised labour against labour and create Labourism. The latter creation is specific to the class structure of the era.



The manufacturing sector epitomises the effects the post Labourist accumulation strategy has had on industry in general. Consider the evidence of British manufacturing during the decade 1979-89. The so called 'Thatcher miracle' in this industry flatters to deceive. During this period labour productivity increased by some 50%, yet output increased by only 12%. A fact which implies a massive reduction of employment. The massive rise in productivity of the existing workers became predicated to a large degree upon work intensification under the rubric of 'multi-tasking'. Despite the massive increase in productivity, very little of the capital reverted back into production: investment rose by only 10%, whilst profit rates increased by some 44% (see A. Glynn, in J. Michie, 1992). This indicates something profound: the productivity miracle was firmly entrenched within the circuit of capital strategy to fend off the rise in TCC and increasing VCC via the intensified use of labour power, which British capital, domestically, is committed to. It is this peculiar strategy that set the defining limits to Thatcherism: both in its rise and its downfall.

To come back to the main point. Finance capital emerges to oversee and guide the systematic circumvention of the problem of a rising OCC. The strategy has had to adapt and change, from the one of financial flight and imperialist conquest in pre-Labourist days, to one of Labourist containment, and, subsequent to the collapse of Labourism, on to the present post Labourist response, which has intensified the process of decline (a point developed in chapter seven). The *actualisation* of such strategies, is evidence of the *necessity* that finance capital must assert its rule. It is a rule which extends from the major boardrooms of capital, through the institutions of the State and to the City of London. One *recent* empirical indicator of the extent of this rule, is the extent to which profits have been systematically siphoned off from the manufacturing sector: only 10% of the 44% profit increase in manufacturing during the period 1979-89 went

toward re-investments, the rest was poured into the secondary stock market and into higher dividend payouts (of course one can collect such data from most decades of this century to reveal a similar act of siphoning of surplus value). This circuit of capital strategy has ensured the phenomenal growth of financial capital's power throughout the last decade or more. Another manifestation of this power over the economy is the physical growth of financial institutions. For example, again a modern one, which could no doubt be replicated in other ways in other decades, banking, insurance and finance saw a massive 320% increase in investment into their infrastructure between 1980-90 (Glynn, in Michie, 1992, p77-88). Thus, *why* finance capital should need to act collectively in order to exert its rule over labour (and the rest of capital), has, hopefully, been made clear. At this point analysis moves to consider *who* the finance capitalists are and *how* they assert their *collective* rule.

### ***5.3 The social & political ties of finance capital***

Finance capital, must control productive capital *internally* (within the site of valorisation) and *externally* (from the vantage point of the economy as a whole). Finance capital must also be able to control important institutions of the State, including the Treasury and Bank of England, if it is to exert its rule throughout society. Moreover, because the fact that finance capital manoeuvres against organised labour *and* a rising OCC, both of which affect capital as a whole; and, on occasions, secures for productive capital monopoly profits and lucrative deals abroad, it helps a great deal in facilitating the rise to power of finance capital. Of course finance capital secures important material benefits for itself too, otherwise it would be reluctant to take on the task of defending the system. It earns the right to become world banker and to become chief exporter of capital. By

exporting capital it was and is able to replenish itself on the surplus value of other nations labour. The material conditions, then, *between*, is conducive to finance capital's rule.

Nevertheless, to actualise this rule is quite a hegemonic achievement, demanding that finance capital develop certain social and political ties beyond the immediate financial institutions. The ties must be firm too, or else the first sign of crisis could disintegrate the hegemony. During the first world war, for example, finance capital became effectively bankrupt (the celebrated foreign earnings of £4 billion by 1914 dissolved to nothing). To add insult to injury, the flow of capital abroad had become blocked in the wars aftermath. Economies had placed restrictions on foreign securities during and after the war. Such potential for international restrictions on the flow of capital and the growing class tensions within Britain, required resolute collective action from capital. The debacle convinced the British ruling class that they must attempt to create favourable internal conditions for the return of inward capital investment. In other words, finance capital resolved, with the help of other capital's, to exert short term discipline upon itself by allowing the State to act in its long run interests. To carry through such a project required the deepening of social and political ties between itself, productive capital's and the State institutions. In this respect the *social ties* between merchant bankers, the Bank of England, private banks, insurance company's, trust funds and the larger magnates of productive capital in textiles; coal..etc, become an essential fabric to finance capital.

Useem (1984) has identified what he believes to be an elite group of business leaders who exert an overall influence on the British economy. This 'inner circle', as he calls them, rule because they take an interest, not in this capital or that capital, but in the capitalist economy in general. The *generality* of their concern, in turn, reflects their interests in all aspects of accumulation. The 'inner

circle' are based within the largest corporations (industry and finance), from which base they form 'inter corporate networks through shared ownership and directorship of large companies'.<sup>165</sup> The *inner circle*, according to Useem, are not a recent phenomenon. They have their developmental roots in the growth of 'managerial capitalism' out of 'family capitalism', and reach their apex when capitalism transforms into 'institutional capitalism' (capitalism controlled by institutional share ownership).

Useem, for purposes of empirical proof, conducted snap shot research on the largest 196 corporations in Britain between 1979-80. The corporations included a mixture of all the clearing banks, a sample of influential merchant banks and insurance houses and over 100 industrial companies. Focusing on the interconnections between key Directors, some 2211, 418 of which had multiple directorships in the top 196 companies, Useem found to be part of an definite inner circle exhibiting a 'class wide corporate leadership'.<sup>166</sup> As Useem elaborates, 'Upper class, corporate and class wide principles of social organisation distinctively shape business political activity. Thus, their relative importance is of fundamental interest for comprehending contemporary corporate activity - from the orchestration of public opinion on behalf of 're industrialisation' to renewed assaults on organised labour and government regulation'.<sup>167</sup>

Thus an inner circle is said to exist, which, acting as 'class leaders', organises itself against government intervention and the threat of labour. Useem puts it more clearly still, 'This political mobilisation of business can be traced to the decline of company profits in both the United States and the United Kingdom and also to heightened government regulation in America and labour's challenge

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<sup>165</sup>M. Useem, (1984), p3.

<sup>166</sup>Useem, *ibid*, p16.

<sup>167</sup>Useem, *ibid*, p19.

of management prerogatives in Britain'.<sup>168</sup> This political mobilisation, then, is the basis of what Useem refers to as, an external 'extra corporate logic', which compels the class leadership into government bodies (eg the Treasury), public quangos and Boards of Directorships..etc, in an effort to enforce the class wide interest.

Regardless of the categories deployed ('managerial capital', 'inner circle'..etc), the analysis has clear findings: capital has formed a leadership to counteract the fall in profits, the problem of labour and to control government intervention. Useem limits his analysis to the 1970s and 80s, where he argues, the inner circle, through institutional capitalism, became most thoroughly assimilated as class leaders. However, as the problems of falling profits and control of labour and government intervention, has haunted capital since the last quarter of the nineteenth century, then the need and existence of such class leadership goes back further than Useem cares to mention. However, Useem is correct to point out that the inner circle cannot be conflated to vestiges of feudal aristocracy, or any other particular part of capital, such as the partial interests of 'industrialists'. This is because, as *particular* interests, they have little inclination or basis upon which, to form a hegemony for the *general* interests of capital. Heredity status may prove a potent drive for the aristocratic element of capital to enforce its rule, however, it is hardly of such crucial concern to capital as a whole, that they would allow this faction to rule the sway of accumulation.

The point of the inner circle, and its source of defining strength and collectivity, is that it is an ensemble of industrialist; of those of an aristocratic heritage; and of bankers and merchants. Their *commonalty* is derived from the notion that, as leaders in their particular functions within capital, they have grown out of (transgressed) these functions and developed links and interests across capital as

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<sup>168</sup>Useem, *ibid*, p4.

a whole. Scott (1991), for example, describes the development of the Ridley family, made (in)famous recently by Nicholas Ridley. The Ridley family go back to the eighteenth century. Developing wealth based on merchant capital, they moved progressively from this to become parochial industrialist and landed magnates of the North East, to general industrialist (through share dispersal), before entering the City of London and their role *as guardians of money capital interests in general*. It is from this base that, according to Scott, the Ridley's, and many like them, first acquired political leverages within Public bodies and Government institutions. The trail leaves a series of social ties and networks which bind capital into a collective force.

Scott (1989) points out that between the top 200 industrial companies and top 50 financial companies, there exists a 'constellation of interests', which, supplemented by social and political ties, amount to evidence of a ruling elite, which Scott defines elsewhere as the finance capitalists. It is from this power basis that finance capital extends its influence throughout the public sector, media and society.

This is not to say that finance capital rules every decision, inconceivable considering the reality: capitalism is not a *rational closed* world of *fixed regular laws* of motion. What it does suggest however, is that, given the decline of capitalism and the ensuing struggle for survival, these 'class leaders' can *inform* and *define* the contours of what is possible and politically acceptable, in terms of class concessions. Finance capital, *emerge* to tackle the problem of falling profits and the 'problem of labour', these are ultimately insurmountable, therefore their rule will be ambiguous and fraught with compromise and failure as well as partial successes. The *development* of these *as problems*, then, also witness the *development* of finance capital's rule. With this in mind it is to the aspects of the *development* of the finance capitalist that attention now turns.

Stanworth + Giddens study (1975), reveals how finance capital developed its hold over the economy. They concentrate on the network of links developed through interlocking directorships between 1906 and 1970. Between 1906 and 1939 a progressive deepening of interlocking directorship connections occurred between financial institutions and the top 50 productive capital's. Stanworth and Giddens surveyed eighty five company's in all, including the top fifty industrial corporations, a selection of the most important merchant banks, all the main clearing banks and ten of the largest non life insurance companies, together with the Bank of England. Aside from the deepening 'extra-corporate links', what becomes clear from their study is the unique co-ordinating role the Bank of England increasingly played throughout the whole of this period. The Bank of England, situated at the centre of the State and the economy, effectively ensures finance capital as a category, is greater than the sum of its parts. In 1906 thirty six companies out of the top eighty five had a substantial network of linkages. By 1920 the figure had risen to fifty three. By 1930 the figure had risen once again this time to sixty two. Just as important was the thickening of these arterial links. For example, of the thirty six links in 1906, thirty four were the product of forty one multi-directorships. By 1930 the sixty two links between all firms was consolidated by ninety two directors constituting a network of some one hundred and thirty two links.<sup>169</sup> The latter figure implies that the rise in *multiple* directorships, connecting finance capital to productive capital had risen substantially. All of these developing links were gathered and given holistic hue by the Bank of England, the Court of which was constituted by finance capitalists. A similar study by Aaronovitch (1955), provides similar evidence.

Alongside evidence of increased direct social integration between finance capitalists and large productive capital, there is the extensive evidence of formal

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<sup>169</sup> See P. Stanley + A. Giddens (1975), p5-28.

and informal social links amongst the financial community. In this respect the City is no mere ensemble of competing interests, but as Boyce argues, the City displays a 'corporate spirit' producing the foundations of collectivity by a cross network of commercial trading, stock exchange dealings and interlocking directorships.<sup>170</sup> Whilst in Whitley's<sup>171</sup> important study it was revealed that extensive social ties fixed between 27 large financial companies, including the Bank of England, clearing banks, discount houses, merchant banks and insurance companies, in terms of education background, club membership and interlocking directorships. On the basis of his data he concludes that there is evidence of what he terms a 'financial elite' developing, which 'is drawn from a small minority of the population, is educated in the same type of, if not identical, institutions and is highly interconnected through common directorship, kinship and clubs'.<sup>172</sup> A further study Lisle-William's<sup>173</sup> also confirms this strong financial, directoral and social ties between the network of merchant banks and the bank of England. From 1800 to 1940 the bank was effectively dominated by merchant capitalists. The dominance, one should be aware, does not stop with the Bank of England/Treasury, but also manifests itself through the boards of many insurance companies and investment trust. The fact that the latter have, throughout the twentieth century, been so vital in the promotion of speculative mergers, and/or the siphoning of retained profits away from domestic productive capital, indicates the breadth of control finance capitalists have at their disposal when attempting to contain the threat of labour.

It would seem that Marx and Engels *apparent* overstated conclusion, that the state operates as the committee to manage the affairs of the Bourgeoisie, is rather more closer to the truth concerning finance capital and its control of the British

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<sup>170</sup> Boyce (1987), p22.

<sup>171</sup> R. Witley (1973), Commonalities and Connections Among Directors of Large Financial Institutions, in *Sociological Review*, 26, (2), p305-26.

<sup>172</sup> Whitley, *ibid*, p368

<sup>173</sup> M. Lisle-Williams (1984), p333-62.



state. The Bank of England operated as the institutional hub through which finance capital, from its institutional power base in the City, could centralise *economic* rule. Additionally the Bank and the City's intimate economic and social ties with the Treasury, ensured its *political will* would prevail. The Treasury was, (and is) after all, the effective medium through which the interests of 'sound finance' permeates government policy (Ingham, 1984). A policy never more vigorously and ruthlessly pursued by the Conservative Party (post corn law repeal) in its efforts to 'out free trade' the fast waning Liberal Party and secure its base in finance circles. It is little wonder that by the early decades of the twentieth century, the City were willing contributors of up to three quarters of Conservative Central Office Funds during elections.<sup>174</sup> One reason why the larger *productive capital's* switched allegiance from the Liberal to the Tory Party at the turn of the century was so they could associate with their social superiors and consolidate the 'balance' of interests between the two<sup>175</sup>.

On the basis of available evidence, then, there can be little doubt that finance capital had the necessary institutional links at State level, to carry through its political rule to contain the threat of labour. Its rule over important aspects of State policy enabled finance capital at least the basis to co-ordinate the movement towards Labourism after the first world war.<sup>176</sup> Certain intermediate institutions helped to consolidate this basis. For example, the previously mentioned *Economic League*, *Industrial Freedom League* and the multitude of other 'Employer Associations'. In conjunction with the systematic interlocking of directorships, these vociferous 'free traders' provide the crucial political support and justification for the capitalist system in Britain to gravitate towards merchanting activity; and as a result make it easier for finance capital, in

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<sup>174</sup> Boyce (1987), op-cit, p21. See also M. Pinto-Duschinsky (1981), *British Political Finance, 1830-1980*.

<sup>175</sup> R. W. D. Boyce (1987), op-cit, p21

<sup>176</sup> This was addressed earlier and will be taken up again in more detail later.

the face of the threat from labour, to sublate the circuit of capital further under its influence. As Fox records, the influence of such anti-socialist organisations persistently undermined the 'national socialist' current (Labourism).<sup>177</sup> On the basis of evidence such as this, many have echoed the sentiments of John Scott when he claims finance capitalists in Britain, for the past century, have been the controlling power elite out of a wider power bloc consisting of large scale industrial capitalists, commercial and landed interests.<sup>178</sup>

Of course empirical evidence in and of itself as proof of collective power is far from unproblematic.<sup>179</sup> Nevertheless, it does reveal beyond doubt the existence of an intricate web of personal and institutional ties. The ties need to be situated, as this thesis has attempted to do, within the complex network of *value relations* through which finance capital ensures its survival. Coupled with the Marxist theory of decline put forward here, the empirical evidence adds weight to the development of a powerful explanation of capitalist decline and the role of finance capital in this decline. A further delineation of finance capital's role in decline must now be made. It is a delineation referred to in passing many times above. Finance capital's physical presence on the boards of large industrial capital's, in manning State/City institutions and their wider social and political ties, provides the basis of *two forms of control over labour and recalcitrant capita'ls* - control by *external* means

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<sup>177</sup> See A. Fox (1985), ch5. Labourism apart from being used here as a more profound political economy category, is also a more specific term than 'national socialism'. The latter tends to lump the working class with anti-working class trade union and Labour Party leaders, as well as right wing social chauvinists. As is recognised by Pery Anderson and others, the '*Leaders*' of workers may have national chauvinist designs, but such designs were weak amongst rank and file workers. In fact the working class in general, as Fox points out, seemed much more inclined towards 'free trade', albeit for very different ends than finance capitalist ones.

<sup>178</sup> A. E. Musson (1977), op-cit, p 150.

<sup>179</sup> One of the main problems of empirical research is that it can infer no *causal* relationship, merely a '*strong association*'. This is why theory is so important. The Marxist theory of capitalism is a more than adequate context for transforming the strong association into a necessary development. Another problem is said to be the fact that empirical research is often arbitrary. Both in the selection of data it includes and/or excludes. Finally, the various restrictions imposed on the extent of sampling and available data.

and control by *internal* means. We elaborate on these forms of control below.

#### ***5.4 How Finance Capital Exerts Its Rule: The External and Internal Control Mechanisms***

Regarding external control, this takes a number of forms including speculation, control of bank lending and merger and acquisitions. Speculation works to de-stabilise State commitment or the commitment of productive capital, to long term fixed capital investment. State management of *fixed exchange* rates places a limit on the circulation of capital which fosters a stable climate for investment and presents a basis for a potential compromise between productive capital and trade union officialdom. If stability were allowed to continue for any length of time, finance capital could be politically challenged leading to another accumulation strategy which would regroup labour and run rapidly up against the problem of a rising organic composition of capital. In addition to the orchestrated campaign of finance capitalists within the Treasury and their presence within industrial capital, finance capital can exert a powerful external deterrent through speculation. Massive waves of currency speculation can undermine any wayward accumulation strategy. Instability of foreign exchange markets, or even the threat of it, can force Governments to deflate the accumulation process. Whilst chronic bouts of speculation, create a *systematic* weakness in contractual relations between capital's and with labour, which induces a short term approach to accumulation and an emphasis on circulation and quick profit maximisation. The heightened state of awareness to the 'evils' of inflation, and balance of payments deficits, endorsed by Treasury and Bank of England 'watchdogs',

creates a culture of accumulation very sensitive to the weapon of deflation; a fact which makes speculation all the more potent a force.

The second external form of control issued by finance capital is control of the scope of bank lending. By controlling the rate of return on loans charged (for example, maintaining them at a high rate), by stipulating the loan is to be based on present value rather than potential value, and by insisting on short payback periods, finance capital is able to control the flow of money capital to productive capital and, as a result, can impart a strong influence over how it is to be used. The fundamental outcome is that finance capital is able to exert the necessary circulation bias within productive capital's. In the 1980s, rates were on average 20% and the payback period was halved from their 1970s level from 4 years to 2 years. The concern with tight monetary policy and strict adherence to payback conditions, led to control mechanisms which were used to pressurise productive capital into adopting a new strategy towards labour. This meant breaking the Labourist pact, the move towards a more disciplined management containment of labour within production and a drastic reduction in the scope and extent of collective bargaining regulations. Of course such control can and has been used to encourage other options. For example, between 1870 and 1930, it was used to distance capital from labour and so facilitate the flight of capital into imperialist exploitation. After 1930, up until the mid 1970s, this form of control, and others mentioned, was used to facilitate the adoption of a new containment strategy over labour - Labourism. Later in this chapter and in more detail in the following chapter, these strategies will be analysed. For now, however, the important point to make, is that this form of external control has been decisive in its effects and has a long historical lineage, as many have indicated (Ingham, 1984; Williams, 1987; Hutton, 1995).

The third form of external control is exerted through the manipulation of capital's merger and acquisition requirements. Merger and acquisition can be used to discipline incumbent management to the needs of finance capital's accumulation needs: speed of circulation and short term maximisation of profits. British finance capital can force a spate of hostile take-overs and asset stripping, whilst securing State impunity from restrictive legislation. Rather the opposite has been the case; the State, through tax exemptions on dividends and corporate tax penalties on profits retained for investment, has encouraged the process. The culture of instability engendered and the fetishisation of speed of circulation of capital which becomes a necessary product, provides the ideal basis for financial management (in the form of auditing and accounting) to dominate the management function. So called 'scientific management', which has its basis in developing fixed capital formations and the dominance of *production management*, takes a very secondary role. This latter point has implications for internal labour process controls over labour, a crucial part of the thesis which will be taken up in the following chapter.

Merger and acquisition also raises profit without necessarily raising the organic composition of capital, therefore, in addition to a form of control, it also becomes a *necessary* feature of accumulation, quite apart from the normal role it serves in the processes of earning economies of scale for capital in general. Merger and acquisition can raise profits without raising the organic composition of capital, this occurs when the transaction *raises the value of shares* above their objective value. Merger and acquisition can also force distribution of surplus value in favour of finance capital, due to the way in which surplus value takes the form of *high dividend payouts* rather than *retained profit*. Take-over mania is encouraged by the hoards of City institutions who make a quick profit from this redistribution of capital. For example, merchant banks receive underwriting fees; City Accountants earn massive auditing fees, the array of fund managers enjoy a

sharp boost to the value of their shares. The only portion of capital whose expansion is stunted is fixed and constant capital, however this is the whole point of the exercise.

The fourth form of control is that exerted by *institutional share ownership*. This form of control develops in response to the three forms mentioned above; enabling and fostering greater precision over their effects on the economy. As Coakely and Harris (1983) have noted, their existence was negligible before the nineteen twenties, but has grown inexorably since. In the present era they now account for 60% of quoted shares, whilst British Pension Funds accounted for £220 billion by the mid 1980s and their turnover rate in one year was 41% (approx. &110 billion!!). Moreover, Investment Trusts accounted for £40 billion and an annual turnover rate of 85% (approx £32 billion). Their craving for fast turnover of capital and high short term profit margins forces the same motive on productive capital's. Thus, under the threat of a sudden dumping of shares, which would drastically reduce their current value, corporate management are forced to dampen down development of R&D, long term investment in fixed capital, the rationalisation of labour process controls, and instead go for expansion of capital through merger, fast turnovers and an emphasis on the 'bottom line'.

Merger more often than not, lead to the re-distribution of existing capital, not its growth. This was certainly the trend in the three spates of merger of importance this century: eg, those occurring throughout the 1920s, 1960s and 1980s. The merger also facilitates the centralisation of capital's power, without increasing its concentration. Thus the centralisation of capital proceeds alongside the atomisation of fixed capital formation and so the atomisation of the working class into smaller scale plants. In the modern era, they are known as *semi-autonomous profit centres*, with overall financial control remaining at corporate

level. Hutton (1995) has recently decried the fact that the British economy is dominated by both small firms and the very large firms. As the large firm is broken down by internal market policies, then the economy is characterised by millions of atomised units of capital. For social democrats like Hutton, the overarching emphasis on the market mechanism spells disaster for any likely compromise between capital and labour. The economy, Hutton argues, is devoid of the real powerhouse of investment - the middle size firm - and is sinking in a sea of short termism, inherent to the closed horizons of the small firm. However, despite the implication that this is a new phenomenon, characterised by a new language - 'small business units'; 'internal markets'; 'profit centres' - the practice is an old one, it is also an endemic one in the case of British capitalism (see Nichol, 1986). Capital in Britain right up until the 1980s, preferred to concentrate and centralise using the holding form, a loose ensemble of capital which allows ease of break up and re transfer into money capital. The negative effects on the forces of production are often great. Witness, for example, the small ad-hoc amalgamations which formed the English Electric and its eventual merger into GEC; or the ad-hoc amalgamation of the British car industry leading up to its present identity as Rover. Both are manifestations of a chequered history of finance driven merger and acquisition and, ultimately, evidence of the lengths finance capital will go to in an attempt to circumvent the threat of labour and the rising organic composition of capital.

Predicated on the *external* forms of control mentioned above, is a vital *internal* control exerted by finance capital - control through Accountancy. As Armstrong (??) amongst others, has pointed out, the accountancy function developed increasingly more precise methods of controlling costs and auditing techniques during the two World Wars, in response to the partial elimination of market

control over the allocation of resources including labour. Indeed, with the development of municipal socialism and the public sphere and the threat this implied to capital, the necessity to advance more precise and sophisticated instruments of control over the money capital (siphoned off to create non value sectors), became of paramount importance. The development of the accountancy function was one response to this. Its relative importance to British capital and the particular strategy adopted to circumvent labour and the problem of a rising organic composition of capital, is evidenced by the common knowledge fact that the accountancy function is four times as large in Britain than it is in Germany. Of course one should not forget that the large and dominant accountancy firms have important connections in the City of London, where interlocking directorships ensures the necessary link with finance capital. The fruits of the link are never more clearly displayed than during spates of acquisitions and mergers, when the accountancy function acts as a conduit for the rule of circulating capital, a point we will draw on later.

Since the mid 1970s there has been a massive increase in the policing of accountants within production. The large dominant productive capital's, both traditional market based and recently privatised, have their centralisation of capital, while at the same time decomposing capital concentration in terms of fixed capital formation. As implied earlier, the large capital is an ensemble of semi-autonomous profit centres, every one of which is rigorously controlled from corporate head office. The form of control is finance, ie, strict financial targets which have to be reached. Targets so stringent that it compels line management to become guardians of short term profit maximisation and the quick turnover, rather than pressure groups for long term investment (Legge, 1978, 1995). This is where the Accountancy function plays its crucial role. They are the guardians of finance capital's rule within the site of valorisation. They carry through the dictate of pressures from the City to impart the necessary circulation capital bias.



More recently, as the old Labourist containment strategy dissolves further, the accountancy function also monitors the value of labour power and its ability to 'add value', particularly so as collective regulation of wages becomes marginalised.

### ***5.5 The Rise of Finance Capital in Britain***

This section considers finance capital's developing hegemony within the British economy. The hegemony of a small financial elite within the capitalist class began to consolidate its power over the rest of capital during the latter part of the nineteenth century, as a reaction to the dangers emanating from the valorisation process. This may appear paradoxical as many commentators testify, that from as early as the 17th and 18th centuries in Britain the *commercial classes*, and particularly its *financial* fraction, ruled politically over domestic country banking, landed capital and industrial capital.<sup>180</sup> However in the era after the 1870s, the dominance of a financial elite within the capitalist class signified something much more profound than simply their key position in the circuit of accumulation. It signalled, not so much the hegemonic function of money capital in converting other forms of capital into itself and facilitating the expansion of credit in accordance with the law of value, but rather the fact that money capital had now to block and/or monitor the development of the accumulation of surplus value. Put more forcibly: financial liquidity and so the dominance of forms of circulation capital over fixed capital had become an absolute necessity for the survival of the system, against the twin forces of a socially organised labour and an increasing organic composition of capital.

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<sup>180</sup> See, for example, Perry Anderson, (1964) and again in (1988).

Thus general fall in profit rates throughout industry, lead to a spate of country banking crises around the period 1870-80. This in turn, lead to the transformation and atomisation of country banking networks *away* from productive capital's centre of gravity and towards the orbit of the City. Firstly, through merger and joint stock ownership, the country banks centre of gravity shifted to the City of London. Secondly, through their sublation by centralised clearing banks, who were themselves interlocked with merchant banks, the Bank of England and the Government Treasury Department.

The first reactions of productive capital to the 'problem of labour', the high organic composition of capital and finance capital's initial strategy of taking flight from the site of domestic accumulation, was to reduce the rate of investment in domestic production sites. Hence the slow retardation of productive growth and lack of innovation which characterised this era. Such a course of action taken by productive capital was inevitable when retained profits were either too small or are not re-invested on a sufficient scale in fixed capital. A second reaction, running in parallel with the first, had most important ramifications too. This was the channelling of retained profits *out of* the zone of immediate class struggle over valorisation *and into* increased bouts of speculation abroad. The particular route chosen became that of international speculation in gold mining and railways.. etc, where the organic composition of capital and hence profit rates were higher. The network of finance capitalist institutions in the City were only too willing to provide assistance (as long as the commission was suitable). And only too willing to draw productive capital into their orbit of social, cultural and political influence. Edelstein (1982) does not exaggerate when he notes that, among the most important phenomena of British and world history in the late nineteenth and early twentieth centuries, was the dramatic increase in British

capital exports after 1870.<sup>181</sup> Van Helten is quite clear about where the majority of capital was bound: the majority of funds invested, in a series of 'frenzied booms and share manias', were bound for mining, especially to gold mining.<sup>182</sup>

A large proportion of speculative capital was channelled through investment trusts which had flourished rapidly after 1880. According to Casson, their total nominal capital rose from £5 million in 1887 to some £50 million in 1890. However even this belied the true extent of investment trust *control* over capital invested. For investment trusts were controlled and owned by finance capitalists operating out of merchant and clearing banks in the City. It proved a flexible way of siphoning commissions from small and large capital's alike and brought the latter further under the orbit of finance capital's world view (for example important segments of large productive capital investors such as brewery companies were willingly ensnared).<sup>183</sup> As *The Bankers' Magazine*<sup>184</sup> pointed out at the time, investment trusts were a front used and abused by City company promoters, who acquired fortunes manipulating shares, underwriting poorly equipped productive capital ventures and diluting stock values.

Most commentators can agree with the words of Scott, that by 1870, 'the City of London had become the hub of an international monetary system' dominated by 'merchant bankers'; who 'formed a tightly integrated group with numerous overlapping business activities' exerting control over the Bank of England<sup>185</sup> Productive capital made use of, then honed and widened these institutional

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<sup>181</sup> M. Edelstein (1982), p3.

<sup>182</sup> Jean-Jacques van Helten, *Mining Share Mania and Speculation: British Investment in Overseas Mining, 1880-1913*, in Youssef Cassis (1987). According to van Helten finance capital channelled much of its activities in gold mining speculation in South Africa, Australia, South America etc, when demand for gold rose due to both Germany and the USA adopting the gold standard after 1870

<sup>183</sup> J. J. van Helten, in Y. Cassis (1987), *op-cit*.

<sup>184</sup> *Bankers Magazine* (1893), vol 55, p563-5, cited by Y. Cassis, (1987), *op-cit*.

<sup>185</sup> M. Bentley (1974), *The Liberal Response To Socialism*, in, K. D. Brown.

channels and arrangements, as it moved away from the domestic labour process and systematically pursued profits, interest, bonds..etc abroad. Empirical evidence, noted previously, confirms this; just as it confirms that the course of the rupture in value relations had two negative results in the long run. Firstly, it lead to the abrupt slow down of the economy. Secondly, it lead to the divergence of interests to become intensified between, on the one hand, the requirements of wholly domestic based productive capital for long term cheap loans and, on the other hand, the requirement of financial institutions that capital remain fixed for as short a time as possible and so earn financiers as high a return as possible.<sup>186</sup>

Of course in the 'City', there had always been a number of avenues for capital to realise a return. The two basic distinctions of parasitic activity were between money market activity, which lent short to domestic productive capital and long to foreign Governments and/or high labour intensive, low wage foreign private industries. In so far as finance capital became involved in this activity, it is rightly characterised as its imperialist mode of operation. As such, if not exactly an institutional fusion of industrial and banking capital (a la Hilferding and Lenin), it is very much a fusion of productive capitalists and financiers<sup>187</sup> Within this configuration, however, the seeds of a more *highly developed* form of finance capital emerged, concentrated in commercial trading in currencies, bonds, secondary share issues and bill discounting. Old mercantilist habits no doubt, but habits in an era of developed capitalism, which became parasitic instruments in arresting productive capitalist development.

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<sup>186</sup> See G. Ingham (1984), *Capital Divided*, for a detailed description of the short term commercial orientation of the City.

<sup>187</sup> See John Scott (1982), *The Upper Classes Property and Priveledge in Britain*, for a concise rendition of the relationships between the different factions of capital as they coalesed due to the effects of various economic and social changes.

This parasitism refers to a number of processes. Firstly, there is a retardation of growth, of research and development (see Hobsbawm) and the rationalisation of the labour process through 'scientific' management principles. Both become manifest, when capital takes flight into circulation activity on the lines described above. By the turn of the century the retardation had reached into the psychic of the bourgeoisie class. Hobson, with his expose of British imperialism, epitomised the concern expressed within social democratic/Fabian circles about the tendency to stagnation and its dangerous results.<sup>188</sup> Even though he located its causes in the rather more superficial problem of over saving/underconsumptionism; and was of the opinion that the object of capitalist production was something as apparently innocuous as the production of utilities, his work nevertheless captured the mood of the nation and the mood was that 'Britain' had firmly entered onto the slippery root of decline. Musson neatly summarises the distress felt by a generation of economic historians about productive decline in this era;

What then, was wrong with Britain that she failed to maintain her leadership?

That she was tending deplorably to lag has been demonstrated by the declining percentage growth rates in particular industries and in the whole economy: whereas, in the late eighteenth century and first half of the nineteenth century, industrial production - according to Hoffman's index - had been growing at three to four percent per annum, it began to fall in the second half of the century and down to 1914, first to two or three percent and then to one or two percent, while productivity or output per head declined even more depressingly, to well below one percent per annum, until it was almost stagnant or even declining in the years before 1914; in overseas trade similarly, the annual rate of growth in the volume of

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<sup>188</sup> J. A. Hobson (1928), *Imperialism: A Study*, 3rd edition, Allan & Unwin.

manufactured exports fell from four or five percent in the third quarter of the century to only about two per cent between the mid-1870s and the early twentieth century.<sup>189</sup>

Alongside the initial flight of capital a second, perhaps more insidious, aspect of parasitism emerged - the development of an ethos of 'short termism' *within* productive capital itself. At the heart of this phenomenon was the merger boom between 1856 and 1930. Essentially this boom came in two waves, one before the first world war and one in the interwar years. 'Between 1888 and 1914 an average of at least sixty seven firms disappeared in mergers each year'. During this period there were three peak years between 1898 and 1900, when 650 firms became absorbed in 198 mergers.<sup>190</sup> After the war the depression of 1920, stimulated another wave of mergers; between 1919-21, 234 firms disappeared annually to the value of £300 million.<sup>191</sup> These increases in acquisitions and mergers, from the 1850s to the end of the 1920s, were facilitated by the joint stock company Act 1844 and limited liability law 1856. Although there were technical aspects of economies of scale driving such mergers, it is the manner in which they were conducted and the ultimate reason for their prevalence that interests us here. In fact the merger waves completed the economic interpenetration of productive and finance capital, with the latter subsuming the former. They opened up the large productive capital's to finance capital's sphere of influence.<sup>192</sup> Prior to the merger waves, the larger productive capital's were either growing at a slower rate or stagnating, because they were increasingly

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<sup>189</sup> See V. I. Lenin (1916), *Imperialism : The Highest Stage of Capitalism*. Lenin was correct to view this aspect of finance capital as imperialistic, however he largely ignored its other more important aspect - its parasitic aspect. Although he did allude to it, he left it unexplored. See H. Tickten Critique 16, (1983), for an enlightening account of this.

<sup>190</sup> L. Hannah (1976), *The Rise Of The Corporate Economy*, p23.

<sup>191</sup> H. Overbeek (1990), *Global Capitalism + National Decline*, p54.

<sup>192</sup> As is often pointed out by many Historians, the merger boom during pre war years involved many of the old staple industries such as textiles, Shipbuilding, Brewing, Tobacco..etc, (see L, Hannah, op-cit).

unable or unwilling to accumulate rapidly on the basis of retained profits. Finance capital used this as a leverage to gain entry into productive capital itself and impart a circulation capital bias vis-à-vis fixed capital.

Hilferding has shown in the case of Germany,<sup>193</sup> that the response of finance capital to corporate stock floatation's and the desire for banking loans, was to develop a long term fusion between itself (as the leading partner of course) and productive capital. But because Hilferding concentrated on Germany, it, unfortunately, left him with a one dimensional view of finance capital<sup>194</sup> The argument here, therefore, is that in the case of Britain, the collective strength of labour, the high organic composition of capital and the easy access to a network of remote financial institutions built up in the mercantilist era, served only to produce a more parasitic finance capitalist response. Essentially, then, finance capital used the opportunity of the merger waves to exert, not so much a fusion of money capital with domestic industrial capital a la Hilferding, but rather, a money capital bias and anti-fixed/industrial capital bias *within* the productive units of capital. Whatsmore, the larger productive capital in general did not so much fight the move but effectively encourage it. Hence although many factional disputes surfaced between individual capital's over profit retention and dividend payouts, as well as more fundamental ones regarding the degree to which a Labourist containment of labour should be adopted, through national programs of welfarism, capitalists were fundamentally united about the need to defeat and/or head off all political challenges from labour.

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<sup>193</sup> R. Hilferding (1981), op-cit, specifically ch 7 and ch 14.

<sup>194</sup> The reader is referred to the previous chapter for a discussion of Hilferding. His conflation of finance capital as solely a fusion of banking with productive capital, comes out clearly in the following quote; An ever increasing part of the capital of industry does not belong to the industrialists who use it. They are able to dispose over capital only through banks, which represent the owners. On the other side, the banks have to invest an ever increasing part of their capital in industry, and in this way become to a greater and greater extent industrial capitalists. I call bank capital, that is, capital in money form which is actually transformed in this way into industrial capital, finance capital.

Thus finance capital's containment and hegemonic influence over productive capital, is reflected in the failure of the issue of tariff reform in the late nineteenth/early twentieth century. The overall weakness of Chamberlain's Tariff Reform League and the eventual defeat of his Bill in 1906, symbolised a split within productive capital between those whose accumulatory interests lay with fixed capital formation (mostly the small to medium capital's), and those whose interest lay in both fixed and circulating capital formation (mostly the large capital). For example, the mainstay of tariff reformers reflected the small to medium industrialists of areas such as Birmingham and the Midlands generally. They sought a 'social imperialist' based tariff, which would underwrite social welfarism to contain and appease labour (the early form of Labourism). However, the larger productive capital's, united under the leadership of finance capital had different ideas. What Fox refers to as, 'the larger battalions' of industry (eg, coal, cotton, shipbuilding..etc), sided with finance capital<sup>195</sup> on the crucial issue of 'free trade'.

Simply stated: the accumulatory strategy of 'international free trade imperialism', gelled large productive capital to the forces and interests of finance capital. By choosing such a route, they effectively determined (for the moment at least) that compromise with labour was out of the question. . When Chamberlain's attempt to push ahead the interests of the small to medium faction of capital failed, Lloyd George took up the fight on their behalf, within the realigned Liberal Administration. From 1910 until the early 1930's, his campaign too was continually defeated by the same forces.<sup>196</sup> This would seem to confirm a central point/assertion of this thesis - that only when the labour movement had been *politically defeated* could any notion of Labourism *endorsed by finance capital* become entertained.

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<sup>195</sup> A. Fox (1985), *op-cit*, p209.

<sup>196</sup> A. Fox, *ibid*, p207-208.



It follows from this that more needs to be said about the number of crucial ways finance capital took over the reigns of control *within* productive capital in a *direct* fashion, once mergers got off the ground. Strategic share ownership, for example, fostered the development of the loose Holding Company's. This form of organisation gave a free reign to rentier capital to move from one fixed capital to another; 'holding' a unit of productive capital, only so long as it was able to produce high, short term dividend payouts and/or access to monopoly profits, via monopoly control of a particular sector or industry. Hannah provides a clue to the essentially parasitic nature of Britain's merger and acquisition waves during the period discussed, when he alludes to the fact that<sup>197</sup> 30% of the public company's, formed in the first 30 years after the establishment of the limited liability provision, ended in insolvency.

Of course, merchant banks and the Accountancy profession gained, whether or not the merger extended the life of a productive unit of capital. The former gained by underwriting the initial mergers and counter mergers; whilst the latter gained from the lucrative business of winding up insolvent productive capital's. Between 1885 and 1907 joint stock company firms in the manufacturing and distribution sector grew from 60 to 600. Many of those, too small to afford the underwriting fees of merchant capitalists, joined forces in 'joint issue', this intensified the monopoly tendencies in the economy and, according to Hannah, created a new 'financial impetus to the merger movement by encouraging speculative activity in the stock market'.<sup>198</sup>

In effect, finance capitalist circles created both the supply as well as the demand for speculative mergers and acquisitions, in their efforts to distance themselves

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<sup>197</sup> L. Hannah (1976), *op-cit*, p20.

<sup>198</sup> Hannah (1976), *ibid*, p21.

from the threat of labour and a rising organic composition of capital. This double gain was achieved, on the one hand, by encouraging productive units of capital of the benefits of economies of scale and the potential rewards of issuing and selling new shares with vastly inflated prices relative to present asset value. Whilst on the other hand, it was achieved by enticing potential speculators with promises of lucrative future monopoly profits. It was speculators that served to fuel the rift, gaining ground within productive capital, between the production management goals of long term fixed capital investment and internal growth, on the one side, *and* finance management's mission to appease stock market speculators desire for short term high dividend payouts, on the other.

Thus in all the above ways, finance capital's dominance over productive capital became an *internal* one. These internal mechanisms of control mean that productive capital's main avenue for concentration is increasingly through acquisition and merger and less, as before, through organic growth. In other words finance capital in Britain plays down the *concentration* of capital and plays up its *centralisation* in order to move flexibly against labour. This is seen most clearly in the afore mentioned dominance of the H-form organisation of productive capital units in Britain. Additionally, and related to this, capital's reason for growth becomes not so much to expand fixed capital formation, but to enhance the speculative ground of finance capital. Hannah allures to such a situation when he states,

The positive correlation between the level of share prices and the intensity of merger activity is consistent with (the) hypothesis that financial factors played an important part in stimulating the amalgamations of this period.

This view is also confirmed by the complaints of 'overcapitalisation' which almost invariably followed the more unscrupulous or misguided merger issues. Such complaints clearly suggest that the profits which were made subsequently

to an issue were insufficient to service the large amounts of capital which had been subscribed.<sup>199</sup>

Many commentators have drawn attention to the fact that in Britain the Holding Company form of organising productive capital (generated by the logic of merger activity not organic growth), has dominated the largest units of productive capital's. This is inspite of the evidence from the United States, which clearly reveals the benefits for capital, in terms of relative surplus value extraction, of the *multi-divisional* form<sup>200</sup> However, the commentators (usually of the social democratic persuasion) somewhat miss the point, in so far as they perceive this as evidence of capital's limited development in Britain. More profoundly it is evidence of the highly flexible nature of finance capital in its attempts to outmanoeuvre the working class and contain labour within the bounds of a class merely *in itself*.

Finance capital, therefore, eventually becomes the central focal point for the capitalist system when it reacts to the loss of control over its productive base, as is the case in Britain. The more the contradiction within labour became negated and so the collective strength of labour grew, the more intensely does this form of capital feel at home in its abstract fictitious world of M-M'. Having suggested this however, it should be stressed that the initial thrust of finance capital away from productive capital, merely purchases some relief from the contradiction at the heart of capitalism, but without being able to resolve it. In fact by moving away from productive capital, finance capital must face a more heightened contradiction: they must deal with the threat from a socially integrated labour. Thus at the very time finance capital was taking flight and bringing the forces of production to premature stagnation, a labour movement

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<sup>199</sup> Hannah (1976), *ibid*, p22.

<sup>200</sup> T. Nichols (1986); H. Overbeek (1990); D. Sayer (1986).

was on the advance, pressurising for the regulation, if not the overthrow, of the capitalist system.

With labour and finance capital pulling in the opposite direction, the already compromised commodity relation, was fast becoming a threatened species. Use and exchange value objectives began to substantiate themselves on different *grounds*; one for the development of socialised labour, the other for the containment and re-atomisation of labour. It is on this basis that Labourism develops. Labourism compromises exchange value, to the bureaucratic regulation of use value and in this way offers the potential for capital to remain controllers of the system. It is this process that finance capital's initial thrust away denies and the same force, under more appropriate conditions, which eventually resecures finance capital to the domestic economy. Below we assess the contradictions which mount up for finance capital, when it initially denies the movement towards Labourism and adopts the strategy of imperialist adventure. The next chapter will take up the conditions under which finance capital eventually secures Labourism.

### ***5.6 The flight of finance capital and socialisation of labour: a breach in commodity relations.***

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Perhaps the best way forward to explain the above process or conflict, is to consider the objectives finance capital must balance out to maintain its control. Finance capital must achieve a number of objectives. It has to deal with the problem of labour, deal with the problem of a rising organic composition and

plot an alternative course of accumulation and control. The way this is achieved by British finance capital is complex and, ultimately, contradictory. It systematises an emphasis on circulation as opposed to fixed capital formation, wherein control of labour occurs through deflation's and unstable employment conditions. It also begins to enter relations with other capitalists to secure more adequate controls over labour, which have become characterised as Labourism. The more that Labourism becomes a system, the more finance capital contradicts its wish to emphasise circulation over fixed capital. It requires both, but cannot achieve both, therefore finance capital in Britain eventually gyrates from one to the other, securing just enough success to maintain rule. Of course on various occasions the attraction of one is greater than the other. It will, therefore, be argued later, that the effect of Stalinism was to make Labourism the more attractive for some decades after 1940. The point to be made here, however, is that this unstable gyration between freedom of capital circulation and capital containment by Labourism, provides the key context for making sense of finance capital's use and abuse of their *external* and *internal* forms of rule. Thus it is worth reflecting briefly on the ambiguity of the era between 1870 and the late 1930s, as it highlights the tendential nature of the rise of Labourism.

The empirical and institutional processes outlined above, of finance capital's rise to hegemony, should fundamentally to be viewed as evidence of tendential reactions to the decomposition of capital taking in production (due to the socialisation of labour previously discussed). By the same token, it is also due to the flight of capital into its highest, yet most parasitic form - the fictitious world of credit creation with little basis in surplus value extraction. Hence the goal of accumulating surplus value in Britain post 1880, had increasingly to take second place to international investments, trading and commerce. Use values, needs, skills and precious employment are, for capital, merely the mediums through

which surplus value is extracted. Therefore whenever the compulsion for the latter weakens, then logically the need to realise the former will also weaken.

In an ideal capitalist world of course, the rupture between use and exchange value implied by the above would leave use value and needs stagnant amidst high long term unemployment. Capital, having dispensed with large sections of domestic labour, could take flight to more conducive climes. But, unfortunately, for capital, it does not live in an ideal world. As a result, although British capital did *initially* take flight abroad and into the monetary matrix of the City, it could never in the long term simply leave its' original site of exploitation, without risking potential revolutionary confrontations with the working class. The problem for finance capital was that it was confronted by a socialised and increasingly assertive working class, prepared to challenge the 'naturalness' of exchange values hold on the production of use values and fulfilment of social need. The more capital took flight and sacrificed advances to be had in the forces of production for speculative escapades abroad, the more labour became compelled to act *as a class* in an attempt to ensure their expanding needs would be met outside that of the controlling orbit of valorisation. Thus capital's initial flight into circulation, became a response to decline, and actually *intensified the decline*, by making clearer the choice which was open to workers: either accept the law of value and structural long term unemployment or reject it. It was a choice that served to radicalise labour and force it to take decisive steps towards its ontological destiny of becoming a class *for itself*. The restrictions placed on international capital movements in the inter-war era, merely accelerated finance capital's eventual need to compromise with those who favoured a Labourist solution.

The rising tide of collective labour resistance and socialistic expectations (whether expressed as Ricardian socialism, Fabian, or Syndicalist), in the context

of the flight of capital out of Britain and hence the retardation of the very productive forces necessary to realise the growing expectations of labour, intensified the social process already afoot: *the breaking down of commodity fetishism*. Effectively, the *objective* conditions for a transition to socialism were being constructed, regardless of any subjective conclusions otherwise by the actors involved. Conditions which were objective in the sense that when commodity fetishism began to breakdown (pulled apart by the actions of labour and the reactions of financiers and productive capital's), workers are necessarily drawn together as a social body wanting to fight consciously for collective use values and need.<sup>201</sup> Hence capitalists increasingly tended to be seen as superfluous, while managers are seen more as unproductive controllers, whilst the market was seen more and more as a historically limited hindrance to more fundamental aspirations.

As argued in the previous chapter, most waves of class struggles in the era 1911-1926 reflected this process. By the same token decline, the initial flight of capital and the subsequent intensification of class conflict, served to impose upon finance capitalists the *necessity to act as a class for themselves*. Thus finance capitalists, in their quest to save the system, were themselves compelled to act together as a conscious force overseeing the process of decline: arresting it, blocking it, slowing it down and accelerating it, in an effort to outmanoeuvre the working class. Hence, in an era of capitalist decline the 'neutrality' and so 'universality' of the commodity form of social productive life, becomes the subject of class struggle.

As argued earlier, the breakdown of commodity fetishism leads to a *direct dependency* of capitalists upon each other for their continued rule. But more than this, their rule is no longer based upon abstract labour and, therefore, the

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<sup>201</sup> The reader is referred back to chapter three's discussion of labour.

appearance of equality between abstract juridical individuals. Rule has to become more arbitrary. For example, the State is required to intervene arbitrarily into the economy. The policies it pursues, becomes the subject of political debate, non more heated than that over the issue of 'planning or the market', which gripped the class struggle in the early part of this century. Amidst the political confrontations, classes are forced to start to act *as classes* in order to survive. This has been the nature of the epoch from the 1870's onward, although its true extent was concealed and constrained by the stubborn adherence to the discipline of gold. Pre-empting the next chapter, it can be said that Stalinism would eventually underwrite Labourism's earlier consolidation in the 1930s and allow the capitalist class to act *as a class* : administering and slowing down the era of capitalist decline by blocking labour's political emergence as a self acting class.

\Thus, from 1870s onwards, finance capital and labour entered a transitory world. On this transition, a whole *epoch of finance capital's* conscious rule was predicated. That is, an epoch of finance capitalist rule emerged when the capitalist mode of production was in the nether world of decay. The contradiction between exchange and use value and the contradiction between fixed and circulating capital (see chapter three), plays the central part in this and becomes essential to an understanding of the epoch. As the contradiction increases between greater levels of fixed capital formation and an intensification of the moral depreciation of its value holding capacity develops on the one hand, and the negation of commodity fetishism (the contradiction within labour), develops on the other, the ruling elements within capital ensure the easy passage for capital to reverts to its essential mode of existence - circulation. Left to its own logic, finance capital opposes labour and labour opposes finance capital - use value and exchange value begin to stand in outright opposition to each other. The forces of interpenetration become increasingly weaker and the system



becomes threatened with disintegration as class struggle intensifies and classes become classes for themselves: workers for use and need; finance for the shell of the value form. Given such a situation, it becomes *necessary* that Labourist forces, which had developed between the classes, be allowed by finance capital (often against its immediate will and interests) to pull capitalism back from the abyss of disintegration. Below the chapter draws to a close by briefly explaining the ebbs and flows of the movement towards Labourism.

### ***5.7 The Ebbs and Flows of Labourism: 1914-1939***

Within the space of 16 years (1914-1931), the ruling class first *came off* the gold standard, *edged toward* a Labourist system of control, *ebbed a retreat* from Labourism, then *moved back* on to the gold standard again, only to *jettison* it again later, before, finally, *embarking*, in the 1930s, along the inexorable road *towards* the Labourist containment of labour. This persistent ebbing and flowing was finance capital's response to the militancy of labour.

Manoeuvres against the working class and the adverse balance of class forces, meant that the construction of Labourism was a protracted affair. In many instances, finance capitalists looked as though they would never be drawn along such a path. Particularly when false dawns of international free trade reared during the course of the 1920s. They seemed to beckon the easier option of capital flight and the short term containment of labour through the fear of unemployment. These necessary and circumstantial aspects, were another reason why the interlocking of social and economic bonds amongst finance capitalists at State level became so vital. The State became the main conduit,

through which finance capitalists schizophrenic desires toward unrestrained parasitism on the one hand and long term survival on the other, could be channelled and, prevented from inducing anarchy. This could be transformed into *some sort* of coherent policy.

Of course the State was a more complex political instrument than this, and was both respondent to, and constituted by, other class forces. The State was the repository of finance capital's long term interests and the repository of the growing left and right Labourist social movements. The essential purpose of State action was to, firstly, *contain* the labour movements political advances, then, to incorporate and control the labour movement within a Labourist system.

### ***5.8 State Policy To Crush the Political Advance of Labour.***

One State policy which stood out as of crucial importance to the Labourist project was the crushing of the political strength of the rank and file. In the concrete terms of the time, this meant diminishing syndicalist and Bolshevik influence at rank and file level. Syndicalism for all its weaknesses had provided socialist credence and cohesiveness to the labour movements collective solidarity. The effects of syndicalism, alongside Bolshevik influence, propelled finance capital away from Labourism and compelled the pro Labourist right (liberal social chauvinists) to align itself with finance capitalists in an attempt to neutralise the political influence. Essentially the ruling class were worried about the potential extent that Bolshevism, in particular, might have had on the labour movement. Its influence had already turned sour any developing relationship with the Labourist left (TUC and Labour Party), that finance capital may have harboured. George Lansbury's call 'for a central body capable of giving orders

and directions to the new forces which are abroad in the world of labour ', was not to be an isolated one.<sup>202</sup>

With this in mind, there were two main ways of achieving the neutralisation of labour. Firstly, through the deflation's inherent in the (ab)use of the gold standard which could conjure up the discipline of unemployment. Unemployment invariably followed the movement back to gold from 1921 to 1925, because British labour resisted the reduction of wages to those of world socially necessary average labour values reflected by gold. As Checkland observed, the gold standard enhanced the power of two other 'pillars of an anti-collectivist temple' - free trade, low and balanced budgets.<sup>203</sup> Which together, proved powerful antidotes against the political advances of labour.

Secondly, and more profoundly, in so far as the aim was to control the labour movement over the long term, the State manoeuvred to foster the growth of reformist elements *within* the labour movement and productive capital. The TUC and the Labour Party became central institutional features. Their respective members were selected to Royal Commissions, to discuss the 'labour problem' and sat on local and central government boards concerned with social welfare issues alongside Liberal reformers. The first world war years also introduced the Labourist left to the institutional means of their future rule - Whitley industrial bargaining Committees<sup>204</sup> and nationalisation.

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<sup>202</sup> Lansbury, cited in C. Wrigley (1980), p14. For a good appraisal of the radicalism of both labour and capital the reader is referred to Wrigley's pamphlet.

<sup>203</sup> Checkland (1983), *Public Policy and the Economy Since 1750*, cited by J. Tomlinson, (1990), *Public Policy and the Economy Since 1900*, p14.

<sup>204</sup> Whitley Councils came into being in 1917 promising but only partially delivering some of the main props of Labourism such as the joint national and local bureaucratic representation of labour within employer and union run committees. Issues covered were not simply wages, but education, job security, training..etc. See K. Middlemass (1979) for a concise description of the context within which they arose.

Middlemass intimates the reason behind this movement towards Labourism, when he states, 'In reacting against the threat of revolution, to the extent of modifying ancient preoccupation's with the political system, Britain developed its own distinctive form of triangular collaboration in the industrial sphere, between Government, trade unions and the business class'.<sup>205</sup> Unfortunately Middlemass does not make an important distinction: the capitalist class is divided as representatives of either fixed or circulating capital. Apparently Middlemass is content to treat any distinctions at the level of the individual and/or institution. However, subsumed within Middlemass's innocuous sounding 'business class' are the divergent short run interests of finance capital and productive capital which are given little significance by Middlemass. This has profound implications for the analysis he offers of the conflicts of interest between capital's. Before the containment of labour had been successfully achieved, finance capital's interests would always be paramount and, on many occasions, would draw the State back from the full policy implications of Labour's. It is this which Middlemass fails to grasp. Because of this, he also fails to see that when the National Confederation of Employers Organisation (NCEO) was established in 1917, as a counterweight to the more radical Labourist overtures of the FBI, it was essentially the *organised expression of finance capital's interests*.

Of course, as Middlemass points out, the NCEO also represented the will of capital in Engineering (the Engineering Employers Federation, EEF). The EEF were radicalised by the militancy of their own rank and file and, as a consequence, became very hostile to any notion of incorporation. But the EEF group could never, under its own steam, have held sway against the triple force of the FBI,<sup>206</sup> the wishes of the State and the TUC. The EEF's interests

<sup>205</sup> K. Middlemass (1979), p123.

<sup>206</sup> As Hume argues, the FBI fought a long campaign against deflationary policies, the findings of the Cuncliffe Committee and the eventual move back to a gold standard, as such they do earn their reputation as

remained subordinated to finance capitalists within the NCEO. Finance capital made use of this institution, to weaken and, on occasions block, any left-wing movement to Labourism. How else can one explain the muted reactions of the powerful group of Engineering capitalists to, for example, the Cuncliffe Report of 1919;<sup>207</sup> which called for deflation and the discipline of gold. Moreover, how else can one explain the incessant deflation's throughout the 1920s; or the eventual move back on to the gold standard in 1925. All of these policies were devastating to industrial capital. The fact is the EEF remained grudgingly loyal to the policy of 'sound finance'; a policy which bore the hallmark of the NCEO just as much as the Treasury, because the NCEO were dominated by the needs of finance capital. Hence the NCEO became the watchdog over issues such as no compromise with labour over nationalisation and with State interference in industry generally.

Whilst working within the institutions of rightwing Labourism, finance capital also made use of their old power base in the Treasury and Bank of England. Through the control of exchange rates and enough control of the money supply, deflation could and was used as a powerful tool, to altering the balance of class forces *within* the Labourist compromise developing between left and right in favour of the right. Thus the control of the exchange rate, from 1914, when the British economy came off the gold standard, became increasingly important to finance capital and its enduring concern with inflationary pressures. Inflation became an imminent problem, devaluing shares and threatening the substance of money. Nevertheless, the flexibility of a floating exchange rate, further enabled finance capital's manipulation over the economy - reflation to encourage the

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being prominent fighters for Labourism from the rightwing. See L. J. Hume, *The Gold Standard and Deflation: Issues and Attitudes in the 1920s*, in S. Pollard (1970), *Gold Standard and Employment Policies Between The Wars*, p122-146, Methuen and Co.

<sup>207</sup> A Government policy 'think tank' which provided the academic and political credibility for a move back to the pre-war gold standard, at its pre-war parity.

forces of right wing Labourism; deflating with the first sign that left wing forces, or even worse labour, were getting the better.

The problem which faced finance capital became clear enough: in the years between 1919-1926 when class militancy was at a premium, the move toward Labourism became too dangerous and finance capital continually backed off from allowing it to be systematised. The danger was that Labourism would not be able to do what it was supposed to: contain labour. Specifically, the fear was that the Labourist left, who had gained social status on the backs of a militant labour movement, would hold the upper hand in dictating the whole tenor of Labourism. Thus as a potentially dominating force, the danger was that their organic connection with labour, would effectively lead them to decommodify the use and supply of labour more than finance capital were willing or able to tolerate. This factor compelled finance capital to act more *strategically* to get the best possible balance of class forces within the Labourist compromise. The initial booms and slumps, followed by prolonged recession during the period 1919 to 1939, was the outcome of finance capital's strategic manipulations. As many studies of the period intimate,<sup>208</sup> the ruling class of Britain inflated the economy in 1919 to appease labour militancy and then proceeded to deflate the economy between 1920 and 26 to contain and weaken the labour movement. In doing so, it succeeded in considerably weakening the syndicalist influence that had built up amongst the working class leadership. A further crucial outcome of this was the creation of a political vacuum, which drew labour closer into the snare of the Labourist left. Simultaneously, the economic downturn successfully shifted the left wing of Labourism even further to the right, and, as a result, seriously weakening labour politically. The effect of the shift was to re-orientate left Labourism to an acceptance of ever more limited transgressions of

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<sup>208</sup> See, for example, C. Wrigley (1980), op-cit.

commodity production relations: before they wanted 'the planned economy'; after they became content with 'the mixed economy'.

The threat of recession, structural unemployment and the swift evacuation of capital, then, were still powerful weapons upon which capital continued to draw throughout the so called 'depression years' of the 1920s and 1930s. The Cabinet, in Parliamentary debates between 1920-23, of course, chose to blame deflation and unemployment on the slow rate of international recovery especially in Europe. When this appeared too lame an excuse, the problem was then said to be the German occupation of the Ruhr and the high price of coal. However, the true source of economic depression, was the containment of labour. By 1925, as one source noted, 'the stabilisation of European relations was within reach, but the return to prosperity in Britain seemed more remote than ever'.<sup>209</sup> Churchill was more candid in pinpointing the main problem, he blamed the failure of trade to revive on *working class militancy*. Although we have every reason not to doubt him on this occasion, Churchill was wily enough to invert reality, by making it seem *as if* militancy restricted an *otherwise healthy* capitalism rearing to invest.<sup>210</sup>

### ***5.9 Class struggle and the emerging institutions of Labourism***

Finance capital, then, used the State to resist the move to Labourism until it could be undertaken on its terms. By the same token, it also used the institutions of an emerging 'industrial relations' system of containment. To grasp the ramifications of this point, one must refer back to finance capital's

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<sup>209</sup> K. J. Hancock (1970), *The Reduction of Unemployment As A Problem of Public Policy*, in S. Pollard, (1970), op-cit.

<sup>210</sup> Parliamentary Debates, (1928-9) 222, col 258.

manipulation of the NCEO. The NCEO was being carefully nurtured by Governments, with an eye to what Middlemass refers to as the 'long cycle' toward the generation of a common ground between the TUC and FBI/NCEO and Government.<sup>211</sup> Although a common ground was needed, productive capital also had to be disciplined into exerting the utmost pressure to break the militancy of labour, wherever it revealed itself at labour process level. This was a particularly acute need during the unrest of 1919-26, when the NCEO was a convenient forum through which finance capital could lever such a control on productive capital.<sup>212</sup> The interests of finance capital were represented on the internal committees of the NCEO where they established enough hegemony of opinion to ensure the Bank of England, the Treasury and the Cuncliffe Enquiry, carried out deflationary policies, with the aim of facilitating a future move back onto the gold standard. The move caused great financial damage to the short term profitability of the large capital's and bankrupted many of the smaller capitalists; hence there were objections from all political sides of Labourism. As it would save the capitalist system, however, the objections remained muted and finance capital, *as guardians of the capitalist system*, forced British capital back to gold. The bourgeois's acute awareness of the danger they faced, is evident in the political manoeuvres and the about turns in policy they were forced to take; particularly in the two years after World War one, when militancy reached almost insurrectionary status.<sup>213</sup> Wrigley captures the urgency of the time well,

In Britain people in high places feared revolution at home as well  
as abroad in the months after the signing of the Armistice in November

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<sup>211</sup> K. Middlemass (1979) refers to this as 'a journey to the centre' ground of mutual interest which exists in and through the short term cycle of volatile wage bargaining and class struggle.

<sup>212</sup> A view supported by Boyce (1987) only for him finance capital refers to the 'mercantile-financial community' who are, he argues, completely separate from productive capital. Implicit is the belief that capital is essentially a healthy social relation, only compromised by the intrusion of the unwanted institutions of mercantilism.

<sup>213</sup> See C. Wrigley (1980), *op-cit*.



1919. This fear was expressed by several leading members of the Government. In late December Milner was feeling that 'the Bolshevik position' was 'very menacing'. In January Curzon expressed his concern in the war cabinet that no concerted action was being taken by the various departments to combat the spread of Bolshevism in Britain. Within a week of the Armistice Walter Long began sending Lloyd George alarmist memoranda about revolutionary activity in Britain...One memorandum he forwarded include claims that there were more Bolsheviks per head of population in the UK than there had been in Russia in 1917 and warned that if the Government failed to take firm steps 'there will be some sort of revolution in this country...before twelve months are past'. Long endorsed it with the comment 'I am confident that the danger is real'.<sup>214</sup>

Whether one believes the situation was a *revolutionary* situation or not however, is a rather mute point. The ruling class *did*, and they acted with some urgency upon this belief. Lloyd George's Government, in a desperate attempt to head off labour's political mobilisation, used the tripartite institutions of TUC, FBI and NCEO, to endorse economic intervention, house building plans and employment guarantees under the rubric of the National Industrial Conference (NIC). Of course there was little real intention to carry them out, they proved to be a tactic which enabled them, not only to head off working class revolt, but also to drive the working class into the arms of left Labourism, however, it was a great success. During this period the NIC established a Provisional Joint Committee (PJC) to oversee reforms, however, the reforms were never intended to go further than the paper they were written on. As far as the Government/City/Bank of England financial nexus were concerned, they were little more than a holding operation. The NCEO, under the influence of

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<sup>214</sup> C. Wrigley (1980), op-cit, p1.

economic orthodoxy and so finance capital's interests, spent most of their time diluting any commitment to a left Labourism, which the NIC may have feigned.<sup>215</sup> The TUC felt their authority, as representatives of labour, was undermined by this scurrilous activity. Their frustrations at the counter reform attitude of the NCEO was evident in Walter Citrine's many accusations, that the wider purpose of the NCEO was to block productive capitalist opinion, gaining ascendancy over the issue of reform.<sup>216</sup> A claim that leads one to conclude that the leaders of the TUC, although implicit in the proceedings, somewhat missed the point of the epoch they were supposed to be involved in creating.

Once the danger period of immediate post war militancy for capital had passed, finance capital, acting through the Government, the Treasury and the Bank of England, proceeded to renege on the NIC proposals, deflate the economy and begin the arduous task of disciplining labour. The NCEO in this period, up until the full ramifications of the defeat of labour in the 1926 General Strike, continued to block any development towards Labourism, whilst the working class held vestiges of political independence and were able to force the TUC and the Labour Party leftwards. The TUC for its part, attempted to sever this political independence and so prove its fitness for Labourist office.<sup>217</sup> Until the TUC could prove their worth to capital, the NCEO remained an important ally of finance capitalist interest; preventing the nationalisation of the mines,

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<sup>215</sup> According to Booth & Pack (1985), p79, the NCEO's leader, Sir Allen Smith (who had many shared social and economic interests with finance capitalists), worked long and hard to reassure the other members of the NCEO that 1919 was merely a temporary aberration on the part of workers and normality would restore itself very shortly. Hence, for Smith, there was little real need for *long term* state involvement. In fact managerial prerogative should be restored at the earliest possible opportunity.

<sup>216</sup> Booth & Pack (1985), op-cit, p79.

<sup>217</sup> As Middlemass (1979), op-cit, p163-68, attests, the rank and file commitment to councils of action, combining community and workplace across Britain and its later commitment to a national council of action, was at all times undermined by the official union movement as divisive and anti-parliamentarian action. On the last point of course they were right. The TUC wished to eradicate from the political agenda any notion of direct action, particularly in the labour process. Of importance in respect to the latter was the TUC's formation of a General Council to act as a national vehicle for centralising industrial strategy. Endorsed by the TUC in 1920, it was their way of undermining both the Triple Alliance and notions of any national council of action committees. The formation of the General Council was the TUC's way of asserting its right to manage labour within a Labourist system in *status nascendi*.

financing and encouraging strike breaking committees and weakening any attempts the PJC made to establish Labourism, before the working class had been politically smashed.<sup>218</sup> Booth & Pack's claim that, 'Ministers and Employers appeared to be conspiring to destroy the working class movement, especially its better organised, more radical elements'<sup>219</sup>, is, if anything, an understatement.

It has been correctly observed<sup>220</sup> that, given the anti-productivist nature of the NCEO in this period, and (to all intents and purposes) the FBI (in so far as they weakened productive capital's resolve towards Labourism), many leading individual members of the large productive capital, felt obliged to work outside of their anodyne influence; in an effort to pursued Government directly, by deed and word, that labour could be contained only in and through Labourism. One example of this(Booth and Pack, 1985) was Alfred Mond who made a substantial impact in Government quangos such as the Balfour Committee (set up to establish institutional links between unions, productive capital and state administration committees); and within various committees concerned with the 'unemployment problem'. Nevertheless the NCEO, FBI and TUC were of vital importance to the ascendancy of Labourist tendencies and individual capitalists could achieve comparatively little outside of them.

Associations of capitalists like the FBI and NCEO were caught between to horns of a dilemma: *both* were vehicles for right wing elements of the Labourist tendency *and* both were vehicles for expressing the wishes of finance capital to manoeuvre against Labourism. Therefore, the fact that, after the miners strike of

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<sup>218</sup> Strike breaking committees were initially established at Cabinet Office level during the first world war and thereafter under the pseudonym of the Supply and Transport Committee (STC). Leading members of Government, high civil service and the financial community were prominent in the workings and subcommittees of the STC. It does not take much imagination to work out that bodies such as the NCEO had intimate relations with the STC also.

<sup>219</sup> Booth & Pack (1985), op-cit, p80.

<sup>220</sup> Booth & Pack (1985).

1926, the NCEO and especially the FBI began to have more success in asserting their Labourist pretensions, indicates two possible propositions: firstly, that finance capitalist forces had become more confident about the situation and had thus *allowed* the movement towards Labourism some leeway to develop; secondly, that finance capital's hegemony over productive capital had *deteriorated* and, against their will, they had no option, but to move towards Labourism. The continued strong grip on State power enjoyed by finance capital throughout the 1930s, and evidenced by the Treasury's stringent control of money and fetish for balancing budgets, tends to rule out the latter as a decisive reason. The former proposition has more substance to it. By 1926 Labour had been effectively contained and the reformist influence of the TUC had begun to fill the political vacuum. Labour's power base of rank and file shop stewards, had been decimated by the negative results of the strike and its Council of Action Committees abandoned. Hence the confidence of finance capital and its renewed dominance over labour, was the cause of the strengthened commitment to Labourism. But, there was also negative reasons for finance capital's endorsement of Labourism, because, eventually, it had to succumb to the realities of the new world order of restrictive world trade in capital and commodities. Finance capital began to realise that free international trade in capital, *guided by gold as the universal equivalent*, was not to be (or for some decades at any rate).

Hence the conditions, from the late 1920s onward, appeared to be conducive to the return of finance capital, to a more pronounced scale of domestic investment. In short, there appeared to be a window of opportunity for a new accumulation strategy policed by a system of Labourism, to become established. Thus far disparate elements of Labourism - State intervention, social welfarism, full employment and a national network of collective bargaining - could, apparently, from this moment, interrelate as systemic pillars of the Labourist containment of

labour. Yet the moment came and went without Labourism taking systemic shape. The elements of Labourism remained as weakly formed and as disparate as before. During the late 1920s, labour had not revived politically. British capital by 1931 had even 'nationalised' sterling by taking it out of the international gold standard rankings. The initial cause may have been due to international liquidity problems, but, more fundamentally, the removal of sterling's from the discipline of the gold standard, had allowed the ground for the necessary breach between use and exchange value, to surface. However, little was to change in any fundamental sense, until the beginning of the second World War. Labourism and the new accumulation strategy, which it promised to underwrite, never materialised. The 1930s have gone down in British history as the 'years of depression'; 'the wasted years'. Why, when the conditions appeared so favourable, had Labourism not materialised? Was there another more fundamental condition still to be fulfilled, before finance capital would allow the necessary compromises to the commodity form?

This chapter, then, has developed an understanding of *who* finance capital are, *why* they need to rule other capital's and *how*, they go about doing this. The chapter has also briefly described the trials and tribulations of the class struggle, as it unfolded around the issue of the containment of labour within systemic Labourism. The next chapter seeks to explain in more detail the central pillars of Labourism, both in how they *develop* and how they *interrelate* to create a system of containment over labour. It will also explain the essential role played by Stalinism in the controversial resolution of physical and fiscal 'planning', which was central to interrelating the disparate pillars of Labourism. In doing so I attempt to answer the important questions raised above.

## CH 6: THE CONSOLIDATION OF SYSTEMIC LABOURISM.

On the basis of the theory propounded in previous chapters, the task of this chapter is to analyse under what circumstances Labourism eventually became the systemic form of control adopted by British capital over labour. Of special interest in this respect is Labourism's identity as a political economy category based on the realignment of use and exchange value. Labourism, although diverse and complex, has four crucial instruments of control over labour, which assist the diminishing capacity of commodity fetishism. The four instruments of control are as follows: bureaucratic atomisation of the labour process, nationalised and so managed money capital, the decommmodification of labour supply and labour power, and the concept of 'planning' which embodies an undemocratic administration of the surplus product.

Taken *individually*, it is clear that their proto developments within capitalism have undergone a long history. As explained earlier, while capitalism has a workable control mechanism in commodity fetishism, which is simultaneously its mode of surplus extraction, then the individual parts of Labourism remain only weakly formed and accidentally related. Once commodity fetishism weakens, in response to capitalist decline, then *control* over labour begins to become *distinct* from that of surplus value extraction. When this tendency occurs, capital must increasingly make a choice between maintaining control of labour or maximum surplus value extraction. Whilst it is still possible, that the two may exist together, this has more to do with accident than that of necessity. Hence capital's quest to control labour, forces it to *internally* relate the individual parts of Labourism into a power bloc. Once united, the parts become more than their sum and consolidate capital's ability control labour. There is a heavy price to pay however: surplus value extraction becomes *systematically* compromised.

Nevertheless, as has been argued, this is seen as a small price to pay for capital's overall survival. The latter part of the last chapter made clear capital's *resistance* to internally relating the parts of Labourism. Below the development from external accidental relations to the eventual internal holistic one, is examined in more detail. First, however, and by way of introduction, something must be said about the more orthodox theories of why Labourism emerged. Such theories often leave much unexplained, therefore deliberation on their superficiality helps to lay the foundations for the concerns of the major part of the chapter.

### ***6.1 Orthodox Theories Surrounding the Emergence of Labourism***

In mid September 1931 British capitalism had been forced off the gold standard for the final time. It was an act that was fundamental for capital and for the emergent Labourist forces, because sterling's fall from grace, effectively eliminated the discipline of socially necessary abstract labour formation imposed on the British economy (an issue to which we return shortly). But although it proved fundamental for both left and right Labourist forces, because it weakened the dominating sublation of use value by exchange value, it also extended the material possibilities for the development of the Labourist containment and appeasement of the working class and finance capital respectively.

Thus by 1945 the realignment of use and exchange value had taken place and the material *possibilities* had now become *actualities*. The social welfare state was born; a policy of full employment guaranteed; deficit budgeting and demand management endorsed (even by the holy grail of sound money - the Treasury!); a

national system of collective bargaining was agreed, and a commitment to a general ethos of bureaucratic planning and moral repulsion from 'free markets'. Yet, these were Labourist tendencies which took *15 years* after the fall from gold and almost *20 years* after the defeat of the political defeat of the working class in 1926 to bear their fruit as systemic, holistic controls over labour. Hence the difference between the sombre decade of the 1930s, when most apologists for capital agreed it was in decline, and the decade of the 1950s, which culminated in the ruling class belief that 'we had never had it so good', could not have been starker. Therefore, one must ask, which factors were decisive in the transformation, when all the ingredients of the transformation were there during the 1930s. As Winch notes,

In contrast with the accepted picture of the thirties as one dominated by extremism, division and disagreement, attention has been drawn to important elements of consensus from which there arose the ideological structure which took Britain safely through the forties and brought her to rest in the fifties. That is to say the mixed economy, "Butskellism" (in all but name), All Party acceptance for the welfare state, all Party rejection of the nineteenth century vision of state planning as a horrible evil, were concepts which received their vital nurture in the nineteen thirties.<sup>221</sup>

In the 1930s, ideas of 'planning' and 'welfarism' were merely '*nurtured*', whilst in the 1940s and 1950s they were *acted upon*. Thus, the question begs, why the sudden breakthrough in the forties? And, following this, what took Labourism so long to develop systematically? It appears Winch is concerned with the same questions when she too queried just, 'What was the relationship of the planning

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<sup>221</sup> Donald Winch, *Britain in the Thirties, a Managed Economy?*, in C Feinstein, (1983) *The Managed Economy: Essays in British Economic Policy & Performance Since 1929*, p48.



movement to Keynesian ideas' in this period?<sup>222</sup> Unfortunately her answer remains descriptive, despite the detailed and painstaking enquiry undertaken by her.

Of course, the tendencies or pillars of Labourism, may well have remained just as they were - *tendencies*; although *necessary*, they need not have *actualised* into a system. Before the onset of war, for example, the tendency toward full employment policy and social welfarism remained atomised and separated from other, conjuncturally related tendencies, such as demand management. After the onset of war they became internally related or systematised, producing what amounted to a new accumulation strategy for capital in Britain. Again, why should Labourism have moved from a *necessary tendency* (given capital's decline) to an *actual system of control over the working class*? It seems most answers to this question leave out the dynamic interaction between finance capital and labour. Yet it is clear, as the previous chapter attempted to indicate, that the historical contours of class struggle in and through the declining genesis of capitalism, persistently either blocked, or else controlled the advance of, any such move toward systemic Labourism prior to 1940. Arguably, the questions asked of the thirties and forties can only begin to be fully resolved if one answers *the* vital question of the epoch: with the working class effectively de politicised post 1926, what other factor(s) eventually persuaded finance capitalist forces to risk the transition of a declining capitalism towards the adoption of systemic Labourism?

One obvious first answer, has been to point to the 'war effort' in promoting collectivism. One can hardly underestimate the ideological, political and economic effects of war on the commitment by the state to intervene, as never before, to consciously regulate capital, labour and commodity markets. Nor can

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<sup>222</sup> D Winch (1983), *ibid*, p48.

one underestimate the moralising strength of those advocating a new, more equitable, distribution of the results of such collaboration. The ideological grip that a new consensus was being created out of (unattainable) bourgeoisie notions of equity and justice, which amounted to nothing short of a 'new Jerusalem', had transfixed Labourist forces. In retrospect the claim that this vision of distributive utopia had deep foundations in society, has been viewed with justified cynicism. Nevertheless, one cannot discard it totally as simply groundless propaganda. The 'new Jerusalem' effect did account for *some* of the necessary groundwork, so to speak, upon which systemic Labourism was to be built. Explanations such as these may provide the *superstructure* (or at least some of it) for Labourism, however, every superstructure must have its *infrastructure*, the nature of which escapes the aforementioned explanation.

Clearly The 'war effort' explanation is inadequate as it stands. If the culmination of World War Two acted as *the* catalyst for Labourism, then why did World War One fail? The outcome of world war one also brought Labourist forces to centre stage. The conception of planning and derision of market anarchy, were also strong features of the time, whilst the war effort brought its own ground swell of ideological commitments to 'live in harmony', in 'a home fit for heroes', no less. Yet history attests to the fact that such Labourist pretensions were quickly overturned and suppressed by capitalist forces, during a counter-offensive period against labour lasting from late 1919 to 1927. The swift recourse to deflation's and unwillingness/inability to compromise on the part of the TUC, FBI, NCEO, provides evidence of the continuing hostility between capital and labour. More specifically, it points to the intense unease and hostility with which finance capital reacted to any attempted move toward Labourism.<sup>223</sup> Clearly, the war effort, in and of itself, may be a *necessary*, but not a *sufficient* cause promoting the transition towards Labourism.

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<sup>223</sup> The reader is referred to the previous chapter for a more detailed discussion of this conflict.

Another reason often proffered as to why Labourism prevailed after World War Two and not after World War One, is a supposed shortfall in economic theory and policy. Here it is claimed that technical knowledge surrounding the management of fiscal planning, had not evolved sufficiently. The Keynesian versus Treasury debate is a good example of this view. The essence of the argument suggests that not until Keynes had formulated the 'General Theory of Interest and Money', was there a systematic economic theory of Government fiscal and monetary intervention in the economy to shake the commitment to *laissez faire* expressed by the traditional rulers of policy. Once fiscal planning became *theoretically* consistent, the old 'Treasury orthodoxy's' grip on policy gave way to demand management policies, which in turn facilitated the consolidation of Labourism. Undoubtedly, Keynes was vital to the overall cause of Labourism and its adoption. To suggest the problem was one of inadequate theoretical expertise, is clearly preposterous and gross idealism. However, even assuming this idealism had some credibility, it still falls short as an explanation. Keynes, and many before him such as Hobson, argued long before 1936 for budget deficits and explained theoretically, the positive multiplier effect that Government spending would have on aggregate demand and the positive effect the accelerator principle would have on the subsequent capital investment outlays.<sup>224</sup> Nevertheless *before* the mid 1930s, such arguments were met with some hostility by the Treasury, the Bank of England and the City. The Keynesian prognosis and cure was there in all but name, but capital refused to give it the time of day for many decades to come. Yet, as the 1930s gave way to the 1940s, Treasury orthodoxy, for all intents and purposes, had been overturned, and every pro capital commentator on the issue could speak of the benevolent effects of 'a Keynesian revolution'.

<sup>224</sup> For example, Hobson is implying much the same belief in the multiplied effects of state action on the economy when calling for redistribution through state ownership, increased taxation of monopolies, the progressive taxation of excess savings, higher working class wages..etc.

Why expansionist theory and policy remained in the wilderness during most of the thirties *before* its sudden adoption in the forties, is still to be explained by such a theory. The problem with this conception of events is that it falls foul of what E.P. Thompson referred to as the 'history from above' fallacy: 'great men' performing 'great deeds', apparently free from any significant structural, institutional and/or class constraints to transform the historical landscape by dint of their will alone. This view often overlays an atomistic ontology of society and as a result overplays the role of accidents in shaping the major contours of history. The over emphasis by some economic historians of the thirties on the ideological battle between Keynes and individuals within the Treasury such as Hawtrey, Niemeyer, Leith-Ross..etc, can only be explained by the belief (almost always implicit) that individuals and their face value rationale and motives are the primary building blocks of social change. Concentration on individuals often compels the need to fall back on unreal abstractions. For example, the thirties becomes depicted as an era when one group of individuals - the 'orthodoxy' - dominated another - the interventionists - over the most 'rational policy'. Hence in this view Say's Law and the first economic commandment of the classical quantity theory of money (QTM) reigned supreme, against the heresy of those who depicted market rigidities and deficient demand conditions. However, as Booth and Pack (1985) indicate, there were no such clear, black and white, ideological or policy divides. This was an era of stalemate. Policy was ad hoc and contradictory. For example, a commitment to cheap money and some short term expansionism, was often juxtaposed alongside re commitments to balanced budgets and free trade. A more important ramification of the 'history from above' approach is that, by eliminating or at least downgrading class imperatives and its constraints on action, the view had failed to explain why Labourist trends could be rejected wholesale in one period, as a system underwriting a new accumulation strategy, only to be endorsed in another period. Such theory finds

it difficult to explain *why* British capitalism was in a cul-de-sac during the thirties, when consequently, the real reasons surrounding the sudden acceptance of Labourism also escape it too.

There are those who do seek to situate the development, or otherwise, of Labourist trends such as demand management, during the 1930s more *structurally*. For example, Middleton (1985) and Skidelsky (1975), emphasise *technical* constraints, such as the problem of how central Government, given the commitment to intervention, was to administer local Government spending; and the *cultural* constraints within Whitehall to interventionist philosophy. Tomlinson (1990) amplifies this, by making the point that one major factor in the failure of 'economic management' to establish itself in this period, was the failure of government to generate confidence within the capitalist community for such 'management'. As he argues, 'The confidence issue remains vital to the debate about the possibility of more expansionary macroeconomics policies in the 1930s'.<sup>225</sup>

Booth and Pack (1985) go furthest down the line of the structural constraint argument. For them the important variable in impeding or accelerating the trends towards Labourism (which they refer to as 'progressive policy') during the 1930s were recalcitrant social forces. Apart from the usual Adversarial politics engaged in by the Tory, Liberal and Labour Party's, and the limiting effects of civil service conservatism, their analysis of 'social forces' makes little more than oblique reference to 'class domination and confrontation'. This latter observation, unfortunately, remains largely unclarified, except to mention that it has something to do with the defeat of organised labour during the period 1918-21 and the victory of finance capital and industrial capital thereafter. One can detect that *Implicit* to Booth and Pack's argument is the belief that the social

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<sup>225</sup> Tomlinson, (1990), p132.

forces they mention effectively held hegemonic sway over the pace and direction of change in the 1930s. Beyond these remarks they appear not to venture. It is a pity Booth and Pack did not feel the need to extend their analysis. Perhaps the essential problem is their starting point. For them the era was not fundamentally the era of a declining capitalist social production relation and a desperate attempt by *reactionary* Labourist forces to halt such a decline. Instead Labourist forces are perceived by Booth and Pack to be the *progressive vanguard*. For them, in the context of unemployment, class conflict and chronic slump, it was the era when Labourist forces fought to secure the regulating effects of 'the rational plan' as opposed to the anarchy of the market.

For Booth and Pack, 'progressive' advocates of the planning and management of a failing market system ranged from Mosley to Macmillan. Clearly, then, the profoundly undemocratic nature of planning has been ignored in their contribution. The technical aspects and problems of planning are emphasised and uncritically treated as rational in core, despite the numerous contradictions of those like Mosley, who groped towards a coherent policy in the early 1930s. Their 'deep social forces' explanation about the eventual emergence of Labourism in the 1940s, amounts to institutional group politics, technologically determined and shorn from the value relation and its decline. It is hardly a surprise when Booth and Pack too, eventually have to fall back on explanations such as Whitehall conservatism, the 'war effort' syndrome and the claimed society wide conversion to the application of science to the planning and management of industry, in answering the question as to why the sudden convergence to Labourism post 1940 should have occurred. Although they had some influence, they hardly accounted for such a dramatic change. There is no empirical basis for the claim that science had gripped the nation any more by 1940 than it had in earlier decades. Thus the question still needs to be

answered: why did Labourism come into being during and after World War Two and not World War One?

Whilst not denying *some* validity to all the above factors, they ignore the more fundamental social factors at work. The defeat of the mine workers and of the General Strike after 1926, was a watershed period in the capitalist campaign to effectively depoliticise the working class. Five years later in 1931 finance capital whilst not de politicised, felt a loss of identity too; in the sense that the fall from gold, and with it their international orientation, had taken away a particular accumulation strategy which had underpinned their hegemonic grip on domestic policy. This is one reason why, despite the defeat of labour politically, stalemate existed between the working class and finance capital throughout most of the 1930s. The socialisation of productive forces was the an irreducible objective ground through which the working class could always potentially regroup and express themselves *as a class*. Finance capital's initial response was to subject the working class to market forces and high unemployment as the major method to circumvent this in the short term. Nevertheless, the international constraints on finance capital, objectified by sterling's withdrawal from the gold standard, did leave it vulnerable to such a strategy of containment and did, therefore, create the necessary political vacuum within which Labourist forces both 'left' and right,' could establish their respective programmes for arresting capitalism's decline in Britain.

The political vacuum by its very nature, could not last very long, therefore a degree of urgency characterises the era. Essentially, Labourist forces had to circumvent the working class and finance capital by forcing both to accept another politics. Left Labourism strove to achieve this within labour, with pronouncements of 'socialist planning from above', supported by the regulation of the labour process and labour market via national collective bargaining

agreement. Right Labourism, on the other hand, flirted with Fascism and Keynesianism to entice finance capital into accepting a combination of physical and fiscal planning, which would also secure capital's continued rule. However finance capital was highly averse to both programmes. For finance capitalists and their representatives, the Left solution would almost certainly lead to the re politicisation of the working class; whilst the right solution, although it could deal with the working class threat more effectively, would only do so by emasculating sacred financial institutions that British finance capitalist had erected to ensure the dominance of circulation capital. It is in this context - the context of class stalemate - that one can begin to understand the 1930s and its apparent schizophrenic policies: persistent high unemployment and piecemeal attempts at expansionist policy (which remained committed to balancing the budget); abortive rationalising of industries, which became transformed into vehicles for cartelisations and monopoly practices; and the surge towards the goal of 'scientifically managing labour', which withered back to the accomodationism of paternalist welfare strategies. Towards the end of the 1930s, however, all such ambiguities were placed to one side as a new commitment to accumulation manifested.

It will be argued below that *the* crucial catalyst was the combination of Stalinism and Keynesian as controls over labour. Together they offered capital a mode of physical and fiscal planning, which de politicised labour and stabilised commodity production and consumption. Specifically, Keynesianism offered finance capital a means of asserting its rule through the money form (Keynesian fiscal planning). Stalinism, on the other hand, offered the security that any resultant necessity to move towards greater physical planning, would not now re politicise labour, but on the contrary depoliticise it even further. In this sense for Stalinism was a phenomena which could, apparently, commensurate the incommensurable: proclaim undemocratic planning of capitalist decline to be



evidence of 'socialism'. Thus Stalinism offered the left a vital political ideology it had been lacking. Whilst Keynesianism provided the vital fiscal and monetary planning levers which finance capitalists felt at home with; in the sense that such levers could direct, and ultimately control (the pace of development in physical planning, slowing its development and scope as necessary), to keep the working class under control.

The 'stop go' economic surges which became infamous in the post war decades, whilst surfacing as the disjuncture between domestic demand and international trade, were in fact expressions of this deeper underlying 'consensus'. It is on the basis, then, of the interlocking of Stalinist and Keynesian doctrine that both the working class and finance capitalists could be contained and appeased within a Labourist system. Once the interlocking was established the war effort merely speeded the transition towards systemic Labourism, but it was not the vital causal mechanism. This interlocking of Stalinism and Keynesian doctrines of planning - undemocratic physical control of use values guided and adulterated even further by the indirect control of exchange value through fiscal and monetary planning, provided the basis for the uniting of left and right Labourist forces. For example, from the mid 1930s onwards the difference between Keynes, the TUC, Fabian reformers, official Communists, the Labour Party leaders such as Strachey and Bevan, and Tories such as Macmillan etc, were negligible. Most were transformed Keynesianists. Most, also, were advocates, to one degree or another, of the benefits of Soviet physical planning (without the associated purges of course). despite the good will of many who may have been unconscious of the deeper significance of the era, this is the essence of the so called 'post war consensus'.

It is important to stress that neither finance capital nor the working class expressed any long term commitment to systemic Labourism, after all Labourism

was about containment *and* appeasement. The problem was that working class *appeasement* was based on finance capital's *containment*. That is, the greater the containment of circulation capital to fixed capital formation, the more successfully could the working class be appeased and so controlled. However, advancing too far along such a route held little or no advantage for finance capital. Hence they would go so far then back off, searching for outlets more conducive to circulation capital and speed of turnover. The result was that Labourism was no fixed compromise but had a fluidity born of class struggle and counter struggle over the finer points of the realignment of use and exchange value. For example, the appeasement of labour through full employment policy (partial decommodification) and demand management, could only operate if heavy restrictions were placed on the movement of capital. Alternatively, the appeasement of finance capital, to allow monetary planning to dominate physical planning, and so allow its representatives overwhelming influence at boardroom level within nationalised industries, could only operate if the working class were effectively barred from any fundamental democratic influence over the national decision making process concerning use value and need provision.

It is little wonder, then, that neither the working class nor finance capital expressed any lasting commitment to Labourism. The reality suggests that in the short run, bereft of working class politics and no international solution for finance capital, Labourist forces had won by default. The overwhelming empirical evidence suggests that by as early as 1951 the Labourist compromise had already begun to uncoil. Hindsight suggests the termination of the uncoiling process to be around the mid 1970s.<sup>226</sup> Between 1940-51 Labourist forces were able to consolidate some kind of unstable victory. However, once international capital flow restrictions weakened, culminating in the reconvert

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<sup>226</sup> For example, see John Saville's historical overture of Labourism's history and decline, in, Fyrth (1994), *introduction*.

ability of sterling in 1958, and a working class who had once again found their rank and file voice within the context of boom and full employment, the Labourist system of containment began to dismantle under the force of its own internal contradictions.

Having made this claim however, a more detailed argument is required in order to reject any notion that some all embracing logic of the inevitability of Labourism exists. It is therefore important to detail the argument in such a way that one understands both the necessary and the accidental processes at work. A task which is far from easy, given the complexity of social relations which are in their transitional period. One way of proceeding would be to explain the developments of each central pillar of Labourism on its own merits. Then, having done this, attempt to explain the significance of Stalinism and Keynesianism in their eventual culmination as systemic Labourism. It is this method which, therefore, will be adopted. Firstly, from the Marxist understanding of gold as the universal equivalent form of value, this chapter assesses the full significance of sterling's fall from gold and the options this opens up for Labourist forces. Secondly, the development of the central tendencies of Labourism are considered; namely, the decommodification of labour; the management of national money; the development of bureaucratic atomisation of labour at the point of valorisation. A third consideration will be to uncover the nature of the split between the right wing and left wing Labourist's, regarding the political and economic programme that would be required to contain labour, appease finance capital and advance toward Labourism. Fourthly, an explanation is given of how and why Labourist elements become unified on the basis of the interlocking doctrines of Stalinism and Keynesianism to establish the Labourist system.

The crucial argument in an earlier chapter was that the social organisation of labour substantiates *politically* the objective social productive powers of labour. Or as Marx sometimes expressed it, 'the increasing integration of modern society through the ever more complex division of labour has made every individual more dependent both on every other individual and on that society as a whole'.<sup>227</sup> On this basis, labour begins to exert a political organisational response to match its objective socialisation. Capital must attempt to live with this, because it does not have the option to move the forces of production backwards in history to a time when labour had not socialised enough to politically challenge it. The initial reaction from British capitalism is twofold: parasitism (see earlier chapter for explanation) and prolonged systematic unemployment of labour. Capital's reaction is a reflection of a deeper ontological crisis of, on the one hand, labour which no longer recognises the power of capital less and less - dilution of commodity fetishism; and on the other hand, capital which begins to reject its substantive ground - labour - as a result the commitment towards abstract labour formation on British soil becomes seriously weakened.

It has been explained in an earlier chapter how the socialisation of labour and the rising organic composition of capital, was the basis for the consolidation of finance capital. It was also pointed out how these problems are the real basis of the increasing inability to fix sterling to gold. Gold becomes increasingly, although by no means wholly, symbolic. It was also pointed out how finance capital, in attempting to deal with these problems, is forced to choose between two strategies of decline: outright parasitism and Labourism. Parasitism was the preferred initial option and therefore finance capital disengaged from the labour process during the period 1870 to around the late 1930s, despite fluctuations. Indeed the fluctuations, it has been argued, are explained by the long drawn out

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<sup>227</sup> Hillel Ticktin, quoted in, *The Times Education Supplement*, 11 Aug 1994.

battle to tie finance capital to a new accumulation process based on Labourism. British finance capital was forced to disengage with the British working class for another reason too, which bears heavily on ones comprehension of the epoch. British finance capital was compelled to safeguard gold backed sterling's role as guarantor of abstract labour formation *globally*. In other words, British finance capital had *two contradictory roles to play in its declining epoch*. Firstly, secure the containment of labour in Britain; secondly, *as personified world capital*, to safeguard sterling and the gold standard in order to make secure capital internationally. Thus, it was absolutely essential that a sterling backed gold standard remained, because it was British capital *and* international capital's *substantive ground*, which guided and dominated the interpenetration of use and exchange value and the rate and distribution of value expansion *globally*. In a word, the globalisation of commodity fetishism depended upon it. This needs to be stressed, as it emphasises even more, the true transformational nature of the 1930s when one capitalist nation after another, followed Britain in rejecting the restrictions of the universal equivalent.

Of course for *external* reasons, by the late 1920s an adherence to the gold standard became an insurmountable problem. Firstly, the bankruptcy of major debtors such as the Viennese bank *Creditanstalt* and the German Reichsbank, caused immense damage to confidence in sterling. Secondly, massive speculative arbitrage set in motion by the return to gold after 1925 and intensified by technological advances in communication, had made it impossible to stabilise the movement of gold on the basis of socially necessary labour times. The speculative arbitrage of course, was largely the result of the profound unconfidence of western capital per-se in their ability to extract profit and control labour.<sup>228</sup>

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<sup>228</sup> See P. Einzig, *Some New Features of Gold Movements*, in *Economic Journal*, Vol xL 1930. Einzig observed how speculation on interest rate arbitrage between international banks and the massive increase in speculative secondary share issues, had caused chaos in the movement of gold. No longer did gold flow

It is this contradiction that is evident in the Bankers Ramp scenario in 1931. Whereby a cohort of international banks from London, New York and Paris..etc, offered the Bank of England a loan only on the basis that the Government cut expenditure on social security and unemployment assistance. That is, only if Britain would desist from spending on anything other than that which assisted value creation. Thus, in an effort to save the universal equivalent, the international community of finance capitalists united to force concessions from the British Government of the day. Despite the fact that, according to one source, the Prime Minister Ramsey MacDonald was little more than the head of a 'bankers Government'<sup>229</sup>, whatever way, British capital simply could not guarantee its compliance with international capital for any length of time. The internal domestic contradiction between the classes over the commodity form of production was too intense. Inevitably, the gold standard had to be removed in order that the British capitalist class could deal with its own 'labour problem' as best it could. The fact that the gold standard eventually broke down for most western powers by the mid 1930s is testament to the international stagnation of capitalism.

British finance capital was, therefore, caught in the closing vice of a vicious contradiction. The contradiction lay in the fact that the attempt to stay on gold had exacerbated internal confrontations with labour, which in turn further exacerbated the ability of British finance capital to stay on gold. Yet the gold standard was of vital importance because it ensured the adequate functioning of commodity fetishism: *the* capitalist control over labour. This of course is a problem for capital in general and not just for British capital. When national

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according to traded commodities and balance each country on the basis of socially necessary divisions of labour. This itself signifies that gold, as abstract labour incarnate was no longer required by a capitalist system in decline which was bent more on speculation than advancing the forces of production.

<sup>229</sup> H. N. Brailford (1931), *The City or the Nation*.

capital's come off gold they may ease the pressure of any internal conflicts with labour, but only at the expense of embroiling themselves in a more serious contradiction: the advancement of labour on the basis of needs over exchange value.

Hence the problem is an intractable one for any national capital, but is especially so for the first capitalist nation - British capital and specifically its ruling elite - finance capital. British capital's dogged and determined fight to remain on gold, is often seen as irrational, because it becomes, from this angle, the most rational of wishes, relative to the needs of capital. To illuminate this rationale, it is vital to consider the ontological significance of gold in more detail.

## ***6.2 The Ontological Significance of Gold: A Further Consideration***

It would appear that the usual discussions which surround the gold standard rarely skims the surface of the issue. Apart from description of the institutions involved in its maintenance, one is, invariably, provided with a running commentary of its empirical effects upon the sterling/gold parity, caused by the movement of internal and external balances of trade. Yet even such empiricism allows one more than a glimpse of the true significance of gold for capitalism. For example, Prior to WW1 when speculation had not as yet become so severe as to cause gold to dysfunction, sterling was instantly convertible to gold at a fixed ratio of £3.17s.10d per ounce; and vice-versa at £3.17s.9d. Individuals were free to export and import gold according to the contours of their trade and the Government was bound to inflow and outflow gold according to these ratios. If the external balances were negative, then gold would flow out. As sterling

was 'as good as gold', then it contracted in line with the withdrawal of gold. Thus the gold standard meant that monetary restriction and, by implication, domestic capital accumulation became necessary. Restrictions being enforced mainly via a rise in the bank rate and/or cuts in public spending. Adherence to gold meant reflation and deflation in line with the balance of world commodity production and more specifically with *world socially necessary labour time*. For this to occur, as it normally did, despite outcries from the losers, the classes in general would have had to accept this process as a more or less 'natural law' of industry. Thus, under the gold standard commodity fetishism reaches its highest form. This is empirically verified by the obdurance of even the trade unions to break with 'free trade' and the 'natural discipline' of gold upon which free trade rests. For many years after objective capitalist decline in Britain had set, the subjective adherence to gold and so commodity fetishism remained strong. Free trade and free collective bargaining were, after all is said and done, the watchwords of both Walter Citrine and Ernest Bevin, leaders of the official labour movement. Alfred Marshall sums up the ideal world of a capitalist society on gold;

All resources are employed because markets clear - every willing seller finds a buyer. So that everything for sale or hire is in fact sold or hired, or, if it is not, it is because of some obstruction which prevents these transactions from taking place. This is achieved through flexibility of prices. The higgling of the market is axiomatically capable of finding a point at which supply and demand are brought into equilibrium.... Thus unemployment is a signal that the price of labour is too high: it is axiomatic that at lower wages the market will clear. If the reward of labour is constrained by the current level of productivity, so is the



reward of capital. Investment depends on saving. It is the job of interest rates to find a level which offers sufficient stimulus to each of them so as to bring their levels into equilibrium..

Such, then, is the ideal world of capital from the pen of Alfred Marshall. He merely reflects in *theory* what capital would like to achieve in *practice*. One could say that, from Ricardo's theoretical confirmation of the central importance to capital of a gold standard, in the 1820s, right up until the 1870s, some semblance of the *ideal* was born out in practice. But it may not have been as clear cut an 'axiom of the market' as Marshall would have liked. Nevertheless, the gold standard did operate to re-adjust prices and quantities (especially those of the commodity labour power) within the British economy on a cyclical basis. However, once the socialisation of labour had gained ground and the organic composition of capital had become a *chronic* problem, then adherence to gold meant *resistance to price changes* from both labour and capital, rather than an adjustment to price change. From then on, adherence to gold produced only the stagnation of domestic accumulation.

For Marx, gold was *the* 'material symbol of physical wealth', 'the epitome of all things', 'the compendium of social wealth; and 'As regards its form, it is the direct incarnation of universal labour, whilst its content was the quintessence of all concrete labour'. It is capitalism's measuring rod of universal wealth in an individual form. Functioning as money capital, it converts merely ideal prices attached to particular isolated commodities, into aliquot expressions of socially necessary world abstract labour. For Marx gold is *real* world money while currencies and prices are only ever *notional* money. Gold as world money breaks down the barriers of parochial exchange values and outstrips silvers claim

to do so. The development of gold as world money allows the system of capitalism to reach its peak in as much as the development of an independent exchange value now opposes and dominates use value: the alienation of labour is complete.<sup>230</sup> For Marx gold came to embody the substantive heart of the capitalist social relation. In many crucial ways 'the servant' of capitalists - gold - 'became their master'<sup>231</sup> : maintaining the discipline of commodity fetishism over capitalist and labour, in as much as use value and need were persistently sacrificed on the altar of 'competition', profit and 'free trade' - all 'natural endeavours' of course.

Given the ontological significance of gold as the *substantive ground* of the value form, what should one make of a world capitalist system, and Britain in particular, that had, by 1931, conclusively rejected it? And further, what significance does this rejection have for the further *necessary* establishment of Labourism into the social fabric of capitalist decline? Some incite may be given if one reverses the following quote from Marx; 'At the same rate..as the conversion of products into a commodities is being accomplished, so also is the conversion of one special commodity (gold) into money'<sup>232</sup> The reverse aptly describes the nature of the epoch of decline; 'at the same rate as the *re*-conversion of commodities into direct use values is being accomplished, so also is the *re*-conversion of the *universal* money commodity (gold) into a degraded *particular* commodity.

In Fundamentals then, the post 1931 world is one which has rejected the immanent form through which socially necessary abstract labour could be harnessed. There is no longer a real *material ground* through and in which exchange value can stand *independently* from use value to oppose and dominate

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<sup>230</sup> K. Marx, *A Contribution to the Critique of Political Economy*, (1973) p122-25, Progress Pub.

<sup>231</sup> K. Marx, *ibid*, p125.

<sup>232</sup> K. Marx, *Capital* Vol 1 (1983), p90. The word gold is inserted by me.

human needs. The capitalist system based on gold has finally come into absolute conflict with the forces of production: the gold standard had to go. Coming of gold allowed the *potential* for the forces of production, not simply to advance, but more essentially, to be harnessed more and more to the requirement of blocking labour from moving from a class in itself into a class for itself.

Thus in so far as this gives manifestation to capitalism's decline, it counterpoises with ever greater clarity two opposing choices for capital: the choice between control or profit. In essence, the former now becomes the greater necessity. In the past, control via commodity fetishism and bureaucracy, facilitated more than hindered profitability. Now control increasingly has to be endorsed regardless of its negative effects on profitability. For example, alongside the craving for surplus value (which continues), there develops monopoly restrictions on valorisation and political compromises with the 'representatives' of labour which clearly have the same effect, for example, collective bargaining (see below). Before only latent, but trends which now begin to dominate the political economy of capitalism: the true era of Labourism can begin.

To reemphasise the point made in an earlier chapter, the end of the era of gold is a central manifestation of the latent decline of capitalism. A decline which had been gaining pace for half a century. Gold was the anchor for a healthy interpenetration of use and exchange value. When the two forms of labour no longer interpenetrate due to rising organic compositions of capital and a socialised workforce, the forces of production become increasingly retarded. Hence gold, the pivotal social ground forcing the interpenetration of use and exchange value, must be removed *to allow an interpenetration of use and exchange value on new terms*. The new terms must allow use value to dominate exchange value in large areas of the economy and in such a way that allows labour to continue to be exploited and suppressed *and* allow existing private

capital to benefit. For example, the eventual Nationalisation Programme of the 1940s secured the political subordination of workers to the principles of the bureaucratic provision of needs; secured the administrative rule of finance capitalists; and secured a lucrative spin of contracts for capital in the private sector (I return to this later). By transforming the interpenetrative relationship between use and exchange value in this way, the system survives, but in a weakened form. This becomes the *true context* (necessary ground) within which the emergence of Labourism, in status nascendi for many decades, *eventually* secures its systemic existence and hegemonic control. The fall from gold *could* have lead *directly* to Labourism in the sense that the economic vacuum it opens allows the potential for the full development of *latent tendencies* such as, the management of money, social welfarism, industrial relations compromise and paternalist management strategies. However, as argued, they did not. Chance, accident and pragmatism ruled finance capital and the forces of Labourism. These interweaved with the necessary context and promoted, but did not guarantee Labourism.

Without gold, national currencies set adrift from the incarnation of world money and therefore socially necessary abstract labour. The management of a *national money* became decisive in allowing the rift between exchange value and use value to develop within a national system of exploitation. The cost to capital was that certain essential use values must now be bureaucratically regulated to meet social needs *directly*, or at least without recourse to valorisation on the criteria of strict socially necessary abstract labour times. The *form* which this *necessary* development takes, depends on *accidental* factors emanating from the balance of class forces at the particular point in time. The particular balance of class forces in Britain meant that nationalised money capital *opened the way* for a central plank of Labourism: social welfarism. Beveridge's vision of a social welfare system was to become a central feature in the bureaucratic containment

of labour. Social welfarism opened the way for the establishment of the 'divided wage': a social wage which guaranteed labour outwith the self reproduction wage for expanding capital. This, coupled with another development - full employment - effectively decommodified labour *supply*. As Dixon puts it, the 'divided wage' symbolises the 'suspension of value'.<sup>233</sup>

The new interpenetration of use and exchange value also opens the way for a systematic approach to the commodity, labour *power*: The productive activity of workers becomes decommodified and then bureaucratically atomised into abstract collectivities. For example, a bureaucratic network of 'collective bargaining', embraces the workplace, intertwines throughout the economy and interpenetrates with the capitalist state, which envelops society and decommodifies essential elements of labour *activity* and *supply*. This new interpenetration of use and exchange value in terms favourable to the former, allows the labour market to incorporate *as central tendencies* what were before only peripheral to the exploitation of labour. For example, there is the development of *internal labour markets*. These become an essential mode of bureaucratically administering the supply of and demand for labour after 1930 (Gospel, 1983, in Thurlow & Wood). This *balkanisation* of labour serves to divide workers between a core stable employed and a periphery, who suffer instability of employment, inferior conditions of work and more intense exploitation (A. Friedman, 1977). This type of decommodification facilitates the de politicisation of workers and the re channelling of working *class* agitation and demands *against* the system of capital, into bureaucratic non substantial collective agitation's *within* the system of capital.<sup>234</sup>

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<sup>233</sup> See William Dixon for an interesting and revealing dissection of the universal and divided wage forms which have characterised 20th century capitalism, in *Radical Chains*, No 4, 1993.

<sup>234</sup> This is brought out clearly in Friedman (1977); he employs the concepts of 'direct control' as opposed to 'responsible autonomy', to explain how management use this bureaucratic atomisation of workers as a control strategy within the site of valorisation and the labour market.

Collective bargaining introduces the same forces of bureaucratic atomisation into the commodity sale of labour power and builds on those adopted within the labour process. In tandem with the atomisation of workers within production, collective bargaining substantially adds to the decommodification of the *sale of labour power*, and the wholesale political atomisation of the working class. In essence, therefore, we can say that national collective bargaining frameworks and internal labour markets, block the development of a working class from a class in itself, to becoming a class for itself. Viewed in this light, national collective bargaining frames of reference, become a central backbone of Labourism; without which the various strands of Labourism would never reach their true potential.

The economic vacuum left by the fall from gold also provided Trade unions and the growing network of 'personnel functions' within the site of valorisation, with an essential function: policing workers at the interface of production and exchange. In this sense, demarcation lines and the plethora of job descriptions and pay grades become a virtue to be fetishised in the era of Labourism. Proof of such a tendency, if any is seriously needed and overwhelmingly provided by academics of 'Business History'. The academic archaeology of 'Business' practice has unearthed an uncontentioned fact: dominant productive capital's since the 1930s, have become swamped with codified job descriptions and demarcated tasks between and within trades. In addition to which, a whole plethora of management strategies/organisational experiments have developed. Hannah indicates that 'managerial overheads' almost tripled between 1907-48, from 7.6% of employees to 19.7%.<sup>235</sup> Although there has been residual conflict within the Labourist system between management hierarchies and trade union bureaucracies, they are, more essentially, functional complements of each other, in the goal of atomising the working class. The effect of bureaucratic

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<sup>235</sup> L. Hannah (1976), p72..

atomisation within the workplace, is to channel any potential *class* discontent into reformist collective actions. These are then taken up at the level of the economy to be policed by the trade union leadership and then given ultimate sanction by the Labour Party. The sponsorship of a social welfare state, is the final buffer against working *class* formation and the final logical development of bureaucratic atomisation within the workplace. Therefore tendencies which have been in existence for a long period of time, begin, necessarily to draw together as powerful instruments of control over labour, once the basis of a realignment between use and exchange value has been established.

It is in this situation of an attenuation of capitalist decline and trend towards Labourism's that the reactionary side of *trade unionism*, so well depicted by Marx, Trotsky and Lenin, truly develop their reactionary *potential*, to dominate and emasculate the progressive aspects of trade unions. The more Labourism develops, the less Unions are organisers of a *class* effecting a *bulwark* against advancing capital and instead become 'Lieutenants of capital'; policing the collective supply of labour, in the overall interests of sustaining a failing system of exploitation. Trotsky puts the position of trade union bureaucracy in the 'epoch of imperialist decay' succinctly, when stating:

There is one common feature in the development, or more correctly the degeneration, of modern trade union organisations throughout the world: it is their growing closely to and growing together with state power..<sup>236</sup>

Such, then, are the main *tendential social pillar* of Labourism, unleashed by a realignment of use and exchange value, given impetus by the decline of gold, the

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<sup>236</sup> Leon Trotsky, *Marxism and Trade Unionism*, cited in Tome Clarke & Laurie Clements (1977), *Trade Unions Under Capitalism*, p85, Fontana.

universal equivalent. The loss of capitalism's substantive ground, *leaves an economic vacuum* for the tendencies to either gain ground or stagnate in hybrid forms. Within a declining capital, especially one in the transition between a fall from gold and established systemic Labourism, all such tendencies are in a state of flux. It is a world where the old and the new interpenetrate and pragmatism rules the day. Pragmatism and what can only be described as *transitory potential*, characterised the world of the 1920s and especially the 1930s in Britain. It is in the context of this pragmatic transitory potentiality, that the sections which follow describe and explain the contradictory development of each of these tendencies to actuality.

### ***6.3 Managing the Labour Process in the Years of Transition***

There is an immense amount of literature on the emergence and meaning of scientific management.<sup>237</sup> Especially literature in response to Braverman's seminal work. Specialist have either rebuked or rejected (S Wood, 1982) Braverman's claims; or else revised them (Salaman, 1983; Thompson, 1990). However, the critique has taken place outside of the context of a declining capitalism. Which is a pity because the context of a declining capitalism is fundamental to an understanding of why some forms of 'scientific management' become adopted in one environment, whilst others are rejected or else only partially deployed. The context also helps one understand more deeply, why the 'consent of labour' is 'manufactured' more successfully in some environments than in others.<sup>238</sup> For example, the requirement that management *share the control*

<sup>237</sup> A good overview of the debate surrounding management strategy and the labour process is that of Knight & Wilmott (1990).

<sup>238</sup> See M. Burawoy (1979) for some interesting and incisive observations on the 'politics of production', generated by class conflict and compromise. He correctly points out that consent *and* conflict interact in very complex ways, ways which Braverman tended to overlook. The problem remains, however, that, like most



*of labour* with trade unions *in the context of a declining capitalism*, had unique ramifications in Britain. Because of this duality of control, management practices, adopted to control labour, were unique to Britain, in as much as they did not contain Taylorism as a *dominant* strategy. Instead 'management welfarism' dominated, eventually laying the seeds for the easier adoption of a wider commitment to 'social welfarism' (a point we raise later in more detail).

It is this, which labour process theorists fail to contextualise. Their dispute with each other, divorced from a political economy of a declining capitalism, takes the form of empiricism: one group finding evidence to deny there was/is, or ever was, 'one best way to manage' the labour process; another group providing evidence there was/is a 'best way' and its name is Taylorism. Whilst one rejects abstract universalism, only to embrace empiricism; the other rejects empiricism to embrace abstract universalism. Thus the essential reason for Taylorism's weak adoption by British capital, becomes lost in this false dichotomy. Within the context of a declining capital, the reason is simple, yet profound. Taylorism furthered the tendency to intensify abstract labour in production and with it the socialisation of labour and so its potential political socialisation (see earlier chapter). Therefore, Taylorism can only be used safely by a capitalism able to effectively integrate and so control the working class to the needs of capital.

In an era of increasingly socialised labour, this can be done in one of two ways : Firstly, by brute force, engendering a deep political atomisation (the counter revolution in Germany 1933, the counter insurgency against the US working class in the 1930s, and of course Stalinism in the Soviet Union)).<sup>239</sup> Secondly, by appeasing the working class with stable and growing living standards (eg post war W. Germany and USA). This latter kind of worker integration required a

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labour process theory, it is largely descriptive and lacks contextualisation within the genesis of capitalist decline.

<sup>239</sup> See Hillel Ticktin, (1991), *Origins of the Crisis in the USSR*, for a detailed discussion of this.

dominating presence in the world market to offset the potential unemployment effects of a high growth in the organic composition of capital which is implied by Taylorism. It also requires strong unity of purpose between productive and money capital's.<sup>240</sup> All of these conditions were never adequate in Britain: the classes remained polarised to a degree unique to western capitalism. During the 1930s, after the fall from gold, the polar opposition weakened and to some degree, integration occurred. However, class opposition still remained an important obstacle to Taylorism. In this context, any implementation of Taylorism leading to the greater abstraction of labour, could well have ignited, not diffused, the conflict between capital and labour in Britain.

This is the main reason why management strategy in Britain remained ad-hoc, and so pragmatic. Weiner's cultural explanation of decline, in so far as it situates *amateurish management* as a vital ingredient is, if in a somewhat overstated fashion, quite correct. However, it deals only with the *effects*, of why there was no consistent 'scientific management' approach, to the problem of labour, developed in Britain. British management pragmatism and short termism, with regard to the control of labour, was no accident. Nor was it the outcome of a declining 'entrepreneurial spirit'. Rather, it was a necessary means of capitalism's survival in Britain. In fact one could even claim that it was a sign of British capitalism's *rising* 'entrepreneurial spirit'. That the lack of systematic 'Taylorism' was evidence, not of British capital's backwardness, but of British finance capital's advanced manoeuvring in securing profits globally, whilst controlling the advances of labour 'back home'. One must not forget that in this respect, the apparent anti-entrepreneurial nature of British capitalists rarely stretched further than the shores of Britain. In a global context British capitalists

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<sup>240</sup>See previous chapter for this and related points concerning the problems posed for capital by a rising organic composition of capital.

where still profit maximisers, and, more often than not, insisted on exploiting labour with the best 'scientific management techniques' then available.

British management had to work within uncertain structures, created by British finance capital's unwillingness to commit itself fully to Labourism. A factor which meant that management in Britain, unlike, for example, the USA, rejected the 'direct control' epitomised by Taylorism and what some refer to as, 'Fordism', for more indirect methods. As Lewchuk observes;

Perceptions of class relations were such that payment by results and the *cultivation of common interests* between capital and labour, both nationally and within the firm, were seen to be potentially more profitable than *direct control through mechanisation*.<sup>241</sup>

Given the irresolvable contradiction between capital and labour, there is always an intense conflict within management. On the one hand, management need to provide workers with legitimation of their existence, as being necessary to the labour process. On the other hand, management must ruthlessly pursue the most technically efficient methods of maximising, surplus value extraction. This contradiction manifests itself differently, within different economies, with the dependent variable being the balance of class forces. In Britain's case, the need to *legitimate* was stronger *before* the defeat of the workers in 1926 and weaker once the de politicisation of workers became affective.<sup>242</sup> After the defeat, the objective conditions were set for management rationalisation of the labour process and the goal of maximum surplus value extraction, which overwhelmed any need for management to legitimate their presence to workers. However,

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<sup>241</sup> W. Lewchuk, *Fordism and British Motor Car Employers 1896-1932*, cited in, Gospel & Littler (1984), p82. My emphasis.

<sup>242</sup> J. Child (1969), p70-71.

rationalisation, which implies high levels of fixed capital investment, was not to be. Finance capitalists held the upper hand and restricted and policed developments within productive capital, leaving management, despite the defeat of labour, in a precarious position. The complaints often aired concerning the problem of amateurish management, find their basis in this assertion.

Thus, management of labour in the interests of capital always requires both a legitimation and a rationale for its existence, but the manoeuvrings of finance capital in Britain cut away their material requisite. The rationale at the turn of the 20th century had based itself on the ideology that 'scientific' forms of management alone could achieve *technical efficiency*. A class neutered concept which provided the basis for class harmony of purpose: rising living standards for workers and maximum profits for owners of capital. The problem for management in Britain was that the labour movement and finance capital were in far too an antagonistic a mood to reciprocate the required compromises. A reality which meant that the technical rationalisations (Fordism) underwriting Taylorism were inconceivable in the Britain of the 1920s and 1930s. In short, the opposition between capital and labour, fragmented the development of a management function and obstructed the development of technical expertise in the extraction of surplus value. British management in general, could never generate enough control over the labour process to gather themselves together as a coherent group. The movement away from gold may have provided the *economic vacuum*, but the *political dominance* of finance capital blocked any concerted fixed capital investment. Thus British management were forced to ditch any faith they may have harboured in Taylorism and adopt the faith of what may be described as 'Quakerism'; that crude mixture of paternalism, industrial 'welfarism' and 'human relations practice'. In reality anything that was pragmatic, easily discarded, market based and did not rely on major structural

change within production, was adopted: in short a 'minimum intervention strategy', characterised the era between the wars for management.<sup>243</sup>

Because finance capital's willingness to accumulate was so shaky, then the necessary relative surplus value extraction and increased fixed capital formation was never forthcoming, at least on a sufficient scale to underwrite Taylorism and set the management function on more conducive ground. Instead emphasis shifted to other ways of pumping out relative surplus value and other forms of management control designed to achieve it. Child, for example, argues that the 'human relations' approach, first 'discovered' by Elton Mayo in the mid twenties,<sup>244</sup> eventually dominated as a mode of worker containment. Some characterise this management practice as 'inhuman relations'. It has a more sophisticated psychological basis than Taylorism, which lays greater emphasis on commodity fetishism for its psychic controls. The human relations approach is more suitable for social relations where commodity fetishism is in decline and capital wants to keep a distance from labour. It emphasises man's social nature and exemplifies the view that in the modern world it takes more than the cash nexus to control labour. The goal is to reroute the necessary collectivity of labour away from confrontation with capital and towards accepting its rule. Much play is made on *community spirit* and 'job enrichment'. Concepts which foster the belief that the site of exploitation is an enriching experience; a location where all sides gain material and spiritual benefit. In contrast to Taylorism's avocation of strict commodity fetishism ('rational economic man'), 'justice'

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<sup>243</sup> C.R. Littler (1982), *The Development of the Labour Process in Capitalist Societies*, p55-58.

<sup>244</sup> Elton Mayo's study of work groups at a large US company (Western Electric Company) has gone down in the annals of management discourse as that moment when 'scientific management' began to realise workers were more than commodities. His study furthered the acceptance of the so called 'human relations' school of management: a social psychological approach to workers control, which suggests, unsurprisingly, that *social* bonds between workers, are, in most cases, a powerful constraining force upon surplus value extraction, that the 'carrot' of individual incentive pay and bonus payments can only go so far in breaking down.. Over the years the school has spawned many strategies to direct the social motivations of workers towards the interests of productive capital and valorisation. Strategies such as, *Job enlargement, job rotation, job enrichment*. Most sociological textbooks provide a breakdown of the ab(use) and manipulative essence of this phenomenon.

'fairness' and 'equity', are claimed to be the fundamental goals and objectives of labour; whilst wage and profit maximisation goals are played down.

Gross and manipulative they may have been, however, such management strategies were part of the *ideological* manifestations of the class compromise being effected in Britain. The *real process* is much more simple and brutal. Behind the ideology of the human relations approach, lies the intensification of exploitation *through the intensification of work*. This drive to intensify work, lessens the need for fixed capital investment. Valorisation is still predominantly achieved through *relative* surplus value extraction. However, it is now less the product of the advances in the forces of production through increased fixed capital formation. Thus the influence of human relations practice within British capitalism, is a response to the deadlock between finance capital and labour, which vitiates against large scale fixed capital investment. This secret - of human relations management's attempt to squeeze out relative surplus value against a background of low fixed capital formation - whilst appeasing labour with lip service to notions of 'harmony and social justice', is adequately expressed by manager's of the era themselves. For example, as one source comments,

the effect on the rate of output in a department, ie, its efficiency, of substituting a foreman who leads his men for one who drives may be as great as that of the installation of a new labour saving machine...<sup>245</sup>

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<sup>245</sup> E.T. Kelly, *Welfare*, in J. Lee, ed., (1929), *The Principles of Industrial Welfare*, cited in J. Child (1969), p79, op-cit.

*Direct control* (offsprings of Taylorism and Fordism) remained very weakly established in Britain. For Lewchuk<sup>246</sup> they symbolise manifestations of labour force *passivity*. Hence the logical conclusion of Lewchuk's argument is to suggest that the reason *direct control* was only partially successful in Britain was due to the *intensity* of the class struggle between capital and labour. A conclusion completely in step with the argument of this thesis.

Luwchuk's study of the inter war years, confirms that no management strategy dominated. Instead there existed a pragmatic combination of human relations management and 'industrial welfarism', which controlled labour via the direct dependency generated by paternalism. Such a claim appears at first, to be at odds with Childs belief that human relations practice dominated. This is only apparent however, for it depends on how broad a stroke one uses to define 'human relations'. A broad definition, which combines the two as essentially identical attempts to *go beyond the 'cash nexus' to control labour*, is a reasonable proposition. Taken together, they do constitute the main managerial response to labour in Britain. Therefore, one can say that, as a compliment to class containment by 'human relations practice, classical British paternalism, in the form of 'industrial welfarism', became a central feature of managerial control over labour.

The essence of the matter is that industrial welfarism induces compliance via *use value* 'gifts' to labour. 'Gifts' such as the paternalistic provision of housing, workplace shop clubs, company pensions..etc. In effect industrial welfarism becomes the *material basis* for the *ideology* of 'human relations'. Like human relations practice, industrial welfarism has a lineage longer than the decline of the commodity form of social relations. However, as with human relations practice, it comes of age once the material conditions for a new alignment

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<sup>246</sup>Lewchuk, op-cit

between bureaucratic control of use values and exchange value become *substantiated*. This is because, as was earlier indicated, a *systematic* application of industrial welfarism relies on management's ability to go *beyond* the 'cash nexus' to harness control over labour. One could, therefore, deduce, that the closer to Labourism British capitalist society got to full employment conditions and coherent national collective bargaining institutions and such like, the more important did bureaucratic *non-market* forms of control become. Craig Littler puts the essential function of industrial welfarism in stark terms:

The supply, efficiency and discipline of labour were continuing themes in welfare administration...Services are provided where wage contracts *cannot accomplish this formal and immediate subordination to the employer.* (p57)

Clearly, in the absence of a *decisive continuation* of the *real subordination* of labour to capital, the *formal subordination*, presupposed by the 'cash nexus', is an *inadequate* objective basis for commodity fetishism to control labour. Industrial welfarism and human relations practice is an attempt to strengthen or buttress the formal subordination. But surely, it could be argued, the real subordination of labour had occurred in Britain and was the basis of labour's socialisation and negation of capitalism? This is an argument which has been fundamental to this thesis. However the point is, once the real subordination of labour had gotten under way and had produced the socialisation of labour, the response of finance capital was to limit the further development of the real subordination of labour, by limiting the development of fixed capital formation and imparting the circulation capital bias spoken of in a previous chapter. The main aim being to stop the working class becoming a class *in its self*. From this decisive moment onwards, the real subordination of labour is continued, but never *decisively continued*.



Thus, given the weak advancement of real forms of subordination during the twentieth century, bureaucratic forms of control such as 'industrial welfarism', combined with human relations practice to buttress capitalist control mechanisms. As Labourist institutions consolidated themselves throughout the 1930s, these types of control become intrinsic to the social fabric. In fact they alter even more dramatically the form of the dialectical interpenetration of use and exchange value. As forms of control, they emphasise the bureaucratic manipulation of *needs*. As such the strict adherence to the ergon of exchange value criteria became increasingly subordinated to use value. Which of course manifested, itself from the point of view of industrial capital and its apologists, as 'amateurish management'.

Melling appears to empirically endorse these theoretical points made above, stating that,<sup>247</sup> the dominance of control mechanisms such as industrial welfarism, suggested a system of class containment that would, as a *general* principle, sacrifice profits for the *overall* control of the labour movement. This of course is the essence of the developing system of Labourism. Lewchuk confirms this, again empirically, when pointing out how one car plant after another in Britain between the wars - from Rolls Royce to Vauxhall Motors - refused to implement Fordist and Taylorite direct controls over labour. Instead they chose a pragmatic mixture of piece rate incentives and 'industrial welfarism', both of which hindered the maximisation of profits. For example, the piece rate system became a battle ground between capital and labour over the distribution of the relative surplus value accruing out of the intensification of work. In many cases piece rate bonuses went wholly to workers. Capitalists were then forced to cut rates in an effort to redistribute the relative surplus value created back into

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<sup>247</sup>Melling, in Gospel and Littler (1986), op-cit.

their own pockets. The whole process *maximised confrontation* rather than profits.

Yet despite this, according to Lewchuk, employers and management would not countenance a move towards a day rate wage system and control through mechanisation (real subordination). Instead, associations of capitalists, such as the Engineering Employers Federation (EEF), tinkered with the piece rate system. In this respect 'premium' piece rate systems were conceived. These gave both capital and labour a share of any increases in relative surplus value extracted from labour. The piece rate is said to be an attempt to foster common interests between capital and labour. However, because its basis was the exploitation of labour and because the actual fixing of 'rates' were themselves a component of the class struggle over valorisation, then the reverse was the case: they consistently widened the gulf between capital and labour.

Obviously piece rates are a universal phenomenon of capitalism. Capitalists in the USA had also used such incentives extensively. Indeed piece rates are one of the principles of Taylorism, alongside day rates, direct management control, the real subordination of labour to capital and increased abstraction of labour. In other words, what is predominantly a *market based* control over labour, alongside 'industrial welfarism', is a *necessary* part of capitalist control over valorisation rates and over labour per-se. However, as British class struggle testifies, although *necessary*, it is not a *sufficient* mode of control: production based controls (the direct controls of Fordism and Taylorism) are; yet these were institutionalised only very weakly and with great reluctance on the part of British capital. Such peculiarities are perfectly logical within the context of a declining capitalist social relationship and rising Labourist forms of containment.

The partial decommodification of the universal equivalent (nationally regulated money capital) and growing consensus of physical and fiscal planning *after 1940*, eventually transformed the methods of control. As history now attests, the transition towards systemic Labourism after 1940, propelled these bureaucratic forms of control over labour into a new dimension. The narrow confines of industrial welfarism, extended through the economy and into the State and became sublated within the wider orbit of *the social welfare state*.

By the early 1940s, aided by The Essential Works Order Act of 1941, the establishment of joint production committees (JPC's) had become widespread. The Act, amongst other things, restricted the flow of capital to the will of the State; outlawed strikes; and set in motion the decommodification of labour supply by regulating the minimum wage. In doing so it reinforced the trend set in motion in 1939 when the TUC and British Employers Federation signed a pact (National Joint Advisory Council) to control labour and capital. By 1944 average wages were 35% higher than in 1938.<sup>248</sup> as one commentator noted, 'full employment and the greatly strengthened trade union movement presented powerful inducements for managers to find a more powerful philosophy towards labour than domination or indifference'.<sup>249</sup> It was within this atmosphere that human relations/industrial welfarism (Labourism at the point of valorisation) attained its 'greatest influence between 1940 and 1955'.<sup>250</sup> Its essential task of bureaucratically policing labour in production, was carried out by British management 'on a considerably wider scale and with more force than during the 1930s'.<sup>251</sup>

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<sup>248</sup> M.M. Niven (1967), *Personnel Management*, p91-93, Institute of Personnel Management London.

<sup>249</sup> J. Child (1969), p112, *op-cit*.

<sup>250</sup> J. Child (1969), *ibid*, p111.

<sup>251</sup> J. Child, *ibid*, p114.

Some indication of the sudden enthusiasm for a more rigorous management approach to the control of labour, can be gleaned from the rise in membership of management associations. By 1941 personnel officers became compulsory in all but the smallest of factories. Membership of the Institute of Industrial Administration rose almost 500% between 1939 and 1945 (517 to 2508). Membership of The Institute of Personnel Management rose from 760 in 1939 to 5730 by 1960;<sup>252</sup> and systemic Labourism embroils the State in the management of labour at the point of valorisation, or, in the context of the public sector, at the site of general exploitation. Thus the Post 1945 Labour Government created the British Institute of Management (BIM). Stafford Cripps and Hugh Dalton, worried about the quality of British management, were committed to providing public money to finance the creation of the BIM.

The State developed and encouraged many other management quangos, for example, Production Efficiency Board (PES) were created in an attempt to introduce Taylorist control of labour to British valorisation processes. In the words of the Board of Trade of the time,

..In the long term it aims at making industry aware of the possibility of increasing efficiency by the study and application of up to date methods.<sup>253</sup>

However it is the 'welfare' and human relations approach, so complimentary to The TUC and Labour Party's paternalistic control over labour, and so to the whole bureaucratic nexus of social welfarism, which gained precedence once Labourism came into being. For example, Tomlinson points out that,

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<sup>252</sup> J. Child, *ibid*, p113.

<sup>253</sup> PRO, BT 64/2324, Board of Trade, *The production Efficiency Service*, 30th Nov 1945, cited in J. Tomlinson, (1993), *Mr Atlee's Supply Side Socialism*, article in, *Econ Hist Rev*, xLV1, 1.

The central role of human relations in Labour's<sup>254</sup> attitudes to the enterprise is evident in the focal position given to 'human factors' in the setting up of the Committee on Industrial Productivity. It is also evident in the campaign by the Labour government to revive workplace Joint Production Committees on the model of those widespread during the war. The JPC campaign....was not a drive for industrial democracy...but..part of a programme to encourage worker co-operation and involvement without infringing on managerial prerogative.<sup>255</sup>

Between 1945-55, according to one noted expert,<sup>256</sup> human relations management reached its peak. This was the same decade that Labourism came into being and just as dramatically began to decline. During the 1960s various 'rationalisation' drives characterised relations between capital and labour at the point of valorisation. Human relations and industrial welfarism weakened, while the commitment, if nothing more substantial, to the *direct controls* characterised by Taylorism increased. The Labour Party's commitment to the 'white hot heat of the technological revolution' (Ley, 1984; Coates, 1986), and growing productivity drives enforced by British management, (Nightingale, 1980) are testimony to this. Thus one could argue that human relations/industrial welfarism were given life by the tendencies developing towards Labourism and were peculiarly fitted to the requirements of Labourism, as it eventually became systematised. Their development as a conscious state strategy post 1945, goes hand in glove with the development of Labourism. When Labourism began to breakdown in the late 1950s, it developed a split between left and right wings.

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<sup>254</sup> \*Labour refers to the Labour Party.

<sup>255</sup> J. Tomlinson, (1993), p5, op-cit.

<sup>256</sup> J. Child, (1969), op-cit.

The right wing sought to stabilise work relations on the basis of the traditional management practices spoken of above (allowing finance capital greater freedom to exploit new international forms of circulation). The left, on the other hand, sought to revamp and systematise management labour relations (restricting the international mobility of sterling). The development of Labour Party visions of 'technological revolution' in the mid 1960s, was an affront to finance capital and lead directly to its defeat with the Wilson Government move to devalue sterling in 1967. Thus Labourism after its establishment in the 1940s, soon became torn asunder from the late 1950s onwards. The split between left and right Labourist's, reflecting the polar opposition of finance capital to the growing strength of the rank and file labour movement. The Royal Commission on the 'problem' of industrial relations (Donovan Report, 1966), captures the heart, if not the sense, of this contradiction. Thus the decline of Labourism will be the subject of more detailed discussion in the concluding chapter. The point to be drawn out here, however, is this: human relations/industrial welfarism were tendencies which found their full expression in Labourism throughout the broader category of social welfarism.

Why, then, did Labourism eventually become a system, advancing these management practice, when for so long its tendencies, including human relations/welfarism, remained only weakly formed? At this point one could state the answer simply: Labourism became a system of working class containment because of the vital reactionary influence of Stalinism upon the ideas and practice of 'socialism' endorsed by the Soviet Union and its practitioners and fellow travellers within the British left. This claim will be taken up in more detail in the final section. Before doing so, it is necessary to explain the developing tendency to manage and nationalise money capital. Again, as with management controls over labour, it was a *tendency* which had first to be *grounded* in conditions where labour was safely de-politicised. It is explained

later how Stalinism provided the basis of this condition for capital and secured the management of nationalised money under the rubric of Keynesianism.

#### ***6.4 The Management of National Money and the Development of Labourism***

When sterling, as national money, became cast adrift from the social anchor of the international universal equivalent - gold, one of two processes could have occurred; the state could use its' powers of discretion over national money creation or borrowing, to increase economic interventions by widening the public sector, subsidising capital's and increasing the demand for commodities. The logical conclusion of this would be to refloat the economy by realigning what is produced as use value and what is produced primarily for exchange value. The danger being that the former may well overrun the latter, hence a coherent method of indirect control of use value provision through the money form itself is necessary. Such a method did emerge and became known as Keynesianism, largely in gratitude to a figure who, more than anyone else in this epoch, fought for the extended life of capitalism. Alternatively the state could bureaucratically police the uses and perceived abuses to which national money is subject. The goal of the latter would be to shadow the universal equivalent as much as possible (for example by aligning national currency to the average value of a basket of international currencies). This option leaves the door open (in vain it must be said) to a return to the universal equivalent. The one would allow the advancement of Labourism, the other would restrain it.

The National Govt of the 1930s, despite minor lapses, chose the latter course of action, before their sudden conversion to Keynesianism in the late 30s early 40s. Of course whilst the State and Government of the day were no mere conduits of

the dominant class, it is likewise just as true to say that they did not act as some politically independent force. The basis of capital's rule through the State is ultimately related to private property in capital. As capital is founded on abstract labour, then the basis of the State's systematic representation of the interests of capital depends on the continued health of abstract labour formation. The argument here has been that abstract labour formation has become negated and in the process classes have had to develop their own *collective powers* to rule. Therefore, the State becomes a battle ground of class collectivity and policies to counteract collectivity through de-politicisation strategies. Hence one has to understand the States often pragmatic short term lapses into interventionism and its simultaneously stubborn and persistent underlying resistance to unbalanced internal and external budgets, as a result of a class struggle being forged in and through the State over the issue of the partial decommodification of national currency. Capital is aware that under the wrong conditions, decommodification of money capital will enhance the collective strength of labour and so risk the re-politicisation of labour. Hence finance capital, as guardians of the system (albeit through vampire like greed), must continually wait for and also foster the right conditions, before any movement towards Keynesianism can occur.

Of course the tendency to decommodify sterling goes beyond the era of the 1930's and back to 1913 when British capital went off gold for the first time. Once sterling had conceded the gold standard, British finance capital lost the substantive ground upon which its political hegemony was based. This *economic vacuum* left a *political vacuum* around which Labourist forces fought to establish their substantive ground over the Fiscal and monetary policies of the state. They required a nationalised currency, cut adrift from the impulses of world capitalisms division of labour; that was relatively unhindered by strict adherence to domestic capital's 'measuring rod' of social and productive activity - value expansion. Success here meant the economy became amenable to



unbalanced budgets and public works. Whilst full nationalisation of money spelt inconvertibility, domestic confinement and ultimate decline for finance capitalists. Hence there was little chance that finance capital would allow any Government to impose such a deal while it still had ultimate authority. Nevertheless, adrift from the anchor of gold and beset by the inability to deal with the 'labour problem', then some compromise in this area had eventually to be made by finance capital. Within strict constraints and in accordance with the prevailing balance of class forces, finance capital, through the institutions of the Treasury and Bank of England, developed the ad-hoc response of guiding and controlling the degree of its inevitable drift into the capital restricting world of nationalised money. Although finance capital pulled the plug on the process as soon as it was safe to do so, against the rising tide of working class revolt in 1919, the rational kernel of fiscal control inherent in the more interventionist management of money was not lost on them.

It is in the above context - the inevitable recognition that gold must eventually lose its powers as universal measure of value and discipliner of labour and the resistance to the full imposition of national money, until the conditions were more conducive - that one can understand the ambiguous monetary policy adopted. It is in this context also that one can understand the significance of the increasing assimilation of economic specialists, statisticians and unelected quangos to the organs of the state, especially from the second decade of the 20th century. From the moment of the first movement of sterling off gold between 1913-1926, bodies such as the Haldane Committee on the Machinery of Government were established. Their stated task being to 'anticipate, watch and suggest means of dealing with important questions and movements likely to arise in commerce and industry'.<sup>257</sup> Given the mobilisation for war and economically favourable condition of labour, in the face of the lack of a universal equivalent

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<sup>257</sup> S. Howson & D. Winch, (1977), *The Economic Advisory Council 1930 -39*, p7, CUP.

with which to discipline the demands of labour and curb inflationary pressures, then it would be more precise to say that such Committees are in essence the guardians of 'sound finance' in an era when money capital becomes de-commodified. These unelected guardians create accounting technics to control fiscal and monetary policy. During the first world war, committees of economists, statisticians and accountants were used primarily to manage the currency, the allocation of money capital *and* the rate and distribution of exchange value in accordance with the needs of the war machine. Of course at the same time they revealed to capital their latent potential for planning capitalism's objective decline in its own subjective interest. In other words, the many persona and institutions assembled by the state increasingly after 1913, herald the first consistent movements towards 'fiscal planning' as a potential control mechanism over labour. The universal equivalent was losing its capacity as an internal control over labour, hence fiscal planning had to achieve the same outcome by conscious fiat.

In conjunction with the rise of these economic committees, there also arose the first systematic attempts at *physical planning* as a method of controlling labour and the rate and allocation of surplus value extracted from it. The social process of cost accountancy is vital to the viability of *both* forms of planning. In this respect it is no accident that the institutions of accountancy should assimilate themselves into the class structure in a more marked fashion from WW1 onward. In fact some have noted how the sudden incorporation of cost accounting methods by productive capital, represented a move by capitalists to ensure that accountants could adopt the role of financial guardians *within* production in and against any line management's resistance to the strict management of short term valorisation strategies<sup>258</sup>

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<sup>258</sup> See P. Armstrong (1984) who identifies the crucial role of the development of cost accounting after this period as a systematic device used by the state and capitalists.

The mobilisation for war; the threat of scarcity of labour and capital; and the inherent instability of a capitalism without a universal equivalent base in gold, were all factors advancing the *management of money capital* in Britain. As was observed in the last chapter however, the working class were far too militant and threatening for capital to countenance managing money capital to reflate the economy long term. One would not have expected finance capital to choose this period for a Keynesian experiment, and indeed they did not. Once the war ended so too did finance capital's commitment to fiscal and physical planning, whilst the threat from labour was still strong, along with the possibilities of an international role for sterling once again.<sup>259</sup> As Howson & Winch note,

The origins of the case for an economic general staff... can be traced back to the reconstruction movement (Labourism in statu nascendi) which flourished briefly toward the end of the war: and its fate during the first half of the 1920s follows that of the movement generally. the mood of optimism concerning the possibilities of economic planning & natural cooperation which prevailed at the end of the war soon evaporated in the face of pressures for dismantling war time controls.<sup>260</sup>

This mood of optimism referred to by Howson & Winch belonged to Labourist forces. Generated in large part by the practical proof provided by the war economy that mechanisms of 'planning' existed, which could administer a boom *and, potentially,* control labour via institutionalised collective bargaining. However finance capitalist forces remained unconvinced of Labourism's ability

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<sup>259</sup> See previous chapter where this is discussed in more detail.

<sup>260</sup> S. Howson & D. Winch (1977) *op-cit*, p7. The bracketed words are mine.

to contain labour. Their resolve in this matter was also weakened by their unwillingness to suffer the restrictions on capital flows whilst even the remotest of chances remained for a re-establishment of international finance markets. Thus the the First World War may have forced the classes together, however, once it was at an end, finance capital felt compelled to call off all movements towards Labourism. Whittleyism, the heart of the national industrial relations system, became still born. Whilst the movement towards *expansionary* fiscal management was axed.

To be more specific, fiscal planning agencies had proved their worth to capital and so were to a degree continued. However, *continued in order to plot a deflationary move back to gold.* Economic committees, professional economists and statisticians were welcome at Government level, so long as they were willing to act as bureaucratic policemen, endorsing balanced budgets and the discipline of money capital. In this respect one can point to the Geddes Committee on National Expenditure as in essence the guardians of finance capital. Geddes 'axe' was directed at both the working class *and* an ascendant Labourist solution to the problem of how to contain the working class. Once the working class had been politically defeated in 1926 and once British capital could no longer resist the inevitable fall from gold for the last time in 1931, the necessary economic and political vacuum had been created and pressures for expansionary fiscal and physical planning, again began to resound through the archaic state structures of British capitalism once more (Tomlinson 1990, Booth & Pack 1986, Howson & Winch 1977).

Finance capital had, by the 1930s, become circumscribed by international depression and debt, restrictions on capital movements, the mounting pressure at home from the Labourist forces and the inability to maintain confidence in sterling as an international depository of abstract labour. Its long term survival

lay in a new accumulation strategy within the orbit of its ex colonies and dominions. The new accumulation strategy required finance capital to itself align with key dominant productive capital's in Britain to create a sterling bloc which both factions of capital could benefit from.

However such an alignment weakened their hegemonic grip on State policy and propelled the forces of Labourist intervention domestically too far and too quickly. It did so for two reasons. Firstly, because one of the bedrocks of Labourism from the right had been those very same old large and dominant industries who were now so crucial to the establishment of the sterling era. Too much of an alignment with this faction would lead to the possible imposition of strong corporatist policies, advocated by Mond (an industrial leader of Labourism from the right). This would take Labourism's advance out of the orbit of finance capitalists control. The danger was that such a move may lead to the effective negation of the unique institutions British finance capital had erected to purify its rule through the money form. Secondly, because the potential regeneration and restructuring of the economy which would result from such an alignment, implied the movement towards full employment and the possible re-politicisation of labour. Such a possibility was fraught with danger because it could lead to the re-politicisation of labour. Therefore, despite all such logical reasons for finance capital to accept the Labourist compromise in the 1930s, it stubbornly refused to do so. One result was that the potential value accruing benefits of the sterling era were never fully actualised until after the post war settlement (Coakely & Harris, 1983). Another result was the Mond-Turner conference,<sup>261</sup> the Liberal Party dash towards economic intervention between the classes, and the move by 'left wing' Labourites such as Mosley to steer the

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<sup>261</sup> National Conference in 1927 set up by the TUC and employers associations such as the FBI. Its project was to establish the basis of a future Labourist compromise after the neutralisation of syndicalism.

Labour Party towards corporatism, all failed. The context of their failure being the latent, but as yet unrealised, acquiescence of finance capital.

Understanding the above contradictions, then, helps one to illuminate the real importance of Keynesianism. Long misinterpreted by Marxists, and long since a central feature in the adulteration of Marxist theory, Keynesianism developed on the basis of the new alignment of use and exchange and extended the tendency towards the management of money, to its logical conclusion within capitalism. Many have, quite correctly, argued that textbook Keynesianism was never applied to the British economy in any systematic fashion<sup>262</sup>. Indeed still others have argued persuasively, that even the ad-hoc Keynesianism which was eventually put into practice after 1940 was never a fundamental causal factor in the eventual post war economic boom. The boom was, to a large extent, sustained by private investment; public investment did play a part, but not nearly as great a part as the commonsense view suggests. One does not have to look too far to find the major impetus *for* private capital investment after 1945: the reduction of the organic composition of capital, coupled with a favourable international export market. If this is the case, and there is little reason to doubt it, then one can conclude that the importance of Keynesianism has little to do with any practical ability to resolve the contradictions of capital. Rather its central importance was two-fold; on the one hand, it had immense ideological importance (Pilling, 1986), offering the appearance of a coherent 'rational' economic alternative to 'sound money and free markets'. On the other hand, in emphasising the importance of monetary and fiscal policy in moves to regulate the failing law of value, it offered finance capital ideal (monetary) instruments through which it could continue to chart the pace, scope and nature of its own necessary containment. For example, the inevitable constraints on money

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<sup>262</sup> See, for example, A Cairncross, in R. Floud & D. McCloskey (eds) (1981), *The Economic History of Britain Since 1700*, vol2, CUP

capital movements; political control of interest and exchange rates; creation of state credit through the distribution of surplus value; and the use of credit for social needs largely unrelated to valorisation for capital, could at least be controlled, monitored or even blocked by finance capitalists interests via the institutional triad of Treasury-Bank of England-City of London.

The epoch was one of conflict between planning and the decline of the law of value, therefore the issue of planning could not be ignored by finance capital. They were compelled by events to adopt some stance to Labourism. In this sense, they naturally turned to Keynesianism. If any planning was envisaged in Britain, no matter how undemocratic and apparently strong on safeguards against the working class, it was in finance capital's interests to ensure the eventual development of a 'planning' *through the manipulation of national money* (Keynesianism), over and above any notions of physical planning. It is in this sense that the demand management project through fiscal planning at the heart of Keynesianism held some potential to cement the ground of the realignment between capital and labour in such a way as to allow finance capital to continue its hegemony.

Keynes and Keynesianism were the policy broker between the right wing elements of Labourism and finance capital. In this sense it is simply misplaced loyalty, expressed by the Labour movement, to see Keynes and his fellow travellers do battle *for the unemployed*. His task was to see capitalism survive without giving too much ground to labour in the inevitable realignment between use and exchange value. In his *General Theory of Interest & Money* (1936) Keynes made it clear that the sphere of valorisation should be impinged upon as little as possible. The State's job was to facilitate the process of exchange value expansion, whilst taking care of the provision of use value and social needs. For Keynesians, individualism is the basis of the capitalist market system, for

Marxists it is abstract labour, the expansion of the value form and so capital that forms the basis of capitalism. In this sense Keynes had a soothing message for capitalists:

..the traditional advantages of individualism will still hold good.....individualism, if it can be purged of its defects and its abuses, is the safeguard of personal liberty in the sense that, compared with any other system, it greatly widens the field for the exercise of personal choice. It is also the best safeguard of the variety of life, which emerges precisely from this field of extended choice, and the loss of which is the greatest of all the losses of the homogeneous or totalitarian state....Whilst, therefore, the enlargement of the functions of government...would seem to a nineteenth-century publicist or to a contemporary American financier to be a terrific encroachment on individualism, I defend it, on the contrary, both as the only practical means of avoiding the destruction of the existing economic forms in their entirety and as the condition of the successful functioning of individual initiative. (Keynes, 1936, p380)

This statement and others made by Keynes in the General Theory, which suggest the need to 'liquidate the rentier', have long since become infamous. They allowed forces on the left and on the right the convenience of a 'principled divide'. However the divide is only apparent. Keynes's digressions about 'liquidating the rentier class' were little more than rhetoric. They never developed much further than another piece of related rhetoric, the 'socialisation of investment'; which again sounded radical, but remained firmly within the realms of ideological propaganda. In practice his words eventually manifested as



a simple commitment to adjust fiscal and monetary instruments according to the logic of national class collaboration and against the imperative of international valorisation. Such phrases are also rhetoric because they were completely at odds with Keynes's own class interests, which manifested themselves clearly over the fight for the sterling area during the Bretton Woods Conference in 1944. Salvaging a role for sterling was hardly the practice of someone committed to the destruction of circulation biased capital. Eliminating rentier capital sunk to the same illogical depths as Proudon's declaration that one can have socialism and retain money capital. Skidelsky's claim that the emergence of Keynesianism meant 'henceforth the producers state would be the goal; and finance the enemy', overstated the divide and, arguably, said more about the needs of social democracy to create a sharp divide within capital between 'industrial and 'rentier' around which the working class could be divided. This had the effect of disguising the essential contradiction between capital and labour and so laying further social barriers to block the development of a working class for itself. The most one could say about Keynes and Keynesianism, is that he/it wished to create instruments in and through which the State could, firstly, ensure circulation capital met the minimum requirements of production capital; and secondly, encouraged more money capital to become converted into fixed capital formation than otherwise would have occurred.<sup>263</sup> All this, of course, meant certain restrictions on money capital, but certainly not the liquidation of its long established institutional representatives in the City. Keynesianism, therefore, although an implicit danger to finance capital in the 1930s (because the Keynesian institutions, once erected, could well be operated in favour of labour), was also a *necessary* condition for its long term survival.

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<sup>263</sup> Of course by the 1970s it had become obvious to many that this had become untenable to finance capital, due to the fact that it had lead to increased labour militancy and the breakdown of value regulation implied by spiralling inflation. In this decade Keynesianism really was 'swinging the tiger by the tail'.

Keynes was quite blunt about the reactionary clamour for a re-alignment of sterling to gold: it was a 'barbarous relic' of the the century, bringing deflation and ruin to British capitalism (Pilling, 1986, p54). As Keynes observed in the *General Theory*;

under the system of domestic laissez-faire and an international gold standard...there was no means open to a government whereby to mitigate economic distress at home except through the competitive struggle for markets. For all measures helpful to a state of chronic or intermittent under-employment were ruled out, except measures to improve the balance of trade on income account.

The problem, as Keynes was quick to point out, was that the latter option usually meant deflation, unemployment and reduced fixed capital formation, as a result of the two classes coming to loggerheads over who was to pay the price of British capital's inability to exploit British labour power efficiently. Keynes pointed out two important manifestations of the problem confronting capital which Labourism must address if it was to seize the political initiative: firstly, capitalists did not have the confidence in profit rates to invest nor the ability to do the next obvious thing - reduce the absolute wage bill by tackling the working class head on; secondly, his theory of liquidity preference, revealed that speculative transactions motives (primarily finance capital's) hindered previously accumulated idle capital from being converted into future investment capital. As a result, the system was in danger of sinking into chronic stagnation. The stand off between capital and labour, meant that savings no longer equated with investment, no matter what the interest rate. Finance capital ensured that capital savings were increasingly re-routed towards speculation or else hoarded. The Keynesian solution was to reroute this capital and use it to underwrite use value

provisions and capital subsidies. Keynesianism placed emphasis on increasing consumption regardless of the extent of short term valorisation patterns. Thus Keynes embraced the concept of *managing national money*. The State, then, had to take responsibility for the injection of a fiscal stimulus to the economy. The State could control and administer a decommodified sterling to generate national economic activity on the basis of the direct provision of use value needs. Additionally, the inflationary bias implied, would boost nominal wages, whilst depressing real wages; boost capital investment by stimulating demand; and (most importantly for finance capital) allow, via the Treasury's control of fiscal and monetary planning, finance capital to maintain overall control of the declining capitalist system.

Such was the promise of Keynesianism. The essence of control lay in the potential to manipulate the relationship between use and exchange value; if the State erred on the side of use value and need (due to working class pressure), then the discipline of exchange value could be used. Thus there were many ways this control could be applied. For example, if full employment tipped the balance of class forces in favour of labour, who, on the basis of this, successfully advanced commitments to the public provision of health, education, greater levels of social welfare..etc, then fiscal spending reductions could be imposed to reduce demand and so employment. This could, then, diffuse the strength of labour and alter the balance of class forces in favour of capital once again. The outcome is that use value is brought back under the controlling orbit of exchange value. Likewise, if Governments, particularly those fronted by the Labour Party, became reluctant to deflate and hence slow the rate of growth down, due to the pressure exerted by their organic link with the working class, then a financial 'strike', or a run on sterling, would soon bring discipline back to the Labourist system. Whether Keynes envisaged his General Theory would be manipulated in such a way is beside the point, what is the point is that Keynesianism only

makes sense if used this way. In point of fact, Keynes was very sensitive to the need for deflationary policy when unemployment went below as much as 5%.<sup>264</sup>

Newton has a point when arguing that much of the extensive research on the Treasury/Keynesian debate has degenerated into 'what one clerk said to another' and informs one of very little beyond 'the unsurprising fact that some Treasury officials were Keynesian whilst others may not have been'. Of real importance, he correctly reflects, is the answer to questions such as, *why* Keynesianism was eventually accepted as the principles of sound government? An answer which can only be found, he contends, by unearthing the *social forces* underlying the surface debate. The argument here has been that the underlying social forces are the breakdown of commodity production which left a seizure between exchange and use value, reflecting a seizure between the classes, which in turn, had retarded the development of productive forces, causing mass unemployment and stagnation. On the one side, the 'Treasury view' (finance capitalist in essence) initially sought the discipline of exchange value and unemployment as a method of controlling labour, whilst the Keynesian view sought a *re-alignment* of exchange value and use value, with the latter bureaucratically dominant.

The eventual conversion of the Treasury to Keynesianism reflects a compromise - the realignment could be controlled by the money form via capital's control of fiscal planning. Looked at in these terms one can read the contemporary Treasury debates with Keynes and his followers in fascination. The traditional view that Keynes remained an outcast until a rapid conversion of the Treasury view during war time, is now cast in some doubt. The more realistic appraisal

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<sup>264</sup> According to one source, in 1937, Keynes advised the Treasury to cut back on public spending to reduce aggregate demand in order to counteract inflation, at a time when unemployment was still at 10%. - hardly the sign of 'socialist' leanings, by anyones description - see Peter Clarke, (1988), *The Keynesian Revolution in the Making - 1924-26*, p316, Clarendon Press Oxford.

appears to suggest one of gradual acceptance by the Treasury, throughout the 1930s, as to the rationality of what Keynes had to say *for* capital. As Clarke observes, 'There is now a fair measure of agreement that the Treasury had become more open minded in what it was prepared to consider'.<sup>265</sup>

The Treasury, for its part, began to realise very quickly both the advantages in Keynesianism and its dangers. The latter resolved itself to this: finance capital remained unconfident about the prospects of controlling a working class fully employed and in a strong economic position (implied by a Keynesian regeneration of the economy). The danger was that the struggle over any deflation, which may, under given circumstances, be thought appropriate by capital, would erupt into open class warfare, as it had done in 1918-19. The split within Conservative Party ranks over the issue of 'planning or the market', gives one some insight into how seriously the era was for capital. It seems logical that they should remain suspicious of Keynesianism, believing, as they must have, that for all its potential, it would lead to *physical planning*, which could lead to notions of communism. The exchange between Keynes and the Treasury during the 1930s suggests that, on the point of *fiscal planning*, the latter had increasingly acceded ground. What was still required was some form of *institutional containment* of labour, upon which Keynesian monetary controls could be effectively overlaid.

The stumbling block, then, so far as finance capital was concerned, was that Keynesian fiscal planning was a *necessary* but not a *sufficient* condition for securing their continued control over a declining social relationship. This was the major divide in the Conservative ranks between the 'planners' and the 'free marketers'. Finance capital is the abstract form of capital. The persona involved are capitalists in general and not of any particular location. They

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<sup>265</sup> Peter Clarke (1988), *ibid*, p318.

become the conscious regulators of the system in general and, hence, are that much more aware than most capitalists of the real contradictions within the system during any one period or epoch.<sup>266</sup> Keynes had little understanding of the profound aspect of capitalism in decline. He may have thought capitalism merely to have 'stalled due to engine trouble'. However, the more observant members of finance capital, were aware that its 'combustion chamber' had cracked beyond repair and would suffer chronic overheating without a more comprehensive form of control over the working class. It is this stark and important fact which held them back from implementing Keynesianism in a systematic and strategic form during the 1930s.

In retrospect by the late 1930s and early 1940s we know that the Keynesian orthodoxy had won over Labourist forces and the Treasury. This victory was to such an extent that continued talk of balanced budgets was looked on as the eccentric utterances of nineteenth century ideologues trapped in the modern world. All pro capitalist forces (in public at least) were committed to demand management, deficit budgeting, full employment and a new upswing in capital accumulation. One must conclude, given this sudden acceptance of a Keynesianism strategy and programme, that an additional mechanism for controlling labour had gained the favour of capitalists. The *White Paper on Employment Policy* (1944), embodies the spirit of the conversion to Keynesianism.

The Government accepts as one of their primary aims and responsibilities the maintenance of a high and stable level of employment after the war..Total expenditure on goods and services must be prevented from falling to a

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<sup>266</sup> See Hillel Ticktin's analysis of abstract capital's potential for conscious action across the system of capitalism as a whole, in Critique No 16-17.

level where general unemployment appears.<sup>267</sup>

As Pilling observes:

Not only did post war Governments in this and other declarations publicly pledge themselves to a policy of full employment, but they now had available a state budget which was much larger than before the war.<sup>268</sup>

As mentioned in the introduction to this chapter, the influence of Stalinism in forging a hegemonic bloc between left and right Labourists *and* finance capital, is arguably the crucial extra control mechanism spoken of. This claim will be taken up and explained in the final section. Before doing so we complete the investigation into the movement from *tendency* to *actuality* of the central tenets of Labourism, by observing the evolutionary trend towards the decommodification of labour.

### ***6.5 The De-Commodification of Labour: from Tendency to Actuality***

The unwillingness to advance towards the strategic implementation of Keynesianism, which characterised the 1930s, blocked the development toward the decommodification of labour supply which is inherent in the principles of national social insurance provision, social welfarism and policies of full employment. This era has been characterised as schizophrenic with regard to movements toward the development of the *social wage* - national social benefit

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<sup>267</sup> Extract taken from Pilling (1986), p48, op-cit.

<sup>268</sup> G. Pilling (1986), *ibid*, p48.

and welfare - which decommodified labour, in the sense that it guaranteed to labour basic needs, outwith the necessity that it first valorises for capital in order to socially reproduce itself. The stalemate within pro capitalist forces over the issue of adopting fiscal and physical planning is essentially the reason why related parts to Labourism such as a national social insurance scheme and full employment policy (national decommodification of labour supply) never emerged in the 1930s.

For example, unemployment rose to a peak of 3 million by 1933 only dipping slightly in 1937, before once more rising just before the sudden drive toward rearmament in 1938.<sup>269</sup> Labourist forces had persistently revealed themselves, throughout the better part of the thirties, unable to advance a policy of anything near full employment provision. In fact, as regards this Labourist tendency, little had changed from the days of the post World War One capitalist offensive against the working class. Even though the political battle with labour had been won by finance capitalists by the late 1920s, unemployment remained at just as high a level in the thirties as it had been in the twenties, in fact even higher: approximately 17.5% as opposed to approximately 14% of the insured population respectively.

Obviously there is the late nineteen twenties/early nineteen thirties world recession on unemployment, reducing domestic demand and foreign exports, to take into account. Yet the recession cannot explain fully why high structural levels of unemployment remained a fact of life *throughout* the thirties, even when world trade had improved. Of course, its *structural nature* implies the persistent unwillingness to invest capital on a sufficient scale, despite the policy of cheap available loans established after the fall from gold. The cause of this unwillingness lay in the fact that capitalism was losing the power of its own

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<sup>269</sup> D Winch (1983), op-cit, p49.



control mechanism over labour power - commodity fetishism - and had not yet forged another. During the stalemate the obdurate rule of finance capital ensured that capital in general had to rely on systemic unemployment to control labour and keep it politically atomised. Thus an overarching emphasis on the formal subsumption of labour relative to real subsumption, coupled with a large reserve army, became crucial to class containment in the post universal equivalent world of the 1930s. However, pressure from Labourists mounted during this time did secure a social wage under the administration of capital - born out of a fear of labour not philanthropic concern. This, then, is the background to the developments in the decommodification of labour supply which will be considered from a more theoretical point of view below.

The stagnation and hence high unemployment orchestrated by finance capitalists throughout most of the thirties, was both bolstered and endorsed by the States policy towards the status of the unemployed. Social insurance provision found increasing acceptance into the system, as the amended Poor Law (1834) became increasingly outmoded. Outmoded on the basis that the poor law operated for a capitalism in its prime, with a functioning labour market complete with frictional unemployed and little structural unemployment. In this situation the amended Poor Law served a capitalism at the peak of its exploitative powers very well; disciplining the reserve army of labour, and those in work, with the choice of valorising for capital or the workhouse. In an era when capitalism was in visible stagnation; when even the labour movements demands to be exploited fell on deaf ears (involuntary unemployment), the poor law's threat of the workhouse and its minuscule provision of sustenance, became an outmoded abhorrence. Not surprisingly, the Poor Law was the subject of persistent attacks from the working class. As Campbell (1981, p103) explains;

Reliance on the poor Law as the sole means used by the state

to deal with the unemployed came under challenge in the 1880s. In February 1886, major rioting broke out as a result of the severe unemployment in London...In March of the same year the President of the Local Government Board allowed local authorities to provide relief work for the 'exceptional' unemployed outside of the Poor Law administration. This policy was later formalised in the Unemployed Workman's Act 1905, which allowed local authorities to set up 'Distress Committees' to provide relief work, but not financial assistance alone.

Following hard on the heels of these reforms, pressure mounted for capital to compromise itself by instigating the provision of a *national social wage*.<sup>270</sup> From Beveridge's 1909 Report to the 1934 Unemployment Act, this urgency can be clearly detected. It is a *social wage* in the sense that it is the slow guarantor of material existence and reproduction outwith the confines of first valorising for capital. The stronger that the forces of Labourism exert themselves, the more a clear distinction between wages for valorisation and the social wage develops. When it is in decline, capitalism cannot do without this development. Yet it must also resist it because it decommodifies labour supply and creates the *potential* for greater working class collective resistance to capital. This is why, before the 1940s, the commitment to commodity fetishism, not to Labourism, still provided, for the most part, capital's rationale. For example, even the supposedly more radical proposals of the Fabian inspired 'Minority Report' of the 1905 Royal Commission on unemployment, was careful not to transgress the commodity status of labour. They may well have noted the fact that the Poor Law was 'intellectually bankrupt' in its handling of the unemployed. However, the Minority Reports pleading for a Ministry of Labour with a remit to provide

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<sup>270</sup> See P. Gregg (1967), *The Welfare State*, (George G Harrap & Co Ltd), for a concise history of social insurance provision before and after the 1930s.

little more than the national organisation of retraining (workfare) and State assistance for trade union subscribed insurance, was far removed from the eventual decommodification of labour, sanctioned by the Social Insurance Act of 1943. If any proof were still required of the reactionary anti-working class nature of Fabian socialism, one need look no further than the Webb's pronouncement to the Royal Commission that, to provide labour with *unconditional* unemployment benefit and social provision, would 'constitute a grave error'.<sup>271</sup> In the context of working class hostilities towards capital which reached their culmination in the mid 1920s, British rulers required little encouragement on this score from their left wing lieutenants. However, the political defeat of labour in the late 1920s, provided the British ruling class with some breathing space to implement some of the demand for a gradual deepening of unemployment relief, which had been progressively forced on them by Labourist's. The demand became unassailable after sterling's demise from the universal equivalent. Thus the years between 1932-38 witnessed an overall rise in social insurance payments to the unemployed and more widespread entitlement to a social wage.

In addition to this, the tendency to allow the insurance fund to accrue a deficit became a permanent fixture. Nevertheless, inspite of capitalisms stagnation and despite the advances made along the path of decommodifying labour supply and substantiating the national provision of a social wage, Britain's National Government continued to treat unemployment as necessary, that is, as a 'healthy' reserve army of labour. For example, the Beveridge philosophy (by all accounts the architect of capital's pragmatic response to the impulses towards labour decommodification) throughout the 1930s, remained unambiguous on the matter:

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<sup>271</sup> Specifically, see Maurice Bruce, (1968), *The Coming of the Welfare State*, p206-207. This book provides a thorough chronology of the development of the welfare state. Unfortunately it suffers from being ahistoric - misunderstanding the relationship between the development of welfare and the genesis of capital through its peak and decline.

labour was a commodity the same as any other and the unemployed were a natural reserve army. Beveridge adhered strictly to the view that unemployment benefit in its essence should not steer too far from its role as a fund derived from wages and used to collectivise the risk of frictional, cyclical and structural unemployment of the commodity labour power.

Obviously such an ideology went only so far in its description of the reality of a declining capitalism. The stand off situation between capital and labour, meant that (as referred to earlier), finance capital had orchestrated a policy of controlling labour over and above long term fixed capital investment (witness the superficial Bank of England 'governance' of strategic investment during the early to mid 1930s). The stand off meant structural long term unemployment. Because of this the Treasury was forced to succumb to labour and acquire debt to keep the growing social insurance fund afloat. The grudging acquisition of such a debt was not so much a product of the philanthropic concerns of Fabians or Beveridge, or even finance capital, but a product of the need to offset the militancy of the unemployed and to keep them atomised from the employed.

Testimony to the potential power of disruption the organised unemployed were capable of generating was 1934 Unemployment Act, the punitive effects of which were weakened by the combined resistance of employed and unemployed. The Act created the Unemployment Assistance Board (UAB) which instigated a transformation of the standard of insurance payments. Broadly, the old regionally based payments, which in many areas had experienced real gains in benefit during the depression due to worker militancy, were to be replaced by a single nation wide scale of payments. It was hoped the move would lower the total level of insurance, by forcing down those rates that had drifted higher in some regions to the lower averages of other regions. However, 'when it became apparent that this would involve cuts in many areas, the anger of both

unemployed and employed workers was intense and demonstrative'. Workers, joined by a popular front of MPs, Clerics, local authorities and the CPGB (who, unfortunately, were able to police the militancy) won a largely defensive victory. 'Within a month the Government backed down, suspending the implementation of the new scales for two years'. <sup>272</sup>

Labourist forces were of course keen to establish and control unemployment benefit and other manifestations of the developing social wage (eg, State provision of housing, education, health care..etc) because they served the interest of a stagnant productive capital too. Apart from keeping capital's wage bill down, the emerging social wage also weakened still further the organic connection between the rank and file worker and their trade unions, which had already received irreparable damage after the sell out by trade union leaders during the General Strike (Trotsky, 1973; Bevan, 1952). Originally unions had been the sole providers of welfare for the working class. A portion of members subscriptions were given over toward an unemployment wage fund. A tradition which had the effect of ensuring a more wage militant workforce and a union more directly responsive to its members. The gradual provision of *state* welfare undermined this militancy and pulled union bureaucracies away from the organic influence of workers and towards the corruptive influence of Labourist forces, the state and its capitalist paymasters. <sup>273</sup>

This last point provides a measure of the degree of importance disinvestment and structural unemployment had been as a ruling class containment strategy. Despite the benefits of a national insurance scheme in weakening the organic link between labour and unions and taking the wage strain from productive capital,

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<sup>272</sup> See J. Hinton (1983), *op-cit*, p151-2.

<sup>273</sup> On this point and others concerned with the dynamic between worker union and the emergence of social welfare provision, the reader is referred to Noel Whiteside, *Social Welfare & Industrial Relations*, in, C. J. Wrigley (1987), *A History of British Industrial Relations*, vol2, 1914-39, Harvester Press.

the slow evolution towards national provision of a social wage was fiercely resisted by the ruling class. The 1920s and 30s provided a choice between breaking decisively the organic link between worker and union, which leads inexorably to the decommodification of labour; or unemployment of capital and labour. As the lived experience of 'the decade of depression' testifies, finance dominated British capital steadfastly resisted the decommodification of labour inherent in the move to place on a national footing universal unemployment benefit and social welfarism. Stagnation and unemployment, in the context of social insecurity, was to remain the safety net for declining capitalism.

The resistance to the mounting Labourist cry for a social welfare system was to last 10 years after coming off the gold standard. That is 10 years after the *material circumstances* for its realisation came into existence. As above argued, finance capital could not countenance a move of this nature because unemployment on the scale witnessed during the 1930s was their only method of controlling those in work. To decommodify labour in this situation would undermine control. This is yet another confirmation of the character of an era which sacrifices profit for control over labour.

The reason why unemployment became the primary strategy number one was, in turn, due to the fact that capital could not countenance a move towards Keynesian inspired fiscal planning, which is at the heart of social welfarism and was also making its impact felt on the State as the ultimate guardian of finance capital's interests. Again, the reason for resistance to Keynesianism (which in essence is the political economy of managing corrupted forms of national money capital in the era of capital's decline) is predicated upon the fact that it may further in pushing for *physical planning*. The danger of this is that it may in turn lead to the inevitable calls from the labour movement itself for physical planning to become *worker self management*. Thus social welfarism furthered capital's

control over labour, but the price was decommodifying labour supply and potentially laying the door open to aspirations for workers control. Hence the profound hesitation characteristic of the era.

Despite such hesitations there remained no real long term future in control of the working class through stagnation and slump economics. Therefore the move towards some form of welfare state was a necessary one, but one the ruling class felt unable to meet without a more substantive control over labour. Social welfarism (decommodification of labour) combined with Keynesianism (nationalisation of the money form) were powerful forces in the promotion of use value and need and demotion of strict adherence to exchange value. This was a move which would undoubtedly repoliticise the labour movement; at a time when *international accumulation* (the traditional escape route) had been effectively cut off from British finance capitalists - the dangers of this were obvious. In such circumstances finance capital was truly boxed in to a corner throughout the 1930s, having no desire to take on the working class in anything approaching full employment conditions, which the movement to social welfarism implied.

As a result most of the 1930s remained an era of stalemate: finance capital allowing just enough investment capital to filter through the City-Treasury-Bank of England network to fend off a complete regression in the forces of production. Labourist forces may have had much to do with forcing these institutions to set up closer ties with industrial capital (eg, the Securities Management Trust, SMT; the Bankers Industrial Development Company, BIDCo, both of which were established by the Bank of England). Nevertheless the fusion remained guarded and weak, lacking in any real commitment to the massive increases in fixed capital investment required to end the slump. As one specialist on the subject explains, with the introduction of the SMT and BIDCo;

..it looked as though the City might be on the brink of a new era in the finance of British industry. In the event these agencies proved not to be the engines of rationalisation through a great array of industries; their principle task was rather to oversee the unwinding of commitments into which the Bank had ventured, or into which it was about to be driven by political pressures. There were many appeals for help, much advice was given, and much education of industrialists was attempted by a paternalistic Bank, but little emerged in the way of firm schemes of substance.<sup>274</sup>

The vasculations of finance capital were matched by those of the National Government. The National Government administered just enough social welfare to maintain the divide between employed and unemployed and manipulate/foster the growing bureaucratisation of trade unions.

This stalemate became a fixture of the 1930s and to contemporaries involved at State level, it was to prove to be a fixture for many decades to come ( Howson 1977; Clarke, 1990). With the benefit of hindsight the period has been analysed uncritically as that 'period of transition' towards the new enlightenment of Keynesianism, guided by the moral suasion of the 'New Jerusalemers', post 1940. To historians enjoying the vantage of such hindsight, the transitory appearance (if not the nature) of the epoch may be clearly discerned. However for many of those actually embroiled in the class struggle of the 1930s, a long term stagnation of social relations and forces of production in order to arrest capitalisms decline seemed the only real option. Of course we now know that within a matter of years, during the early part of the 1940s, there occurred a dramatic vault face.



Capitalism eventually committing itself to full employment; Keynesian fiscal planning; Labourite physical planning; and a social welfare network.

This about turn of capital is perhaps, never more starkly revealed than in Beveridge's philosophical reversal concerning social welfare reform. In 1909 Beveridge<sup>275</sup> the Liberal deemed with 'inventing' the social welfare state, was adamant that, although unemployment was a mounting problem which capitalists denied the existence of only at their peril, it was still in large part a natural function of the market system that one could, therefore, do little to remedy beyond some *minimal* State social insurance provision which should never transgress the laws of the labour market. As William & Williams (1987) point out, in this period, and for much of the 1920s and 30s, Beveridge held to a classical commodity view of labour power; ie, it was either being valorised and/or held in 'stock' as a 'reserve army'. The only problem Beveridge was willing to publically recognise, lay in the fact that the forces of supply and demand in the labour market were more often than not in need of stimulation - if it was to keep the 'reserve' at a minimum:

In the Marxist concept of the 'reserve army of labour', the reserve was seen as a necessary and irremediable feature of capitalism. In Beveridge's concept of the 'reserve army' it was argued that the size of the reserve could be very much reduced to an 'irreducible minimum' through improvements in industrial organisation.<sup>276</sup>

To facilitate better industrial organisation, Beveridge envisaged the wide dispersal of 'labour exchanges'. Their systematic use by capital and labour

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<sup>275</sup> See his *Unemployment A Problem of Industry*,

<sup>276</sup> Karel Williams & John Williams (1987), *A Beveridge Reader*, p104, Allen & Unwin.

would, apparently, cut down frictional unemployment and allow supply and demand in the 'labour market' adjust more efficiently. Alongside this, limited insurance benefit would be administered.

However by 1943, as the introduction of the Social Insurance Act bears witness, there had been a transformation in Beveridge's conceptualisation of employment and welfare, which reflected the changing attitudes of *his class* towards Labourism. For example, in Beveridge's work, *Full Employment in a Free Society* (1944), the decommmodification of labour supply, given the statute of law in the 1943 Act, was bolstered by the belief that the social need to be employed should take precedent over profitability. Definite confirmation, if any were needed that the coming 'post war settlement' was to be founded upon a realignment between use and exchange value.

As Beveridge, the new convert to Labourism, explains, society must guarantee that demand for labour is always greater than supply, due to the fact that:

A person who has difficulty in buying the labour that he wants suffers inconvenience or reduction in profits. (Whereas) a person who cannot sell his labour is in effect told that he is of no use. The first causes annoyance or loss. The other is a *personal catastrophe*.<sup>277</sup>

So the expansion of capital takes secondary place to the right to work; anything less is nothing short of a *personal catastrophe*. What was before seen as an iron law of nature, now becomes a social misdemeanour capitalism is now willing to reform out of existence. But why this sudden transformation? The reason for

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<sup>277</sup> W. Beveridge (1944), *Full Employment in a Free Society*, p18-19 (bracketed word and words emphasised are mine).

the vault-face must be a profound one, because alongside this commitment to labour, the sanctity of money capital was to be sacrificed on the alter of demand management, state intervention and a commitment to full employment. As Beveridge again explains, three rules of national finance were to be recognised and inscribed in the new settlement:

The first rule is that total outlay at all times must be sufficient for full employment. *This is a categorical imperative taking precedence over all other rules, and overriding them if they are in conflict with it.* The second rule is that...outlay should be directed by regard to *social* priorities. The third rule is that, subject to the first and second rule, it is better to provide the means of outlay by taxing not borrowing.<sup>278</sup>

For Beveridge, then, *the* important issues were full employment and social welfare. Profitability, markets and balanced budgets were very much secondary considerations. As Beveridge goes on to stress, the third criteria (balanced budgets) 'is of an altogether minor order of importance'. In fact the 'transition period' after the war required Governments to plan a national debt for the foreseeable future - at least 'twenty years', to ensure provision of education, health..etc. Beveridge's procrastinations on social welfarism reflected impulses from the same phenomenal force from which came the simultaneous acceptance after 1940 of Keynesian orthodoxy and (within the site of valorisation) industrial welfarism; namely, a willingness to realign use and exchange value in favour of the former.

So why the dramatic about turn? Put more precisely concretely, what conditions or guarantees had been met regarding the containment and political atomisation

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<sup>278</sup> W. Beveridge (1944), *ibid*, p147 (my emphasis).

of the working class? For clearly such a transformation would not have taken place unless finance capitalists were convinced that a viable form of containment had been established. As argued in the introduction to this present chapter, such an about turn, especially the extent and deepness of it, cannot be answered solely by the spirit of the so called 'New Jerusalem', which had swept over a Nation embroiled in imperialist world war. Up until this point it had been intimated that *the* vital key to the transformation, was the forging of a *political hegemony* around the ideology of 'planning' by Labourist forces.

The ideological and practical effects of Stalinism in controlling the working class, was fundamental in shaping a Labourist political hegemony. A hegemony which gained the acceptance (if grudgingly and fleetingly) by finance capital. In conjunction with the fiscal instruments of Keynesianism, which allowed finance capital to direct *national money* in the interests of self preservation (see above), the practical and ideological influence of Stalinism proved to be potent, if ultimately contradictory, as the all important additional method of control over labour. Taken together, Keynesianism and Stalinism allowed the realignment between exchange and use value, so vital to renewed accumulation (see above), to occur without too great a fear of re-politicising labour. The battle for a Labourist political hegemony to initiate the planning of capital's decline, raged throughout the late 1920s and 30s. The political battle intertwined with the *tendencies* of Labourism outlined here: accelerating them and/or retarding their development as the balance of class forces changed. The key issue around which hegemonic battle manifested became, as mentioned, the problem of 'planning' declining capitalism. To this end the problem of the *logic* of 'planning' per-se initially takes central place in the thoughts of capitalists. This is soon followed by the problem of an appropriate *ideology* to endorse 'planning' and contain the classes (primarily labour). To this end first the strategy of Fascism was pursued and then eventually rejected, before Stalinism became

accepted as the natural gelling agent for a fragmenting capitalist system in need of regeneration.

Taken as a whole, therefore, (and this point will form the basis of the next section) the eventual post war compromise which actualised the tendencies of Labourism into a system of containment of labour, is predicated upon the existence of Stalinism. In this respect the post war settlement is in no *way shape or form* evidence of the *advancement* of the working class. Rather it is settled firmly on the basis constructed out of the *political defeat* of the working class. A culmination of the defeat, not just of the 1926 General Strike, but, more fundamentally, the defeat inflicted by the degeneration of the Russian revolution which had occurred so rapidly after October 1917. It was also predicated on the failure of other European revolutionary movements which followed in the wake of the Bolshevik Revolution. Stalinism was the price of that failure, to be paid for in full by the global working class. The form that this 'payback' took in Britain, it will be argued below, was capital's search to secure a political hegemony around the issue of 'planning'.

### ***6.6 Planning for Labourism: The Role Of Fascism and Stalinism***

The realisation of systemic Labourism is crucially dependent on a viable ideology of 'planning' the decline in the law of value. Specifically, 'planning' had to be politically contextualised in such a way as to ensure that little democratic rights in, or over, production would/could trickle down to the working class. It is the contradiction surrounding the movement towards planning declining capitalism *without* it being a simultaneous movement towards socialist planning - which informs the character of movement and debate within capital. It also

forms the basis for the growing acceptance of Stalinist planning ideology and the ultimate failure/rejection of Fascist/Corporatist planning ideology. The fall from gold *and* the role Stalinism played in depoliticising planning, became the fulcrum around which the other dimensions of Labourism *actualised* (eg, decommodification of labour supply, management versus labour relations, the management of national money). The drift from a universal equivalent and the institutions of Stalinism, together, not only allowed the decommodification of labour, but also labour's bureaucratic atomisation; and not only the decommodification of money capital, but also its bureaucratic regulation. These acts of decommodification set the basis of the Labourist era.

Finance capital had a choice between two broadly based movements towards 'planning', each reflecting the preferences of right and left wing elements of labourism: one driven by Fascism; the other by Stalinism respectively. As both these social phenomena have an intimate connection - to crush labour collectivities and atomise working class forces - there were inevitably movements of individuals and groups of right and left wing Labourists who moved from one of these modes of worker oppression and exploitation to the other. Indeed this was certainly the case in so far as a conversion from Fascism to the endorsements (if indirect) of 'socialist planning' was concerned. For example, an influential minority in the Tory Party during the 1930's, which included Harold MacMillan, John Buchan and Oliver Stanley amongst others, were favourably disposed to the Fascist extra-parliamentary alternative advocated by Mosley. The lack of faith in Fascism lead to their sudden conversion to Keynesianism and a detectable softening towards the notion of 'socialist planning', as endorsed by the middle ground of the Labour Party. It was a planning which increasingly bore the hallmarks of Stalinism. Likewise, Bevan and Strachey amongst others in the Labour Party ranks, endorsed the essence of

Mosley's Nationalist/Commonwealth economic programme. whilst giving it that vital 'socialist' twist to aid proletarian consumption.<sup>279</sup>

Nevertheless, despite this cross fertilisation, and the essential unity of Fascism and Stalinism over the issue of controlling labour, there remained distinct solutions and ideological banners around which right wing Labourists and left wing Labourists could rally (below I address firstly, how the right wing (namely Liberals and Tories) grappled with the problem of planning and why the Fascist alternative failed. After which analysis shifts to how and why Stalinism provided the basis for left Labourism's eventual political hegemonic victory).

### ***6.7 Right Wing Labourism & The Problem of Planning***

The first substantial initiative in the planning movement was The Liberal reformist document - *The Yellow Book* (1928). The political programme contained in the book was the outcome of long debate between a cross sections of liberal reformists from Keynes, to Lloyd George. In the classless language of the reformist liberal, the choice confronting a declining capitalism was no longer simply reducible to the choice between 'Individualism' and 'Socialism' (ie labour versus capitalism). In the 'modern age', the argument ran, this represented a distorted, and indeed an obsolete, image of the issue, based on a picture of the financial and industrial world of England as it was fifty or more years ago. For the Liberals 'Change has been going on at a great rate...it is only the ideas of the Conservatives and Socialists which remain where they where'. According to

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<sup>279</sup> See, for example, R. Skidelsky's account of the intermingling of support between Tory, Labour and Liberal politicians and spokesmen for Mosely's political and economic programme; *Oswald Mosely*, (1975), p221-262, Papermac. Essentially it was the same programme before and after Mosley entered the political fray publicly as a Fascist with his creation - the British Union of Fascists.

Liberal (wishfull) thinking, class struggle between capital and labour *had* brought society to a state of stagnation, but was *no longer* the central issue. Class warfare was now a thing of the past. A new task lay before society; 'one of guiding existing tendencies into (the) right direction and getting the best of all worlds, harmonising individual liberty with the general good, and personal initiative with a common plan'.<sup>280</sup>

In class parlance, the Liberal reformers felt themselves to be free from the fear of a politically organised working class. Also their political acumen had been sharpened by the battle Labourist forces, of which they were a part, had had to wage with finance capital over the gold standard and economic orthodoxy throughout the 1920s. Finally, they sensed a political vacuum within the stagnant capitalist social relations of Britain. They were swept along by the full force of the air of legitimacy fast gaining ground for a re-alignment of class forces that the breakdown of commodity relations brought forth. The boldness of the 'common plan', which they set out in the *Yellow Book*, expressed the full force of a Labourist containment strategy over labour *and* capital, and reflected a new found confidence that capitalism was ripe for change.

This right wing 'blue print' sought to remove many of the shackles exchange value had exerted over the provision of use values and need. The bureaucratic regulation of exchange value was to be the basis of their rule over society. Proposals were made concerning market regulation. The essence of which was to implement the rule of the plan over the rule of value relations in the interests of preserving the overall rule of capital. The Liberal gambit was large, addressing every sphere of society. for example, with respect to the organisation of the large joint stock companies, which dominated surplus value extraction in Britain, these were to be subject to greater public regulation, a wide

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<sup>280</sup> *Britains Industrial Future*, the *Yellow Book*, (1928), p63.



ranging public scrutiny of their auditing and accounting procedures, and rigorous control of their monopoly practices. This was a direct assault on the dominance of finance capital on two counts. Firstly, the control they exerted *within* the large productive capital (their stringent control auditing via financial management) would be undermined. Secondly, the control finance capital exerted *outside* the productive capital, within the City, for example, would be seriously undermined, mainly because control of monopoly practices meant blocking high price/low quantity strategies and the culture of short termism with regard to investment. To compound this attack on finance capital direct control of capital markets were envisaged. Specifically, investment was to be orchestrated by state sponsored public bodies which would have the power to issue bonds and take control of finance capital expenditure deemed to be of 'national importance'. Finally, a rationalisation programme to dispel the problems of over-capacity, over-production and lack of mass production technique, would be effected.

In total these measures, if enacted, would deal a serious blow to finance capital. The Liberals had not of course forgotten the main agenda of the day: controlling the working class. Therefore, in the field of 'industrial relations', a new worker management compromise and the creation of institutional structures appropriate to the compromise, was deemed absolutely vital in order to suppress any occurrence of the massive waves of discontent that had been common practice during the 1920s. To this end the extension of the *Whitley Committees* and *Trade Boards*, which had lain dormant since 1919, were to be revamped in order to oversee the regulation of the 'wage contract'. These institutions were to be buttressed by compulsory *Works Councils* at the point of valorisation, and a *Council of Industry* at the national level, answerable to a more powerful *Ministry of Labour* and, ultimately, Parliament. This institutional network was to serve as an effective bureaucratic atomisation of labour, suppressing any collective threat from workers. Worker *compliance* with the new rules of

valorisation, on the other hand, was to be encouraged by securing a larger share from the potential spoils born of the intensification of their own exploitation. A share in surplus value (profit sharing schemes) was to be developed in conjunction with a commitment that labour power would not systematically fall below its value (the guarantee of fixed floor wage rates).

As for the problem of unemployment, this was to be drastically reduced through the implementation of a massive public expenditure campaign on road and housing construction; in combination with a public reorganisation and partial nationalisation of areas of the economy such as the mines. All of this was to be orchestrated by a *Committee of National Development*. Finally, there was to be the provision of more substantial pensions and social insurance arrangements. The latter was an important element in decommodifying workers and recollectivising them on the basis of abstract collective 'consumer groups'. All in all, then, the Liberal programme represented the first systematic political expression of the new realignment of use and exchange value, amidst the breakdown of the commodity form of production and exchange.

Right wing Labourists within the Tory ranks were never far behind this lead given to bolster ailing capitalism and so join the ranks of an ascending hegemonic bloc to contain labour and finance capital. The Conservative document *Industry and the State* which appeared in 1927, penned by Harold MacMillan and Robert Boothby et al, was yet another outline of a strategy which strove to contain finance capital and labour. Their stated task, as with the Liberals, was to 'plead for a middle course between socialism and laissez-faire in an attempt to define a 'national interest' <sup>281</sup>

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<sup>281</sup> Booth & Pack, (1985), op-cit, p56. Skidelsky (1975), op-cit, p224.

Tory Labourists, had ideas essentially similar to the Liberals: to effect an orderly retreat of the weakening rule of value relations and take control of use value and need provision. The one major difference was that unlike Liberals they were more concerned with colluding with the requirements of finance capital. In this respect the right wing Labourist, closer to the hegemonic power of finance capital, had a more circumspect and cautious attitude to the realignment of use and exchange value. As a result the Tory faction were compelled to initially plot a course wherein *equal ontological status* was to be given to use and exchange value motives of production. Effectively, their early commitment to 'balancing the budget' determined that massive public investment schemes were out of the question.

Because the use of the public sector to stimulate accumulation was deemed to be out of the question, Tory Labourists were more explicit in their adoption of the ideology of 'industrial self management' to achieve the same goal. It was of course made clear that 'self-management' was to be restricted to 'capitalist self management' and, therefore, to the right of leading capitalists in each industry to fix cartel arrangements, liquidate inefficient plants, rationalise commodity production and administer the rate of output and prices to be charged. In effect it was a kind of capitalist version of guild socialism. Booth & Pack comment that the 'progressive Conservative opinion had great faith in the ability of business men to conduct their own affairs and, by extension, the industrial life of the whole nation'.<sup>282</sup>

Why the Conservatives should have this apparent confidence in business, when clearly the reason for their document in the first place was to arrest the degeneration wrought by business, is passed over in silence by Booth and Pack. In the context of the argument here, however, it is little wonder that 'industrial

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<sup>282</sup> Booth & Pack, (1985), op-cit, p57.

self management' of this kind should gain voice in the Tory ranks. Not least because it fitted in very well with the parasitic manoeuvrings of finance capital within industry. The ideology of self-management could be used as a smoke screen beyond which the very real process of monopoly price fixing, asset stripping and under investment, could continue unabridged. Indeed, during this period, in the environment created by the Bank of England's failed 'rationalisation' programme and supposed forging of greater relations between 'finance and industry',<sup>283</sup> finance capital was able to do just this.

Macmillan personifies the attempt by Tory Labourists to persuade finance capital of right wing Labourists ability to administer the decline of capitalism in Britain successfully. He was favourably disposed to the views of Keynes ( a member of the Liberal Summer School which produced the *Liberal Yellow Book*). He was also prime orchestrator of Tory reform movements heading in the direction of the Labourist settlement. The onset of the economic slump in 1929 and the eventual fall from gold in 1931, propelled the issue of planning to centre stage. With the substantive ground of capital set adrift, rapid movements in the political sphere pulled the right wing of Labourism (mostly Tories) towards the Corporatism of Mosley and weakened their commitment to Parliamentary democracy. Thus there was a movement away from the orbit of finance capital as reflected in the 'Treasury view' (sound money, free markets and balanced budgets) Macmillan, for example, was heavily influenced by Mosley's Fascist doctrine, which emphasised the establishment of economic and political planning institutions *outwith* Parliament to oversee a reorientation of industry towards the home market and the Commonwealth and away from other foreign trade (Booth & Pack, 1986). On the other hand, and this is why he is such a good personification of the transitionary and pragmatic nature of the era, he draws back from Mosley's emphasis on underconsumption as the major reason for

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<sup>283</sup> See the MacMillan Report., 1931. See also S Tolliday in Elbaum and Lazonick (1986), op-cit.

stagnation. The re-distributive implications for his class meant that such an endorsement would isolate him from any influence upon 'Treasury orthodoxy'. No doubt with an eye to orthodoxy, Macmillan was careful to stress that over production was the problem to be solved, hence rationalisation, output restriction and price fixing was to be the remedy, not redistribution of surplus value. A conclusion which finance capital would be happy to endorse.

During the early to mid 1930s, with the recognition that the demise of the universal equivalent was to be a permanent fixture, the 'planners' of the Labourist movement became ever more forceful. The view that the stagnation of capitalism was more than a temporary aberration and in fact signalled the need for a 'transition' towards another mode of 'economic regulation', became an ever more common sentiment amongst Labourists. Harold Macmillan expresses the general sentiments of the right wing Labourist faction. In 1933 he came to this conclusion:

If we can assume that Britain will escape the catastrophe of war or civil disturbance, then it is probable that when the history of the present period comes to be written, it will be seen as a hiatus between the old economic system and the new. It is a period which cannot yet be dignified by the name transition. For to visualise a transition it is necessary to see more or less clearly both the beginning and the end of the process. The history of events has made us familiar with the framework of the system which we are leaving behind. Unfortunately there is no such clarity about our destination....The great need of the moment is not only for a policy of action to deal with a pressing situation, but for a new theory of social and economic organisation which will

facilitate the evolution towards a new economic system  
suitable to change the circumstances of the modern world.<sup>284</sup>

Breaking this down into class language, the anxiety of the capitalist class is clear. Firstly, one notes how internal civil disorder (against capital) is viewed of equal importance to the catastrophe of world war. Macmillan puts the matter bluntly for capitalism: if capitalism cannot arrest its decay by securing some other means of control over labour (in 'political speak', 'a new theory of social and economic organisation'), then civil unrest will result. As Macmillan later warns, 'Revolutionary movements can only grow with the development of a revolutionary situation'. As yet, he argued, this did not exist, due to the 'buffers which have wisely been created between the worker and destitution' (the tendency towards systemic Labourism). As MacMillan was at pains to point out, however, unless capitalism in Britain could overcome its short sighted pragmatism and evolve towards a new system, a revolution might well have to be faced.

Macmillan, although he misses the essence of the problem, is well aware of its presence and at least proffers a tentative solution. In this he is representative of productive capital rather than finance capital, who betray a greater recognition of the essence of the problem and so are very reluctant to endorse interventions of any kind. MacMillan, amplifying the interests of productive capitalists' need to generate surplus value, exemplifies the central tenets of their argument. The free market system had past its sell by date: the productive powers it had unleashed had eventually lead to world over production and national rivalry based on tariffs quotas and subsidies. These factors had set in motion a world deflationary trend, which in turn had forced capitalists to attack the working classes of the

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<sup>284</sup>H. MacMillan (1931), *Reconstruction: A Plea For National Policy*, p1.

industrialised nations. The inability (especially pronounced in Britain) to successfully reduce labour costs and assert control over labour, had lead capital's disengagement with labour and subsequently, falling investment, unemployment and output - in a word, stagnation. The 'solution', echoed faithfully by MacMillan, was a transition to a 'planned economy', and **not** yet more doses of the same poison - 'free market'.

In this respect the 1932 World Economic Conference - arranged expressly to rehabilitate a 'free market system' around a new world universal equivalent - as far as MacMillan was concerned, simply ignored the essential problem and dealt only with the effects. The conference was positive, argued MacMillan, in only one thing: its clear demonstration of the impossibility of 'putting back the clock'. MacMillan might well have been addressing the finance capitalist operating out of the major boardrooms of industry and finance and determining the bulk of policy adopted in the Treasury-Bank of England-City nexus, when proclaiming;

The conference is now ended. It has failed in its purpose.

And it is vitally necessary that the failure should be recognised and proclaimed. For while there remains a lingering hope that everything will come right of its own accord, or any basis for the belief that a return to the old system is possible, as a result of the passing of resolutions or the signing of conventions, no definite, determined and realistic plan of action will be adopted....(p 11, *ibid*)

.....The reply which must be made to those who dream of a return to the old days and rebel against any suggestion of organisation - of control... is simply that the world has changed, and that such a return is technically, politically and economically impossible (p16, *ibid*).

Macmillan, appeared to be informing finance capitalists, in no uncertain terms, that there was no international escape clause and no way of putting off, for very much longer, a realignment of classes in Britain. As far as Macmillan was concerned, tariff reductions, price policies and debt modifications, were merely policies which dealt with the *effects* of a *deeper malaise* which could only be resolved by a concerted movement towards 'economic and social planning' on a national scale. The failure of the World Economic Conference simply confirmed that the abolishment of a substantive ground for a universal equivalent form of abstract labour in September 1931 was no short term flash in the pan, but rather the beginning of a new epoch. A new epoch in the sense that the real decline of commodity fetishism and the subsequent emergence of Labourist tendencies of control, which began in the late nineteenth century, now received, with the movement away from gold, their *substantive* confirmation. For in essence, as has been emphasised above, Labourism's substantive ground can only come into being by abolishing capital's substantive ground. It is only then that a new alignment of use and exchange value can be attempted. It is this new alignment which is at the heart of Macmillan's and his supporters urge to 'plan' the capitalist system.

Planning, for the Tory Labourist required 'central direction' capable of determining the supply needed to satisfy an aggregate demand. The method of achieving this was in essence, if not form, very similar to the undemocratic mode of administration known as 'planning' in the Soviet Union. This is hardly a surprise, as the goal is the same: bureaucratic control of use values and social needs. MacMillan explains,

The method of achieving it (the 'plan') over the whole range of the commodities is through the integration of industry



and the intelligent (read - non-working class) direction of production by a central authority for each industry guaranteed against redundancy, duplication and disorderly competition by the grant of monopoly powers in return for the acceptance of certain social responsibilities. (p24).

One should not preoccupy ourselves with the idea that this was a blue print for 'capitalist syndicalism'. Clearly, for the centralised authorities in each industry to maintain and regulate the flow of capital, labour and materials, would require that they in turn form a central authority at the level of the State. In fundamentals they were at one with left Labourists on this issue. The difference between the two was one of form not content. Left Labourism, drawing more heavily on Stalinist ideological forms, the right drawing more on Fascist ideology. The content however, was the same: top down bureaucratic control over labour power, production, distribution and exchange. The main problem was that both Stalinism and Fascism were, initially, repugnant to finance capital. Both forms of control over labour would necessitate not only serious restriction on the circulation of money capital, but would take the corruption of money capital too far. As argued earlier however, conditions were not of finance capital's choosing. They may have been repulsed by ideologies of 'planning', but in practice they knew that some form of it **must** come into being.

Initially they sided with the right wing of Labourism. Its emphasis on *over production* as opposed to *underconsumption*, and the subsequent need for 'rationalisation' were acceptable to financial interests. Mainly because they offered the type of accumulation with the most potential benefits: stable profits *and* a slump to contain the threat of labour. In so far as this was emphasised by right wing Labourism, finance capitalists were naturally drawn to their solution. However, as a long term solution it had no credit without a supporting ideology.

Fascism could, perhaps, have provided the *political hegemony* for this long term solution, yet its *political economy* rested upon economic regeneration and an emphasis on the problem of underconsumption, which, if acted upon, would lead to more redistribution of surplus value than was safe to be granted.

Hence the situation became compromised; right Labourists had a workable *political economy*, but no *political hegemonic* ideology, through which it could placate left Labourism (who had to sell the political economy to the working class). Fascism, on the other hand, could provide a potential *political hegemonic* ideology. However one problem was that Fascism was irrevocably tied to a political economy of large scale long term reinvestment, linked to a radical *redistribution of surplus value*. A series of links finance capital was very reluctant to consider. There was another more fundamental reason why finance capital had to reject Fascist ideology: the British labour movement was still strong enough not to submit to it, while the middle class, possibly due to this fact, was too weakly organised to foster Fascism's growth. Therefore, while the rights political economy could be grudgingly accepted by the ruling class of Britain, its flirtation with Fascism could not. Under the banner of Fascism a political economy of planning capitalism set left Labourism against the system and possibly lead to the reinvigoration of the working class. Finance capital in its rejection of Fascism gave the clearest of indications that Fascism *would not* contain the working class movement in Britain, but *would* prove highly restrictive to the movement of capital. Fascism, then, was no solution, it was simply a *double bind*. The reality of the period was that if finance capital was to be contained of necessity to ensure long term survival, then Labourism must guarantee control of the working class. Fascism could never achieve this in Britain and so finance capital remained aloof from it during the 1930s.

This is the one important reason why Mosley and his co-partners attracted only the fringes of the finance capitalist class and had to be content with a ground swell of lower middle class and lumpen proletarian support . As Benewick declared, the British Union of Fascist (BUF) ' presence was marginal to the mainstream of British politics'<sup>285</sup>.

Fascism was virtually ignored by the organised labour movement and received only very weak endorsement amongst its more traditional supporters in the ranks of the middle class. Most of the little support it was able to muster, came from the lower middle class, clerical workers, shop keepers, small traders..etc.<sup>286</sup> Membership peaked at around 50,000 in 1934 and plummeted to 5,000 a year later, before making a slight recovery in 1936-7 to around 16,000. Electorally it was a complete failure (ibid, p234). The BUF received no financial support from the ruling class. It had to be content with internal subscriptions such as they were, and donations from William Morris the industrialist and Mussolini.<sup>287</sup> The fact that the Mosleyites had latched on to Hobson's theory of underconsumptionism sealed Fascisms fate on British soil, so far as an alliance with finance capital was concerned. As mentioned, from underconsumptionism spring the politics of redistributing ruling class profits to workers and the nationalisation of 'sacred' financial institutions. Fascism also meant the movement away from British Parliamentary democracy, the very capitalist institution which had, for more than two centuries, served to enshrine the Treasury-Bank of England-City nexus of financial capital control ever more deeply into the social fabric. For paramount reasons such as these, Fascists proved incapable of securing the faith of finance capital.

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<sup>285</sup> R. Benewick, *Direct Action And Democratic Politics*, in Benewick & Smith (edt) (1972), p51. Also A. Thorpe (1992), *Britain in the 1930s*, p50-58.

<sup>286</sup>J. Stevenson & C. Cook (1994, 2nd edt), *Britain in the Depression*, p236-7, Longman.

<sup>287</sup>J. Stevenson & C Cook, ibid, p217-240; also see Skidelsky, (1975), op-cit.

The national Governments success in holding together for a decade, is testimony, amongst other things, to the centrist position finance capital had been forced to adopt as it manoeuvred from one faction of Labourism to another. This fact also has some bearing as to why Fascism did not gain ground in Britain. The National Government, for its survival, had to act as a constraining conservative force on the polarisation and eventual splintering of the main political Party's during this era of transition. The main effect of such a conservative force was to reinforce traditional voting patterns and alliances amongst workers and the middle class. The result was that 'The National Government provided a bulwark for (the middle class) against communism and in doing so condemned the BUF to a relatively minor role' (Stevenson & Cook, op-cit, p238-239).

Right wing Labourists who had flirted with Fascism had to move fast in distancing themselves from it. Macmillan's credentials as the personification of right wing Labourism are further enhanced when one notes how rapid his response was in distancing himself and Tory/Liberal reformers from the Mosley faction. The Mosley phenomenon had alienated both finance capital *and* left elements of Labourism whom the right were attempting to co-opt. Macmillan's movement away from Fascist influence, was very much guided by the need to offer something for both finance capital *and* left Labourism. In this respect Macmillan's 1935 document - *The Middle Way* - was a significant breakthrough in the goal to unite both Labourist factions and finance capitalists in pursuit of a long term solution to capitalist decline.

In the *Middle Way* MacMillan stresses a recommitment to Parliament as a sovereign dictator of any future advance towards Labourism. Such a commitment was a positive move so far as the interests of finance capital were concerned. Parliament was a crucial linchpin in securing finance capitalist hegemony. Through it, finance capital enhanced its control over fiscal and

monetary policy. It also acted as the forum through which the overall direction and scope of a Labourist system could be developed and controlled. The reconversion to the sovereignty of Parliament made MacMillan's subsequent volte face on the subject of *the* economic problem - conversion from over production to underconsumption - easier for finance capital to accept. The acceptability of the underconsumption argument was further enhanced, when right wing Labourism rejected Hobson's version of underconsumptionist problems and accepted Keynes's version of the underconsumption doctrine. It was a version characteristically weak on *physical* planning and strong on *fiscal* planning solutions. The emphasis on fiscal planning was, to recap, more favourable because it could provide finance capital with the tools to control the economy and weaken any resolve to over embellish any controls on the flow of capital.

The ground for compromise, then, appeared to be solidifying. Simultaneously the acceptance of underconsumptionism, and therefore the need for capital investment, was effective in building a bridge with left Labourism; particularly the group revolving around Atlee, Durbin and Gaitskill. Nevertheless, despite the progress made towards creating a *political economy* around which finance capital and left Labourites could unite, the essential problem - the lack of a political ideology to cement it - still remained. So long as this problem remained, it would block any re-accumulation strategy from developing. Devoid of the necessary political ideology, finance capital could see only the advance of the working class and the degeneration of the law of value. A degeneration it may, or may not, have been able to control using Keynesianism. Therefore, despite its potential for allowing some form of control of use value and needs, through money forms of control, right wing Labourism's *middle way*, failed to gain full acceptance. Any middle way under the given conditions was treated with much suspicion, by those within the inner circle of finance

capitalists, who held court within the Bank of England, the Treasury and the City (Booth & Pack, 1985). Something was missing for finance capital and that 'something' was a guarantee that the working class would remain depoliticised under the rubric of 'planning'. Left Labourism provided such a guarantee via its insidious relationship with Stalinism.

### 6.8 *The Role of Left Labourism*

While the battle from the right wing of Labourism was slowly gaining ground, left wing Labourism was pushing its own brand of 'planning': one which had more than an echo of 'state socialism from above'. For inspiration it drew heavily upon Stalinism in the Soviet Union. Of course left wing Labourism, represented organisationally by the Labour Party and TUC, were never slow to castigate the USSR for its blatant repression. For example, the TUC under the leadership of Walter Citrine and Ernest Bevin were particularly vitriolic in their denunciations of the Stalinist systems *excesses* during the purges (Jones 1984). The Labour Party for its part, adamantly refused affiliation rights to the CPGB (Evan Durbin, 1985; Mark Jenkins, 1979). Nevertheless, as many have indicated,<sup>288</sup> one cannot equate the Labour Party's and the TUC's denunciation of communists operating in Britain and *specific practices* of Stalinism in the Soviet Union with *rejection* carte blanche of *all things* Stalinist. Nothing in point of fact could be *further* from the truth. Stalinism was an inspiration to left Labourites throughout the 1930s. In fact if one thing united a disparate official Labour movement in the 1930s it was an adherence and commitment to defend what Earnest Bevin called, despite his earlier reservations, 'that superhuman

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<sup>288</sup> For example, B. Jones (1977).

effort to rebuild a state on socialist lines'<sup>289</sup> which Stalinism supposedly represented.

By any criteria of measurement, the Communist Party of Great Britain (CPGB) remained on the periphery of political power, in fact the organisation was almost as isolated as the Fascist Party. In what way, then, can it be argued that Stalinist influence was *the* vital factor in Labourism's rise to political power after 1940? Putting the question another way; on what basis does the influence of Stalinism rest? The argument below suggests that the resting point was so deeply embedded that even the Stalin-Hitler Pact could do little fundamental to disturb it. Stalinism's often implicit, but, nevertheless, all pervading influence, originates from two sources, which the left of Labourism (and eventually the right) found irresistible. Firstly, Stalinism had rejected (reluctantly) the law of value (and so markets) as controller of labour and regulator of production. Secondly, Stalinism was living proof of the ability to maintain control over labour, whilst projecting an image of socialist progress through notions of a common 'plan'.

It is this **promise** of Stalinism that gave hope to the belief that a realignment of use and exchange value in the context of a declining capitalism, could be successfully implemented. Labourism, particularly its left wing, with their traditional gloss of democratic socialism from 'above', was intimately related with Stalinist ideology and practice. Despite denunciations of Stalin, the Soviet Union and the CPGB, which on occasion may or may not have been principled, the rational core of Stalinism became a natural ally to left Labourism. It was an ally in the Labourist quest to rule the labour movement on the basis of the bureaucratic regulation of use value and need in the public sector; and, simultaneously, an ally in bolstering the rule of capital in the ailing value creating sector, via state subsidies and regulation.

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<sup>289</sup> A. Bullock, ( ), *The Life and Times of Ernest Bevin*, p507.

Most of the denunciation directed at Stalinism was centred on the systematically overt use of repression. The repression was absolutely necessary to the Soviet system, aiding and abetting its political economy of atomisation of the working class in an attempt to control the surplus product in the interests of the continued rule of an elite. As Ticktin reveals, atomisation exudes from the core of the Soviet system. The elimination of the law of value with the dissolution of the NEP, without at the same time evolving democratic institutions, meant the system lacked any *organic* social link between individuals: it had no effective mode of production. However, this omission becomes the essence of its rule over labour, due to the fact that all units in this bureaucratised 'community' - individuals, enterprises, regional planning agencies - become isolated by the requirements of their own self preservation. The negative disruptive effect on the division of labour and production, however, also enforced a direct dependency on individuals. This contradiction between essential atomisation, but the need for community which can only be given expression through direct dependency, becomes the basis on which the laws of motion of the soviet system evolve. The ruling elite who live off the surplus, attempted to control the contradiction set in motion by the above and thus maintain their privileges. The KGB enforced and consolidated the rule of the elite through terror and repression. The political atomisation which followed prevented challenges to the system. It also added to the contradictions of the system, in the sense that the more atomisation occurred, the deeper the fragmentation of the division of labour, production and distribution became. Although able to control political revolts, in effect the system did not control the economy and labour power, so much as rest upon its fault lines. The end result was a system out of control with a growing divide between *actual* use values produced and consumed and *potential* use values (Ticktin, *ibid*, p130-164).<sup>290</sup>

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<sup>290</sup> See H. Ticktin (1992), *Origins of the Crisis in the USSR*, particularly p130-164, Sharpe.



Labourism did not require anywhere near the level of repression meted out in the USSR to control the working class of Britain - which, crucially, is one reason why left Labourism could be quite free with its condemnation of the USSR on this issue. Repression of the Soviet order was not required because, although weak, the commodity fetishism of the market place was still adequate enough, to control labour, if *supplemented* by bureaucratic atomisation. Labourism, then, is not entranced by Stalinism in total, but only certain essential elements of its 'rational core'. Of primary interest surrounds the legitimacy the Soviet political economy granted, by its very existence, to the project of bureaucratically controlling use values and need and selling this to the working class as 'socialism in one country'. Left Labourism was so much under the sway of Stalinism over this issue, that those who would critique the waste and destruction wrought by the sham of 'planning' in the USSR, and bemoan 'too much' the misery of the oppressive conditions, were almost completely ignored by the left in Britain.<sup>291</sup> Political requirements compelled the left to accept the official figures of 'growth and efficiency' at face value, as 'proof' of the success of 'socialist planning in one country'.<sup>292</sup>

Despite the overall explicit and implicit attraction towards the USSR, left Labourism was, it is important to stress, unevenly balanced in the depth of its commitment to promoting a hybrid of Stalinism on British capital's soil. The unevenness originated from *formal* differences between factions within left Labourism over the lessons to be drawn and direction to be taken concerning the

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<sup>291</sup> For example, Rakovsky, as early as the first year of the first five year plan, produced a devastating indictment of so called 'planning'. The undemocratic administration from above had produced chaos not order in the economy. Quantitative figures of growth, he argued, were an illusion behind which the qualitative waste and destruction of human productive potential masqueraded. I refer the reader to his article produced in full in *Critique* 13.

<sup>292</sup> Political expediency meant they were more likely to take at face value the heroic reports of 'planning successes' meted out by the likes of Voznesensky (leading economist within the bureaucracy), who in 1941 could inform the world that 'The Soviet Union had increased the output of 'socialist' industry by 430%', between 1929-40 (cited in A. Rothstein (1943), *The USSR Speaks For Itself*, p22).

relationship between 'planning' and the market. The left can be divided very broadly along two (ultimately parallel) political tracks. Along the first track ran a belief that planning and the market should *compliment* each other. Leftists taking this track included some influential members of the Parliamentary Labour Party and TUC. For example, Gaitskell and Durbin from the Labour ranks, endorsed such a belief; as did Bevin and Citrine in the TUC. Most of the contemporary and latter day discussion of this project has been hamstrung by methodology. It is hard to make sense of the class nature of the thought of individual left Labourists, as, for the most part, when they do formulate their thoughts, they reify society, reducing it and the classes within it, to an abstract unity called the 'National interest'. They also, invariably, employ an empiricist based rational choice paradigm, which restricts analysis of the issues to formal logic. Thus for Durbin, 'there is no formal or logical contradiction between planning and pricing', therefore, on this basis, we are lead to believe, it should be applied.<sup>293</sup> The message for *public consumption* is that it is all a matter of rational action and correct application of technique. Given a liberal portion of rationality and technique, the economy is deemed susceptible to the central planning of investment and the willing distribution of capital and labour. State control of the surplus and wage rates, is another rational choice decision which will, apparently, go uncontested by labour and capital. Not only this, but the supply and demand for consumer commodities will be unaffected. Thus capitalist 'ethics' of 'consumer sovereignty' can still reign, uninhibited by 'socialist planning'.<sup>294</sup>

When one drops the assumption of an abstract national interest of course, the irrelevance of the latter to the practical realities of the class conflict become clear. The methodological approach adopted here, allows one to view the debate

<sup>293</sup> E.F.M. Durbin (1949), *Problems of Economic Planning*, p48.

<sup>294</sup> Examples of this deep and unabiding fetishism within the Labour Party can be garnered liberally from Durbin, op-cit; D. Jay (1947), *The Socialist Case*; B. Wooton (1934), *Plan or No Plan*.

about 'planning' and 'markets', as the battle between two antagonistic social relations; the laws of motion of which become compromised and complicated in the context of a declining capitalism. The problem is that in the contemporaneous debate (and indeed debates today), the dialectical methodology is largely unrecognised.

One can understand why social democrats should ignore the social relations pervading 'plan' and 'market': forcing the square peg of planning into the round hole of markets, after all, provides their political and economic life line. They therefore have a vested interest in obfuscation. It is harder (but by no means impossible) to understand why many Marxist have been seduced into uncritical acceptance of the infallibility of the 'law of value' and an uncritical acceptance of the apparent progressiveness of anything labelled 'planning'. On this basis they then misunderstand the implications of combining 'plan' and 'market'. Possibly it indicates the fact that many Marxists have been compromised either *theoretically* and/or *practically* by left Labourism/Stalinism? Central aspects of the latter issue were discussed in the first chapter, the point to be made here is that because of the methodological restrictions placed on the debates of the era, there can be little gained from a regurgitation of the contemporary literature on the issue. The real underlying issue was far more direct and straightforward: who should control the surplus produced by labour? As far as the faction of Left Labourites were concerned, it should not devolve to worker control. Nor should capital accrue it all. The state, and its Labourist agents were to have their share, through an enlarged state function and in the form of secure and well paid salaries. These were the real practical ramifications of attempting to 'balance markets and plan'. One can also see the practical ramifications for the TUC. For them, balancing 'plan' and 'market' translates in reality as the desire for a strong centralised state to guarantee the coordination of long term fixed capital formation on the one hand; and the continuation of voluntary 'free market'

collective bargaining on the other. Such a 'balance' provided the TUC bureaucrats in particular, the best of all *their* possible worlds: control over labour *and* control over capital.

On the other 'track' ran the belief that the 'plan' must *suppress* the 'market', without of course devolving any real power to workers. Thus the State must coordinate and allocate the majority of socioeconomic resources, with the help of decentralised institutions *representing* management, labour and community groups. This track is represented by Aneurin Bevan, G.D. Cole, Stafford Cripps..etc, although their views change considerably over time and in relation to each other. This option is bolder than the first track. Its adherents wished to make more use of the potential given to Labourism out of the loss of capital's substantive basis. For Cole the source of the contradiction between plan and market is ethical; the existence of one denying the ethics of the other. As 'socialist planning' has superior ethics, then, for Cole, the choice is clear: the market must go. 'Socialist planning' and the market mechanism arrive at decisions concerning 'efficiency' and 'distribution' in very different ways: the one concerned with need, the other with profit. Cole's conclusion, unfortunately, is not to call for the revolutionary overthrow of capitalism and substantiation of freely associated production, but rather to celebrate regression back to the kind of control over use value expressed by the feudal guild system. As a project within the modern era it has more in common with Corporatist trends to control labour through *direct dependency* and rather less to do with the communist objective of attaining the free association of individuals. Hence Cole is drawn, inevitably, down the path of the Labourist compromise.

If one can claim this against Cole, it is even more applicable to most of the other left Labourists. Of course Cole sits uneasily amongst the more overtly Statist members of left Labourism. Fundamentally, however, there is little to distinguish

either of the two opinions mentioned above. They both lead to the containment of the working class. This is why many of the persona located on each track can jump from one to the other without loss of real credibility. Their ability to do so is, ultimately, vital, as it enables them to weave a tight knit community of interests. For example, two very important 'think tanks'; the Society for Socialist Inquiry and Propaganda (SSIP) and New Fabian Research Bureau (NFRB), became the institutions through which Bevin, Gaitskill, Durbin, Dobbs, the Cole's, Morrison, Dalton, Atlee, Cripps, Foot..etc, could air their grievances and, more importantly, forge a hegemonic commitment to the 'rational kernel' within stalinism: the goal of 'socialism in one country'.

There is evidence of the gradual acceptance of this hegemonic project amongst wider sections of the middle class and bourgeoisie, for example, the so called *XYZ Club*. Founded by Labour sympathisers in the City, the club established institutional links between left Labourism and finance capital representatives. These representatives were mainly interested in fostering belief within the Labour Party as to the importance of markets and of sound finance. Club members included, James Lawrie (Lloyds Bank), Douglas Jay (*The Economist*), Francis Williams (City editor Daily Herald). According to one prominent member the *XYZ Club* could lay claim.. 'to have exercised in a quiet sort of way more influence on future government policy than any other group of the time and to have done so in the most private manner without attracting publicity to itself'.<sup>295</sup> There seems little doubt that high on the agenda would be issues regarding the extent of capital controls that Labourism would require; the possible extent of surplus value redistribution it would take for Labourism to operate; and the prior assignment of 'appropriate' volunteers from the City, for manning the corporate heads of future nationalised industries.

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<sup>295</sup> Francis Williams, cited in, E, Durbin, (1985), p83, Routledge & Kegan Paul.

Another, deeper, more vociferous and lasting influence emanating from left Labourism, has been that of Fabianism. This creed within the Labour movement was undoubtedly the most influential in *assisting* the rise of Stalinist influence. There can be little contention from any quarter as to the profound influence of Fabianism on Left Labourism. Fabianism has been at the heart of Labour Party philosophy since its inception (E. Durbin, 1985; L. Radice, 1984). For example, Pimlott credits Fabians of the 1940s and 50s with bringing Keynesianism into the mainstream of the Labour Party and trade union policy. There cannot be much doubt as to the immense influence Fabianism exerted on the philosophy and practice of left Labourism.

The Webb's, in every sense the guiding mentors of Fabianism before 1940, epitomise best, perhaps, the pernicious links between the left of Labourism and Stalinism. Any irony is only apparent in the fact that, in the 1920s, when Soviet democracy could still be described as latent, the Webb's were anti-Bolshevik, while in the 1930s, amidst open acts of terror, repression and the show trials, they proselytised about the virtues of Soviet democracy. For the Webbs, freely associated production and the wave of revolutionary movements commencing in 1917 which sought to bring this to fruition, spelt anarchy, chaos and lack of moral discipline. According to the Webbs (and in this they personified Fabianism) the masses could not rule, they had to be ruled (in their own ultimate interests of course). This need for a benevolent authority, a 'socialism from above', was the essence of the 'socialism' which had always been a part of left Labourism. Thus one can understand why the Webbs gazed longingly at the Stalinist system, either ignoring completely or else making light of the acts of atrocity the system piled up, one on top of the other.

So far as Beatrice Webb was concerned, Stalinism had, 'revolutionised..the purpose of government, which was to 'transform the motives of men'<sup>296</sup> from that of the market to that of adaptation to centralised command. The lessons of Stalinism were those of *order* and *control*. Not only would production and consumption be harmonised, but so too (apparently) would human faculty and desire.<sup>297</sup> The Webbs spearheaded the movement which carried the theoretical arguments and practical justifications for support of and advocacy for Stalinism within the ranks of the Labour establishment. As Jones has commented, 'These voices helped generate the crescendo of Labour Party administration and support for the Soviet Union in the early part of the 1930s'.<sup>298</sup> The penetration of Stalinist ideology into the ranks of the Labour establishment, was, of course, given ultimate impetus by the stagnation of capitalism in Britain; its failing ability to control labour; and its lack of any credible future programme of reform to establish order. The Stalinist promise of full employment was enough to blind those to the gross inhuman excesses of the Soviet system.

Left Labourism was also supported by the wider British intelligentsia, who were infatuated with Stalinism for much the same reasons. To quote Jones,

The early 1930s witnessed an eruption of radical feeling in British Universities...the alignment with a force (Stalinism) which claimed to be inexorably on the side of 'good' was a haven of refuge to many bemused Liberal faced with the reality of fascism abroad and poverty at home.<sup>299</sup>

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<sup>296</sup> L. Radice (1984), *The Purpose of Government*, p300, MacMillan.

<sup>297</sup> L. Radice (1984), *op-cit*, p300.

<sup>298</sup> B. Jones (1977), *op-cit*, p10.

<sup>299</sup> B. Jones (1977), *ibid*, p13. (the word in brackets is my addition).

George Orwell was a little more forthcoming about the depth of sycophancy he observed amongst his peers concerning Stalinism. Orwell (*The Lion and the Unicorn*) reveals in no uncertain terms the extent of the infatuation *and intellectual bankruptcy* of a whole generation of intellectuals. Faced with Fascism abroad and decadent capitalism at home, the intelligentsia, placed their faith in Stalinist forms of control over workers, rather than in genuine socialism. Orwell expressed contempt and dismay at the depth of unthinking loyalty to Stalinist 'socialism' given by a generation of 'left' intellectuals. For Orwell they were little more than 'publicity agents posing as international Socialists', the followers of 'unquestioned dogma'.<sup>300</sup>

The Labour left, then, had absorbed the negative programmatic consequences of Stalinsim. One major problem which the left Labourist had to contend with (a problem which would produce serious resistance from finance capital if it was not dealt with) was that, along with Stalinism came the verbiage of Marxism. Although the language of Marxism had often had its uses, particularly when faced with labour militancy, it was, nevertheless an obstacle, as far as winning the confidence of finance capital and Right wing Labourism was concerned. Leftists such as Bevan and those who later rallied round the banner of Bevanism, may have been Labourists to the core, however, their radical posture offered a potential rallying point for the re-politicisation of labour. It was dangerous enough for finance capital to be endorsing the advance of use value and need, without leaving the link between need and Marxism in some sort of close approximation politically. Stalinised 'Marxism', even though ideologically incoherent on most occasions, had to be separated from the link with revolution. Accident in this case advanced the forces of necessity. During the 1930s, the Popular Front movement and its eventual rupture by the Hitler Stalin Pact,

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<sup>300</sup> Cited from a forthcoming article by John. Newsinger, *Destroying the Myth: George Orwell and Soviet Communism*, in *Critique Journal of Socialist theory*, issue No 27, 1995.



became of vital importance in breaking the link. It succeeded in separating the influence of Stalinisms 'rational core' from any further notions of 'revolution'. From this moment on revolution was ruled out - the way forward was to be the *evolutionary* progression towards 'socialism from above'.

The influence of Stalinism and the popular front on the left of the Labour Party was considerable. Tribune the major think tank of the Left, became, in fact, a non independent 'tribune' given over to chronicling the 'wonders' of Stalinism. Jones captures the sycophantic mood well in the following quote;

It published an article by Harry Politt on the need for working class unity, it offered Palme Dutt review space to eulogise the published letters of Lenin, and it commissioned the communist Pat Sloan to demolish Trotsky's *The Revolution Betrayed*...J.R. Cambell's apology for the Moscow Trials *Soviet Politics and its Critiques* was favourably reviewed, Trotsky was incessantly denounced, and Stalin's unscrupulous redrafting of recent history *The History of the CPSU* was praised in lavish terms. Both in Tribune and elsewhere the British fellow travellers campaigned vigorously for a popular front and for Communist Party membership to the Labour Party.<sup>301</sup>

The Popular front against Fascism, established by the Comintern in the mid 1930s across Europe, proved to be one of the high points of CPGB popularity. Under the guise of anti-fascism, it became a vehicle for subordinating the working class to social democracy in Britain and Europe, in the overall interests of securing the Moscow line of appeasement and 'peaceful coexistence' with capitalism. In other words, the Stalinist system wished to preserve itself by

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<sup>301</sup> B. Jones (1977), *The Russian Complex*, op-cit, p36.

sacrificing the international working class to capitalism. In Britain, the CPGB, as the quotation above indicates, had strongly infiltrated the Labour left. For many Marxists (mainly Trotskyists) the CPGB were pushing at an open door. The Tribune and Bevanite left had succumbed easily to Stalinist propaganda, but they were not alone on the left. The New Statesman & Nation too were solidly behind Stalinism; defending Stalinist atrocities and anti-working class politics in Spain *concretely* by refusing to print anything which placed Stalinism in a negative light. Orwell was refused space in its pages to provide his account of the events in Spain. In fact, *Homage To Catalonia* was rejected by The Left Book Club.<sup>302</sup>

Clearly the integration of the Labour left with Stalinism was a deep and long lasting one. An intergration cemented, further still, by the popular front campaign orchestrated by the CPGB. Of course, this sycophantic loyalty to Stalinism weakened considerably after the volte face of the Stalin-Hitler Pact. For example, Stalinist show trials suddenly became important news again. However one must be careful to separate this vilification of the USSR and Stalin, from the still strong commitment to its 'rational core'. At no time did the left, despite the betrayals, denunciations and repressions, reject Stalinist 'planning'. This rational core' proved irresistible. As Jones explains;

The latter years of the decade saw influential intellectuals reassessing their attitude to Russia...The initial idealism of the revolution had been choked by the extension of authoritarian control and the elevation of its chief manipulator, Stalin. Trotsky's claim that Stalin had betrayed the revolution began to receive consideration in the West..Max Eastman..pronounced the end of socialism in Russia.

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<sup>302</sup>See J. Newsinger (1995), *Critique* 27.

However;

Despite its recent tarnished domestic image the Soviet Union was, after all, the pioneer of a planned social economy, the historic friend of the Labour Party, and the recipient of its benign partisan protection.<sup>303</sup>

The Daily Herald in its publication of December 1st 1939 may well have 'suddenly' discovered that 'the USSR was dead' and that 'Stalin's new imperialist Russia' had taken its place. However, this did not shake the belief that, warts and all, the USSR system of planning was the way forward.

The objective here is not to look deeply into the intricacies of the Popular Front movement and its demise at the behest of the Stalin-Hitler Pact, but to consider the effects this had upon Left Labourism. Indeed the effects were profound. The Left wing groupings around the Labour Party had constituted a block to Labourist advance in general, in the sense that they weakened the political impact of the Right wing factions within the Labour Party and TUC. Stated simply, finance capital would not be drawn into the web of Labourism as long as sections of the Left Labourist movement could not be disciplined. In a word, while they continually spoke the radical language of 'revolution' and Marxism was still spoken, systemic Labourism would remain an idea whose time may never come. Stalin's sudden pact with Fascism changed all this. The Tribuneite left and their fellow travellers were cowed into submission by the Labour Party and TUC right wing over the issue. As Jenkins explains;

The Tribune left...found that, in separating themselves from

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<sup>303</sup> B. Jones, op-cit, p29.

the Kremlin turn, they had, ironically, smoothed the path of Morrison and Attlee..<sup>304</sup>

In effect the right in the Labour Party were able to use the stick of Stalinisms Fascist links, not to undermine the link with Stalinism, but to *undermine the link between the left and any notions of revolution*. They were able to claim that Marxism, leads to Stalin, leads to political dictatorship; a dictatorship with very little difference substantially from Hitler's. Right wing forces were able to dominate the ideology of the Labour Party and TUC more decisively from this point and, therefore, were able to ensure that *gradualism* and *reformism* and the *mixed economy* became the key watch words of Left Labourism. The rational core of Stalinism was still accepted, of course. What had changed was that now it could be linked to gradual reforms and separated from any notion of revolution which the left of the Labour Party may have had illusions in. Thus, Left Labourism, *after the Stalin-Hitler Pact*, finally became 'fit to govern' and so able to take up their position alongside the Right. The rational core of Stalinism had been separated and neutralised to the benefit of a declining capitalism in Britain. Socialism 'from above' and 'in one country' could now be envisaged. As one commentator notes,

It was no coincidence.. that the left wing monopoly of progressive socialist thinking should now be broken, books by such right wingers as Hugh Dalton and Evan Durbin began to attract attention, helping to form the basis of the programme which Labour would enact after 1945..<sup>305</sup>

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<sup>304</sup> Mark Jenkins, (1984), *Bevanism*, p36.

<sup>305</sup> B. Jones, op-cit, p54.

The extent of the collapse of the Labourist Left can be gauged by the sudden conversion to Keynesianism, by those previously committed to *physical planning*. John Strachey is an example of such a conversion. The immense ideological barrage from the Right had converted him to the belief that the fiscal controls of Keynesianism could provide a 'third approach to socialism'<sup>306</sup>, when, for most of his intellectual life, he had worked for the suppression of the market.

Once the Right of the Labour Party had gained ascendancy, and Stalin had parted company with Hitler's Fascism, the way was clear for a reorientation of relations with the USSR. The pact with Hitler could now be seen, for convenience, as simply an isolated mistaken policy. Cole exemplified the apologetic nature of Labour's 'new approach', when stating that 'a country does not cease to be socialist because it follows for a time a radically mistaken policy'. One implication of such a pronouncement is that Stalinist 'planning' (socialist) can be separated from policy (the inadequacies of the USSR and Stalin). Once separated, they can be united with more rational policies, based on Labourism of course. Thus, the basis of the hegemonic pact between Left Labourism, right Labourism and finance capital was eventually forged in 1940. The war effort merely focused this pact, it did not create it, as orthodox theory suggests.

The manner in which the 'rational core' of Stalinism could 'create social order' was not lost on Right wing Labourists. Macmillan, for example, had come back from a visit to the Soviet Union in the early 1930s admiring its disciplinary effects if not its efficiencies. Whilst Beveridge had to agree with his Fabian friends the Webbs that this type of planning may hold a rational kernel for British capitalism (Booth & Pack, 1986). The rational kernel, as explained, lay in Stalinism's ability to appear ideologically favourable to workers while, in

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<sup>306</sup> B. Jones, op-cit, p54.

practice, subjecting workers to the oppressions of bureaucratic physical planning to add insult to their exploitation. Thus, the Right and Left wing of Labourism had fostered enough common ground to convince finance capital they could secure a new accumulation strategy and maintain controls over the labour movement. What they united around was the ideology of Social economic planning, overseen by Keynesian fiscal controls, within the framework of Parliamentary democracy. Keynesian fiscal 'planning' secured the dominance of the instrument of money, which was crucial in winning the acquiescence of finance capital to the project of Labourism after 1940. Stalinism provided the context wherein the physical planning of capital would lead, not to the re-politicisation of labour, but its further depoliticisation. More specifically, Keynesian tools of fiscal/monetary planning, provided Labourist forces the ground upon which to build a material compromise between the classes and provided finance capital with the means to dilute and control the pace of the developing dominance of use value over exchange value. With the political hegemony of Labourism secure the Labourist tendencies - management of national money, social welfare state, welfare management/national industrial relations strategy - developed together as a system of working class containment. Left and Right Labourists had secured a material basis of rule for themselves alongside finance capital. In the next chapter analysis turns to an understanding of the deeply undemocratic nature of Labourism and its inherent irresolvable contradictions, contradictions which would eventually lead to its dissolution, and which, consequently, gave rise to 'Thatcherism'.

## CH 7 LABOURISM: ITS CONTRADICTION & COLLAPSE.

The task of this final chapter will be to explain the contradictions of systemic Labourism once this phenomena had come into being. As the Nationalisation programme, set in motion after the second world war, epitomises the Labourist compromise, the chapter opens with an explanation of how finance capital use this as a vehicle to control labour and continue its accumulation. Another task of the chapter is to emphasise the *highly unstable nature* of systemic Labourism, to make clear why Labourism had inevitably to collapse and uncoil due to internal contradictions. Finally, it is argued that the collapse of Labourism becomes the foundation for explaining the rise of so called 'Thatcherism'. It, therefore, lays the basis of an understanding of the present epoch. The chapter opens by situating Labourism within the wider international crisis of the early post war period, thus setting out the contextual basis for understanding the inner contradictions of Labourism. Labourism was very much predicated on certain international conditions too, conditions which presented a 'window of opportunity' for the balance of class forces in Britain to be cast in favour of the Labourist compromise. Following this an examination of the undemocratic nature of Labourism, specifically within the Nationalised industries, is undertaken. Finally, on this basis, the discussion moves to an identification and understanding of the inner contradictions within Labourism responsible for its demise.

### *7.1 Labourism and the International Crisis*

International pressures were increasing the urgency of the ruling class to actualise the Labourist settlement. Exports by 1945 had fallen to 30% of their 1939 level. Carr summarises British capital's weak international position;

It had been estimated that the war cost a quarter of Britain's wealth, £7, 300 million. Debt to other countries had grown from £476 million to £3, 555 million in 1945. Much of the debt was to sterling area countries. Britain faced major difficulties in resolving this situation because of the physical damage to its productive capacity and merchant marine. Obsolete plant, lack of investment, manpower shortages and the dislocation caused by war, all contained exports. Invisible earnings had been cut by war time sales of foreign assets valued at £4, 200 million. Imports of food and foreign raw materials were vital but foreign earnings scarcely paid half the costs.

Of course this parlous state was not solely or even primarily to do with the costs of war, but more to do with the failure in the decades before the war to develop a new accumulation strategy on the basis of class compromise. The cost of war added significantly to this grave situation. The deliberation as to primary cause notwithstanding, the blunt uncontentious fact was that British capital's international position, was in a chronic state at the very time it was most needed to cement the Labourist compromise. A positive balance of payment is necessary because Labourism, based on a re-alignment of use and exchange value, had to be paid for out of present and future surplus value, a surplus value in large part, 'earned' internationally.



A related issue of concern to the new Labourist system, was that prolonged deficits on the balance of payments would bring forward the day when holders of sterling would clamour for convertibility and speculate out of sterling. Again, this would pose serious repercussions for the Labourist compromise internally.

The immediate post war international situation was indeed dire. The shortage of sterling had reached the most critical levels, at the very same time that American lend leasing to Britain had been cut. As Savage notes, sterling balances, mainly with India and Egypt, were in the red and Treasury forecasts pointed to a current account deficit for some years to come.<sup>307</sup> The British ruling classes commitment to a finance and resource absorbing imperialist foreign policy, exacerbated the balance of payments problem. As a result the need to control consumption, at a time when it should have formed one of the foundations of Labourism, became a necessity. In the immediate post war period the ruling class was committed to putting down revolts within Indo-China and Greece and to a general longer term policy of controlling and administering its influence within and around the sterling area (Savage, 1993; Callaghan, 1993). The massive deficits on both capital and current accounts appeared to be in inverse relation to commitments to expansionist imperial policy centred around the sterling area. The drastic domestic deflationary pressures implied by the above, at a time when the labour movement expected the realisation of the Labourist promise concerning full employment and rising living standards, generated a surge of militancy in the working class. This gave greater impetus towards establishing and consolidating Labourism ideologically, at a time when its material basis was deteriorating.

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<sup>307</sup> J. Savage, in his Introduction to J. Fyrth (ed) *Labours High Noon* (1993), p xxiv.

The balance of payments problem, caused by the war debt, continuing commitment to the sterling area and domestic commitment to Labourism, could of course be relieved in the short term by more American aid, as it was with the Marshall Aid Plan. It could also be relieved by securing the parameters of the sterling area against American imperialism and reversing the dollar losses of the sterling area. The problem with the latter option was that American capital at the close of the war, would only provide aid, on the level of the Marshall Aid Plan, if British capital relinquished its grip on the sterling area and allow American capital into the lucrative markets. As British capital was not about to relinquish their hold on the sterling area, such an aid package, at that particular time, was ruled out. British capital looked to other solutions. The solution would require, as a prerequisite of its adoption, enough control over the working class to shift investments to exports and away from satisfying working class demand for consumption goods. Such a shift necessarily required the policing role of the trade union bureaucracy to restrain national incomes - a task which could only be *successfully* policed by a TUC officially endorsed by the state as national representatives of labour, holding positions of power within the state. And then only within an overall social environment where workers had been compromised with promises of full employment and a social welfare system. Thus the Labourist settlement is given *impetus* and its defining characteristics are made clearer, by the problems of balancing international payments and ongoing imperialist commitments. It was the need to acquire massive aid while maintaining the sterling area, and the need to meet the financial burden imposed by Labourism, which determined the post war Labour Governments slide into cold war foreign policy. It is worth explaining under what circumstances these needs were eventually met, because it brings into relief, amongst other things, the precarious foundations upon which Labourism was erected.

## ***7.2 Labourism and the USSR connection in International Context***

In 1945 the newly established Labour Government viewed the USSR as an ally that had suffered greatly during the war against Fascism. However this position, while of value in creating socialist unity within the Labour ranks in the build up to election victory, was in ultimate conflict to Labourism's success. Success depended on the compliant mobilisation of the Labour Party and TUC towards the goal of the political containment of the working class domestically to the needs of a declining capitalism. This containment, as argued, necessitated all the strands of Labourism to become actualised in order to realign use and exchange value. For this to occur a new export led foreign trading policy was crucial. The latter in turn required that some form of international trading compromise with the USA be struck. Hence by 1946 a more hostile Soviet line and increasingly pro American line was adopted by the Labour administration in the Foreign Office, which was, at the time, headed by the 'socialist' and ex leader of the TUC, Bevin. The newly emerging international policy line was to find its logical conclusion in the Cold War split.

There were two reasons why the about turn on the USSR could help fulfil the Labourist pretensions of the Labour government. Firstly, hostility to the USSR on the basis of the perceived threat of expansionism, served to discipline the left of the Labour Party and trade union movement and so inculcate further the *social democratic brand* of 'socialism from above'. Despite the emergence of a Keep Left movement lead by Bevanite factions (Jenkins, 1979; Carr, 1993), which attempted to resist the pull to the right, the anti-USSR stance eventually succeeded in uniting the bulk of Labourists to the task of implementing Labourism not some variant of Stalinism. Their isolation and disorientation was complete. The lefts call for a 'third way' between Moscow and Washington for

British socialism, for example, amounted to little more than what Labourism was to provide anyway, that is, physical planning (State downwards), overseen by Keynesian fiscal controls. Thus the left of left Labourism had no distinct political programme. The anti-USSR stance proved a success in uniting the left to the project of Labourism, as indicated by acquiescence of *Tribune*, *Socialist Commentary* and *The Fabian Colonial Bureau* to the Labour rights hard nosed imperialist adventures, under the rubric of a more 'progressive colonial policy' (Carr, 1993; see also Callaghan, 1993).

The second reason for the Labour Governments hostile stance to the USSR again had more to do with pragmatism than principle. Opposition to the USSR general, and playing up the threat of Soviet invasions in particular, had become an effective bargaining chip with American capital, over the realignment of imperialist rule and the balance of costs and benefits to be meted out to international capital as a result. For example, it was on the basis of the perceived Soviet threat, that British capital was able to win a very favourable deal with American capital; one which reduced its sterling area dollar debt. Callaghan illustrates the potential lucrative results. Malaya's tin and rubber trades(owned by British capital) accounted for a substantial amount of the sterling areas dollar earning exports. The double threat of communist insurrection in Malaya (June 1948) and an American economic recession (1948-49), jeopardised the profits and ultimate ownership rights of British capital. Enter the new cold war stance taken by the Labour Government, which proved very successful in reversing this crisis.

Fortunately for the Governments policy, the cold war was well under way when the communist uprising began, and so it was possible for British policy makers to alert the American Govt to the nature of their Malayan problem and elicit a sympathetic

response. With France at war with the Vietnamese Communists and China on the brink of a communist revolution, it was all the easier for British policy to be seen in a favourable light in Washington. The USA was thus prepared to increase its stockpiles of Malayan rubber and tin, and to accept strict limits on its dollar imports, in order to help the British economy. (Callaghan, p127, 1993)

Just over a year later Malaya had a trade surplus with America of \$185.7 million, the largest within the sterling area; while the total sterling area dollar deficit had been reduced from a third quarter 1949 figure of \$539 million to a fourth quarter figure of \$31 million ( *ibid*, p127-8).

The anti-USSR stance taken by the Labour government post 1945 was instrumental, not just in securing more favourable sterling balances and boosting the current accounts in the short term, but also in securing the medium term future of the sterling area itself. American capital had initially attached imposing strings to the provision of dollar aid worth \$3, 750 million; calling for British capital to relinquish the sterling area, interest to be paid on the loan and the convertibility of sterling within the year. However, the new 'cold war' conditions and Britain's crucial anti-communist credentials, became instrumental factors in a new deal. American capital, in order to allow British capitalism to be the bulwark against communism abroad and communism at home, would allow Britain to receive Marshall Aid *and* keep the lucrative sterling area. Even the failed reconvertibility of sterling for a short period in 1949 and the eventual devaluation of sterling and move back to unconvertibility, was allowed to go largely unredressed by American capital. Of course British capital could no longer secure their ideal of completely closing the sterling area to world penetration, nevertheless important tariffs remained and, more importantly, so

did the arrangements concerning the use of sterling and trade links imposed on the colonies of British Imperialism. In effect the arrangements concerning sterling and trade links between British capital and its colonial powers, was the basis upon which a fusion of interests between large industrial capital and finance capital was grounded. The super profits generated also provided one of the vital pillars upholding the Labourist system.

### *7.3 The Sterling Area and Bretton Woods*

The sterling area was, then, of vital importance. The sterling area and the provision of Marshall Aid, became vital international lifelines which went some way to securing sufficiently healthy balance of payment to consolidate the new Labourist system domestically. The Bretton Woods agreement was the final consolidating factor, internationally, to the underwriting of Labourism domestically. The agreement allowed western capitalist currencies to be pegged to the dollar at a fixed parity which allowed vital adjustments to national money. Essentially the adjustments, and Bretton Woods exchange rate regime in general, were recognitions of the fact that each western capitalist nation had to make its own compromises with its working class. Thus the ability to devalue sterling, if and when required by the changing balance of class struggle, provided the necessary international vacuum within which the management of national money could work, via the adaptation of Keynesianism. As Bonefeld (p70, 1993) put it, 'The Keynesian mode of integration of labour was underpinned by international agreement of currency exchange relations, based on the Bretton Woods agreement of 1944 and the reconstruction of capitalism in Europe through the Marshall Plan'.<sup>308</sup>

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<sup>308</sup> What Bonefeld does not reflect on is the crucial role Stalinism played in this, or, rather, the way in which Stalinism was used by capitalist rulers to weld the labour left and the working class to the containment

The Bretton Woods agreement was a hybrid relation completely befitting the transitional nature of the epoch. On the one hand, it sought to constrain the floating national currencies of the 1930s, itself a reflection that circulation capital had set adrift from productive capital to escape the 'problem of labour'. On the other hand, it sought to offer a realignment of circulation capital with fixed capital on a more flexible basis. The ability to change the value of national currencies offered considerable scope for any necessary adjustments to the underlying conflict of interests between finance and industrial capital, in the overall interest of continuance of the exploitation of labour. One important manifestation of this was the so called 'stop-go' deflationary/reflationary policies forced on Britain capital. At one and the same time it weakened Labourism and extended its unstable life. Once the sterling area began to weaken under the weight of sterling convertibility in 1958 and the declining competitiveness of industrial capital, the buffer effect of 'stop-go' accumulation on the basis of control of national money, became of crucial importance in the containment of labour, but also in its resolve to become more militant.. By the same token, once the Bretton Wood agreement had been torn up in 1972, the 'stop-go' phenomenon became more pronounced, and less effective in controlling labour. The *immediate, initial*, effect of the Bretton Woods agreement, Marshall Aid and the sterling area accumulation regime, was to institutionalise the management of a debased money capital, towards the goal of reuniting (however shakily) circulating capital and fixed capital. Empirically it allowed the state to filter credit from the private sector and/or print its own money, in order to achieve two goals; enhance the use value creating sector tied to the welfare state, and to prop up large productive capital's with lucrative sales to the state and/or state subsidisation.

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strategy implied by the success of Bretton Woods. Bonefeld is not alone, see for example, Pilling (1986); Burnham (1990); Armstrong et al (1984).

The sterling area, supplemented by Marshall Aid and Bretton Woods, effected a compromise between large industrial capital and finance capital in a number of specific ways. It allowed a fusion of interests: finance capital supplying industrial capital with investment capital re-routed from the commonwealth, whilst at the same time earning interests on the re-routed capital. The investment capital was then used by industrial capitalists to expand its sales into the captive imperial markets of the commonwealth. These markets were secured by finance capital's grip on foreign exchanges, which stemmed from the 'agreement' imposed on colonies that all colonial profits should be held in sterling. As sterling was unconvertible until 1958, this meant colonial countries either had to leave their sterling deposits idle, in which case finance capital would make parasitic use of them, or use them to purchase commodities denominated in sterling (ie, British commodities), in which case the deal underwrote industrial capitalists profits. Such a captured market allowed the large industrial capital's in Britain to comply with the surplus value restricting confines of the new Labourist environment - personnel management/national industrial relations system (which bureaucratically atomised workers and restricted relative surplus value extraction); government intervention on wage floors and health and safety; the greater taxation implied by demand management; the greater economic strength of workers due to full employment. The sterling area was vital to maintaining all these commitments, while still maintaining profit rates. It is also on the above basis that circulation capital continued to dominate fixed capital, in the sense that super profits from the captive imperial markets did not require new technique and new investments. In effect the sterling area allowed socially *unnecessary* labour and inferior standard commodities to go 'unpunished' by the world market. Thus, short termism and the financial dominance within and without the firm of



finance capital (by this time orchestrated by institutional investors) (Coakley & Harris, 1983), could still be maintained under the rule of Labourism. The point about the dominance of circulation capital over fixed capital is crucial to an understanding of the later contradictions met by Labourism and will be given more detailed consideration here after discussing the way in which finance capital and industrial capital forged a parasitic relationship with the nationalised industries. Basically this involved a resolution that policy surrounding nationalised industry should keep capital as fluid and unfixed as possible, in the context of the Labourist compromise.

#### ***7.4 Labourism and the Promise of Nationalisation.***

Full employment; a massive rise in employment in the public sector; the implementation of wage councils; and legislation protecting workers from hire and fire motives, all went a long way in substantiating the de-commodification of labour power. These actions and the general shortage of labour power and the anti-profit pro 'socialist planning' atmosphere, generated a rise in strikes. Between 1944 to 45, for example, the incidence of strikes rose by 65% (from 1491 to 2293). Most of the disputes occurred in mining (60%) and transport, engineering and shipbuilding (25%). Although only of short duration the disputes signalled a potential disaster for the Labourist project of controlling the level of income and consumption in the interests of mobilising capital for the export drive. Fundamentally, then, to the Labourist project was the incorporation of trade union structures within the Labourist state. Given the de-commodification of labour power, strikes against the strict adherence to market forces would be inevitable. To combat this and to force compliance with restrictions on provision of needs emanating from the social welfare system, it

was important that the working class were effectively atomised. Whilst the Stalinisation of the left ensured workers would remain politically atomised or depoliticised, economically they had enormous potential collective strength at the point of valorisation, which, if allowed to advance unheeded, would sooner or later threaten the system. Hence the reason for successive post war Labour and Tory governments commitment to incorporate the structures of the trade union movement into the state. To this end the National Joint Advisory Committee established in 1939 and the Joint Production Committees and Essential Works Order Acts (1941), were further consolidated by the Production Efficiency Board and other government non elected boards designed to institutionalise the compromise between the *representatives* of capital and labour. This institutionalisation of trade unionism, was of course the logical development of the trade union bureaucracies break from labour - its original source of power.

Under the Labourist system of containment, the trade union bureaucracy had a crucial role to play. That role was to bureaucratically police the working class and so prevent their potential to act as a class for themselves. To this end the new institutions of so called 'tripartitism', had to regulate national collective bargaining; channel and dissipate any wider class grievances into reforms the system could live with; and, in combination with the growing personnel management function, atomise workers at the point of valorisation, via strict adherence to numerous job classifications, demarcation lines and acceptance of hierarchical management control..etc. The costs this imposed on capital in terms of restricted relative surplus value extraction, was, apparantly, to be outweighed by the benefits of increasing control over the working class. The costs were not an immediate problem when an adequate return of profits could be had via the sterling area and a world market, which exerted little competitive pressures on British capital in the first decade after the war. The reward for the trade union bureaucracy was their recognition as an essential national institution and the

corresponding political influence at governmental level over the future direction of the economy, that went with it. As Hyman explains;

Their representation on tripartite consultative and administrative bodies, already highly developed during war should be sustained and extended; direct consultation with TUC leaders should precede government initiatives; intervention in industrial relations without TUC agreement was taboo. These demands were accepted by the Government in principle, even if not always satisfied in practice.

The Government, of course, could not be ruled by principle because substantively the TUC's role was to contain and police the working class. For example, the TUC were committed by member trade unions under pressure from the rank and file, to adopt collective bargaining in the market place. It was felt by workers that in a time of labour power shortage, their interests would best be served by using national collective bargaining power to wrest higher wages and better conditions from capital. The TUC acquiesced on the matter mindful of the real task - to control consumption growth in the interests of investment lead exports; absolutely vital in underwriting Labourism. Hence when a national incomes policy, subordinating the rank and files economic strength, was introduced between the years 1947-8, 'the TUC made all the concessions, a reflection of its almost complete uncritical acceptance of the Government's main policy'.<sup>309</sup>

Between 1945-51 the number of strikes was at a record high, although disputes were often minor and relatively short lived. Any major disputes that did occur

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<sup>309</sup> R. Hyman in J. Fyrrh (ed) (1993), p187. Hyman is part quoting from J. Tomlinson, *The Labour Government and the Trade Unions: 1945-51*, in N. Tiratsoo (ed) (1991).

took place in the mines prior to nationalisation. This strike wave suggests that the promise to decommodify labour, inherent in full employment and social welfarism, had increased workers confidence and economic muscle. However, while Labourism provided the basis of this new found confidence (later a powerful shop stewards movement would develop on this basis), it also provided the basis of the working classes de-politicisation. The national state socialist movement, given ideological and practical impetus by Stalinism, dominated the political head of the working class. The hegemony of left Labourism, which held that 'socialism' was to be an evolutionary process, dictated by Parliament and handed down from above, had in thrall most of the leading elements of the working class. Therefore, labour's 'economic body' might prove resistant, recalcitrant and militant as the decades lapsed after the post war settlement, but its collective 'political head' would prove a decisive factor in the channelling of discontent into reformism. The bait being that reformist compromise was identified as a kind of down payments on the goal of state socialism.

This de-politicisation of workers was not unique to the British working class, of course. Alongside the rest of the international working class, British workers had to suffer the massive political retrenchments caused by the defeated revolution of 1917, the subsequent rise of Stalinism and the subtifuges of the cold war. The de-politicisation was, hence, profound and epochal.<sup>310</sup> Given the extent of this de-politicisation, it is little surprise that the working class offered no resistance to the Labour Party and TUC's manoeuvres to reject any notion of worker representations in the 'socialist' industries after nationalisation (Savage, 1993; Saville, 1993). The same holds for the newly created institutions of the social welfare state.

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<sup>310</sup> For a deeper understanding of the epochal significance of Stalinist influence on the working class, the reader is referred to the *Journal Critique*, which has devoted much of its 22 year existence to its explanation.

The nationalised industries in many ways epitomise the way Labourism works to *contain labour*, while allowing the vested interests of capital to reign. Workers were given no say in the control of nationalised industries at their conception. The sale of nationalised industries to the state was not the outcome of worker appropriation, but a financial bonanza for capital, who were busy running them down anyway. The nationalised industries were run and controlled by financiers and prominent industrialists who payed themselves vast salaries. They were run with the interest of subsidising the market sector with under priced supplies of commodities. Emanuel Shinwell ( Minister for the Coal Industry) vetoed the idea of workers control. Instead an ex Director of the Bank of England and a number of senior military figures staffed the Board of the National Coal Board. As one source explains, the 'myriad trade and advisory committees which surrounded the nationalised industries, and the industries themselves were controlled and run by financier, industrialists and civil servants'.<sup>311</sup> Likewise, the Ministry for Food was effectively run and controlled by ninety of Unilevers management staff. The Capital Issues Committee, which coordinated capital investment decisions for the network of nationalised industries, were controlled by 'seven bankers, stockbrokers and industrialists'.<sup>312</sup> A combination of senior military, bankers, stockbrokers, industrialist and civil servants, manned the Boards of other nationalised industries too; including Electricity, Gas, Cable & Wireless, BOAC and BEA.<sup>313</sup>

The transference of ownership and control may have been largely illusory, but the magnitude of the transference of capital, as compensation for the sale of nationalised industries and payment for financial 'consultation and underwriting', most certainly was not. 'The Government excelled itself in compensation paid to

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<sup>311</sup>J. Saville, cited in J. Fyrth (1993), op-cit, p45.

<sup>312</sup>J. Saville (1993), op-cit, p46.

<sup>313</sup> For a more extensive description of the controllers and their background, see A.A. Rogow (1955), *The Labour Government and British Industry 1945-51*, Oxford.

the railways, the London Passenger Transport Board, and inland waterways',<sup>314</sup> as well as Coal, Electricity and Gas. The valuation of these industries did not take account of the dilapidated extent of the fixed capital assets and placed a value in accordance with their present share value, which had remained high, needless to say, due to finance capital's expectations of the favourable terms of sale. For example, even though the Ministry of Fuel had warned that old stock and assets in the Coal industry would have to be replaced to the tune of \$200 million 'under fierce lobby from mineowners' the Government ignored this and valued the stock as if there had been little depreciation relative to socially average technological advances in the market sector.<sup>315</sup> Finance capital, having blocked any move to place workers on the Boards; having earned windfall gains from nationalisation; and having taken control of the running of the Boards (with the high salary rewards that go with it), then proceeded to ensure that the nationalised industries ran in the interests of sustaining the law of value.

The dominant view, forced through against some resistance from rationalisers, was that the industries should operate on the basis of ensuring that average costs equalled average prices. This had the benefit of keeping prices artificially low thus keeping wasteful labour consuming sectors open, in the overall interests of ensuring that the market sector had a sure source of low cost supplies of energy to produce their commodities. The result of this was that nationalised industries did not have enough retained surplus to re-invest in fixed capital and research and development and were dependent upon state funding. Rather than enhance use and needs, the nationalised industries became the giant low cost suppliers of private capitalist industry.

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<sup>314</sup>J. Saville (1993), op-cit, p48-9.

<sup>315</sup>J. Saville 1993), op-cit, p48-9.

In subsidising industrial capital, finance capital could continue with its political economy of maintaining the dominance of circulation capital in and against fixed capital formation. The subsidisation joined forces with the guaranteed colonial markets, to ensure enough space for industrial capital to keep up its profit rate without unnecessarily raising the organic composition of capital. Thus, Labourism had provided, in the form of nationalisation, the basis for the continued rule of finance capital and continued accumulation of capital in general.

The problem it still faced, however, was keeping labour at arms length *politically* and hence ensuring that their innate economic strength did not translate to challenges to the compromise and/or to *too* much pressure to expand use value and need provision. As will be explained later, this problem did come back to haunt capital. The essence of the policy, then, surrounding the nationalisation programme, was to maintain the circulation capital bias. The policy, as indicated earlier, derived from and bolstered the same bias characterising the surplus value creating sectors of British capitalism. An issue taken up in more detail below.

### ***7.5 Labourism and Circulation Capital***

The policies generated by Labourism of full employment; the direct provision of substantial needs via the social welfare state; national commitment to collective bargaining and demand management, went allong way towards de-commodifying labour power. The economic strength which accrued to the working class, due to these policies, represented a significant capitalist concession. Of course the de-politicisation of workers reduced the danger to capital that such concessions which valued use value and need, rather than strictly the maximisation of

profitability, would form the basis of a political programme against capital. However, given the precarious nature of Labourism, to further neutralise this danger, capital retained its circulatory capital bias within the economy and especially within the enterprise. The emphasis on circulation, by implication, meant a down playing of commitments to long term fixed capital formation and lack of commitment to reorganising the use of labour power along Taylorist lines. This is why the personnel management function and a new commitment to national collective bargaining becomes so vital to the Labourist system. Their task is to bureaucratically atomise the underlying social integration of labour power (see chapter six).

If successful the bureaucratic atomisation blocks the advancement of labour acting as a class. It also allows the further (pragmatic) development of the abstraction of labour power in production. The tendency towards abstraction had been held back by capital during the depression years, specifically to counter working class collectivity and impose atomisation through unemployment (the basis of the slow down in accumulation suffered at that time). Under the new Labourist containment, finance capital will only commit itself to valorising labour power if it can maintain its circulatory bias across the large productive capital's. The potential loss of relative surplus value extraction that the rejection of Taylorism and long term fixed capital formation implies, could be largely overcome only if Britain remained within the sterling area, which allow positive rates of profit to be maintained and bolstered. Another key factor to this compromise was the continued expansion of world market share of traded commodities, or at least sustaining the percentage share acquired during the 1950s. These are the pillars of Labourism so far as capital is concerned. Added to these are the less essential subsidies from the state and the implicit subsidisation the nationalised industries provide the private sector.



The slow crumbling of the sterling area and loss of world markets from the mid 1950s onward, undermined these pillars placing immense pressure on the circulation capital bias within the economy. The latter was essential to finance capital's continued endorsement of Labourism, hence as the sterling area crumbled so to did the class compromise at the heart of Labourism. The rate of profit went on a decline and finance capital, struggled to manoeuvre itself out of Labourism in an effort to continue its commitment to circulation capital. The subsequent drives for 'modernisation' (Wilson's 'white hot technical revolution'), was evidence of left Labourism's commitment to Labourism, especially in the face of a growing tide of working class unrest. Their miserable failure at every turn to impose 'modernisation' is testimony to the deep hostility finance capital began to express against Labourism.

As previously explained (chapter five), an emphasis on circulation capital has become 'second nature' to finance capital as the means to its survival. One example, of the extent of finance capital's circulatory capital bias is provided by the fact that in Britain, unlike America, the 'H'-form (holding company form) of capitalist organisation predominated right up until the mid 1970s.<sup>316</sup> In essence under the 'H'-form, productive capital becomes a loose ensemble of plants and enterprises (fixed capital), all with independent management structures and commodity lines. Sometimes the commodity is the same (horizontal integration), sometimes a sub part of others within the holding capital (vertical integration) and some times they are different (diversified integration). The main point is this: the holding company places a premium on money capital and so remains largely unconcerned about how the fixed capital it sublates do what they do, so long as short term profit rates remain relatively satisfactory. If profits decline, then the loose arrangement makes it that much easier to sell off unprofitable

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<sup>316</sup> See T. Nichols (1986), for a concise outline of the deficiencies of the British industrial organisational structure, due to the predominance of the 'H'-form. For a more detailed account see D.F. Channon (1973), *The Strategy and Structure of British Enterprise*, MacMillan.

enterprises and to buy others that are more willing to achieve the goals set by circulation capital's needs. When this becomes the driving force of an entire economy, then the productive capital's, which constitute most of the dominant industrial capital's, usually remains small and under capitalised. As a result economies of scale are limited and the ability, or will, for long term investment becomes systematically reduced. The latter represents the result of finance capital's quest to impart a circulatory bias, *to create maximum flexibility in its manoeuvrings to contain labour*, while maintaining a distance from labour.

It is no accident, therefore, that, as Nichols points out, British capitalism has at one and the same time the most *centralised* forms of capital scattered around some of the smallest enterprises, as measured by number of employees (Nichols, 1986). The centralisation of capital and atomisation of labour is thus combined in the 'H'-form. American enterprises had long ago (by the 1920s) adopted the 'M'-form (multi-divisional form) and rejected the 'H'-form. The 'M'-form describes rigid corporate hierarchical controls at the centre of productive capital, over clearly defined functional and/or regional units. It is premised on long term investment strategies and Taylorist hierarchies of management control. It also implies the intense abstraction of labour via the commitment to maximising relative surplus value extraction (see chapter six for an extended explanation). The 'M'-form, given the peculiar nature of the class compromise at the heart of Labourism, contradicts the Labourist containment strategy. As a result it finds it hard to flourish in Britain. Thus the 'H'-form becomes a *necessity* for capital in Britain, and not, as many have claimed, an eccentric vice.

The influence of this style of accumulation strategy on the entire British economy is all embracing. For example, between 1949-70, the 100 largest industrial firms portion of manufacturing output grew from 23% to 41%; the figures for employment roughly shadow this. If we take into account also the large firms

overwhelming dominance of small to medium firms, many of which are suppliers to large capital, then one begins to grasp the true extent of influence enjoyed by the largest 100 units of productive capital. Thus the fact that virtually all of the top 100 applied the 'H'-form structure (the likes of ICI being the exception that proves the rule), is no small confirmation that finance capital's circulatory capital bias has manifested its influence on accumulation *throughout* the economy during the period of systemic Labourism. One has only to note, by way of example, the ad-hoc finance driven mergers which created British Leyland Motor Company (BLMC) and latterly Rover, and created GEC from English Electric.

Another related factor of the circulatory capital bias, is the particular preeminence of personnel management and collective bargaining framework to British capitalism, mentioned in the previous chapter. The personnel function liaises with a *formal* bureaucratic network of class containment - the national collective bargaining organ of the trade union movement. However, due to, firstly, the circulation bias of finance capital and, secondly, the economic strength imparted to labour by full employment status, an *informal* collective bargaining arrangement develops. The personnel management / formal bureaucratic collective bargaining procedures are designed to *contain* and *atomise* workers within productive capital and throughout the rest of the economy. However, the informal collective bargaining between rank and file workers/shop stewards and individual productive capital gains strength from capital's necessary short termist outlook. That is to say, the more formal arrangements which attempt to atomise workers via bureaucratic rules procedures and regulation, imply a longer time horizon of investment by capital to sustain it. Because this is not forthcoming, then the working class escape the full implications of bureaucratic atomisation. As a result, their economic resistance to capital is provided with a renewed impetus (one which the Donovan

Commission would pick up on in the 1960s). The resistance means that labour was much more prone to breaking out of the orbit of control of Labourism and its realignment of use and exchange value. For labour, as the 1960s and 1970s bears witness to, use value and need came to be the sole criteria of demands placed on capital.

Burawoy picked up on this informal resistance and its devastating effects on both the ability for the formal bureaucracy to contain labour and relative surplus value extraction. Describing the results of a sociological study conducted in the early 1950s on a small engineering subsidiary of Vickers, he points out how the bureaucratic containment of labour is significantly weaker compared to an American counterpart of the same size and industry. He goes on to show how the informal bargaining of the workplace overrides much of the formal atomisation imposed on workers. As a result, workers are able to significantly resist time and motion study and work speed ups. In fact, through a process described as 'gold bricking', Burawoy reveals the extent of restrictions on relative surplus value extraction. That this was allowed to continue within Vickers as a natural product of daily working life is testimony to the systematic nature of the informal resistance. Evidence that this was systematic to the economy as a whole, is revealed by the late 1960s findings of the 'Commission on Industrial Relations' (Fox, 1985). For it to have been allowed to continue for so many decades is further testament to its centrality in the structure of accumulation imposed by finance capital after the war, as a pivotal part of the Labourist containment package (later I analyse how this informal and formal tension develops and how the circulatory bias of finance capital is eventually challenged).

Labour, given strength and renewed militancy by full employment conditions, begins to encroach upon the state and demand the further suppression of

valorisation to use and need. This issue became a critical one when finance capital lost one of the central pillars of its accumulation strategy as the sterling area crumbled. Labour pushed for use and needs to be met, but due to its own crisis, finance capital had to begin to rest itself free from commitments to industrial capital and to the Labourist project orchestrated at state level. The state, pulled first one way and then another by labour and capital over the contradictory motives of use and exchange value, attempts first to intervene (moves towards greater state intervention in the 1960s); or attempts to halt Labourism in its tracks (Heath government 1971-74); or reverts once more to Labourism (Labour government of 1974-76); before finally ending the Labourist compromise (Labour and Tory governments from 1976 to the present). Such is the essence of the post war era of systemic Labourism. The details need to be unearthed, however, of how, why and under what specific conditions the brief ascendancy and slow decline of Labourism manifested. One needs to consider, in other words, the manner in which central pillars of Labourism were destroyed by class struggle.

### ***7.6 The Destruction of the Central Pillars of Labourism***

The fact that the incomes policy of 1948-51 were a success in controlling wage settlements and so inflation, is testimony to the *initial* strength of the Labourist system in compromising workers to the Labourist project and containing them to the needs of a declining capitalism.

So long as the system could maintain steady growth in living standards which were not subsequently retrenched by inflation, then the project of labour containment would be relatively successful. Because labour containment was the

substantive ground upon which finance capital's containment to the project of systemic Labourism rested, the same conditions of success also held for them too. Yet, as argued earlier, the foundations of this dual containment were necessarily short term - the sterling area and a growing share of world trade outwith the sterling area. These international pillars of Labourism were eventually to be detonated around the late 1950s. Firstly, Germany, France, Japan..etc, had quickly caught up and overtook British capital in the export market. Secondly, sterling became convertible in 1958.

Due to the specific social relations established between capital and labour within the labour process in Britain, namely the overarching desire to control workers and maintain the dominance of circulating capital, the efficient valorisation of labour power in the export led sector of productive capital had been sacrificed.<sup>317</sup> This led to the persistent poor productivity growth which plagued the economy throughout the 1950s. A fact that many commentators have noted, but provide little essential understanding of.<sup>318</sup> Because the dominance of circulation capital was inscribed in the Labourist compromise itself - the escape route for capital, given the imposition of use value and need - little could be done to arrest and reverse the poor productivity, investment and output growth rates. The shrinking of export markets was thus both inevitable and rapid during the 1950s and became sustained throughout the 60s and 70s. The shrinking share of exports presented itself as a permanent underlying crisis in the balance of payments. The potential repercussions for Labourism were immense: aggregate demand management, which had become the main vehicle through

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<sup>317</sup> An example of the circulation capital bias over fixed capital is provided by the fact that fixed capital investment in the Steel industry amounted to only one third of the average invested in European steel, see D.L. Burn (1961) *The Steel Industry: 1939-59*, CUP. As Oberbeek (1990, p123) points out, the steel industry was no anomaly, but representative of the general trend in British industrial capitals.

<sup>318</sup> I refer the reader back to my initial critique of de-industrialisation theory in chapter one for a full account of this.

which the push for needs over profits had become manifest, would have to be more stringently policed than ever before.

Under the cover of full employment and a burgeoning shop stewards organisation, this attack on the re-alignment of use and exchange value, would have to be mounted with capital in a *weakened* position. The TUC's ability to control the working class was by no means guaranteed and at any rate the TUC had vested interests in maintaining Labourism. In these circumstances the immense pressure from finance capital for the re-introduction of sterling convertibility, proved overwhelming. The development of the Euro-dollar market was also a related avenue of escape for finance capital. In 1958 sterling again became an international currency. However, the contradictions merely heightened. British finance capital became home to the euro-dollar market and home to sterling balances which could be lost in a moment of sustained speculation. In a word the City of London had again become the focus of international capital exchanges. As such, it became hyper-sensitive to domestic class conditions, which had more and more to fit in with international exchange requirements and not Labourism (Ingham, 1984).

The inherent weakness of the British economy had been shielded by the sterling area and, more precisely, by the fact that the trade imbalance would not translate into the movement out of sterling by lender nations. Convertibility changed all this. From that moment, to offset a run on sterling, the value of sterling had to be maintained in order for it to remain attractive to holders. This gave capital two choices. Firstly, it could commit itself to maintain the value of sterling, no matter the domestic requirements of labour, or, indeed, industrial capital. Secondly, it could commit itself to resisting any further lowering of interest rates and hiking them up when required. Both of these conditions necessarily damage fixed capital investment and the ability to export. In this respect the choices were of

the poison chalice kind. The high value of sterling strategy to save the sterling area, meant worsening balance of payment crises and hence the inevitable run on sterling, which again could lead to higher interest rates to keep sterling's value from falling further. The sterling area was lucrative while it lasted, but ultimately a lost cause for finance capital and became effectively useless, as a pillar for Labourism, from the late 1960s onward.

This was not the end of the problem facing Labourism. As the sterling area weakened so the importance of facing the far superior competitive forces of the EEC nations strengthened. When one combined this with the already chronic valorisation problem, the defining limits of Labourism become clear. By the late 1950s a clear choice offered itself to finance capital: either the working class be more stringently contained, or massive deflation and so de-industrialisation must inevitably set in. In the ensuing two decades the opposing natures of use and exchange value creation were never in greater contradiction as the objective struggle of capital and labour to realise the dominance of either one or the other over the economy as a whole gained pace within the context of all the conditions and contradictions so far defined.

### *Labourism and the Modernisation Movement*

The first initiative in response to the contradictions mentioned, adopted by successive Governments, was to resecure the foundations of Labourism. Hence the Conservative Government's moves to establish the National Economic Development Council (NEDC) in 1962. The NEDC was to be the central hub in a network of institutional arrangements between the TUC, government and, what



was later established as, the CBI. Initially the idea was that the NEDC would create the missing institutional links required by Labourists to generate the necessary administrative mechanisms throughout the economy and State, which would help secure capital and labour's commitment to Labourism. Agreements would be struck on the rate and scope of investment; rate of wage increases nationally and also the rate of growth of the social wage embodied in the welfare state. There was nothing revolutionary about the NEDC, no side was compelled to comply, initially. It was in fact a basic necessity of any Labourist, or Labourist type, system. Nevertheless, the stronger institutional role was soon abandoned and its real function as a method of containing wage inflation, by adopting incomes policies, quickly emerged. Through the Treasury and Bank of England, the influence of the City of London and finance capital was being clearly expressed. Finance capital need only threaten a run on sterling, in order to bring to heel any notions of a further suppression of value relations (Leys, 1986; Gamble, 1980; Longstreth, 1979; Ingham, 1984; Overbeek, 1990).

The second strategy was to intensify the containment of the working class via a series of national incomes policies. The 1960s were witness to five different incomes policies, ranging from the initial 'voluntary' agreement to the 'statutory' enforcement and on to the more direct 'freeze' on wages. The deepening restrictive nature of each were indicative, once again, of the Governments pro finance capital stance. As has been recorded, each incomes policy ultimately failed to contain working class demand. In fact they simply lead to the beginnings of a re-politicisation of the working class. The large public sector workforce were the only ones who suffered as a result of incomes policies. A large proportion of public sector workers sold their labour power outside of the law of value. A process which meant that any control over wages was invariably perceived as a *political act*. By the same token the public sector workforce feel the pressure from finance capital's fetishistic requirements to establish stringent

money controls, not as a natural law of the markets, but as a *political* act by the *Labour Government* of the day (Hyman, 1975) to reduce the standard of living and renege on their commitment to extending the social wage. Thus the political struggle over wages soon becomes a wider class struggle over the social wage. The knock on effect to the market sector, proved to be a major issue of concern, during the 1960s and 1970s. Leapfrogging wage rises and the offensive too them taken by capital and the Government, merely fueled the latent militancy and extended the politicisation of workers. The underlying process was to make the choice between needs and profits that much starker and uncompromising. The sterling crisis of 1966, exasperated the polar opposition emerging between use and exchange value. The inability to control the economic militancy of labour, eventually forced the Labour Government to expand the public sector and go for growth, by tackling finance capital head on with an enforced devaluation of sterling in the teeth of strong oppositional forces in the Treasury. Commodity fetishism was weakening even more and labour was moving from a class in itself some way towards a class in itself. Thus, although still policed by the Stalinised left and the TUC bureaucrats, a chain reaction of sit-ins, work to rules and takeovers by workers was set off by the late 1960s. As Spencer points out, from the abortive worker takeover of GEC factories on Merseyside, to the successful occupation of the Upper Clyde Shipbuilders, developed a succession of strategies struggling to break free from the control of the TUC and Labour Party. 'Work-ons, work-ins, sit-ins, occupations, etc,' all became methods of industrial action which, 'strikes at the heart of the ownership question',<sup>319</sup> and, one should add, the question of who should control the surplus.

That the incomes policies had backfired in such a drastic way for Labourism, can be of little surprise, in view of the fact that the policies had driven a wider wedge into the commodity form of production. Labourism, as, perhaps, finance capital

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<sup>319</sup> B. Spencer (1989), *Remaking the Working Class: Shop Stewards Experience*, p22, Russel Press Ltd.

had always feared it would, was being gradually transformed from the *containment* of the working class into the working classes bridge head to the State. They may not have physically entered the 'corridors of power', but the immanent power of their class power were beginning to dictate the terms and conditions of Labourism. Primarily this transpired as the dictation of use value and need over exchange value and profit. The problem for capital was diagnosed by *The Donovan Commission*, a Royal Commission of academics, industrialists, finance capitalists and trade union bureaucrats, established to discuss the 'problem of labour'. Despite the usual reification of the central issue, they struck at the heart of the problem for capital. The Labourist system, the report concluded, had brought into being an industrial relations system, which exhibited two opposing tendencies; a formal collective bargaining arena and an informal one. The conflict between the two had caused (so the Donovan Commission argued) the poor productivity, poor investment rates and the creeping inflation which had retarded British capitalist accumulation since the war. The essence of their argument can be summarised as follows: on the one hand, the formal mechanisms, controlled by the TUC and trade union bureaucracy in general, policed the setting of national wages and re-routed class conflict into harmless reform. On the other hand, there had developed an informal collective determination over the sale of labour power; one controlled by the rank and file and their shop stewards committees. The latter persistently broke through most national agreements and used the full employment conditions to exact wages without apparent regard to profitability. What is more, they resisted a significant number of attempts, at the point of valorisation, to restructure the labour process in an effort to increase relative surplus value extraction. The policing role of the trade unions and management had failed to curb this by impose even more rigorous formal bargaining procedures. As a result capitalists were forced to raise prices to cover the wage demands and the 'restrictions' imposed by workers on the rate of exploitation. This conflict, in turn, lead to further balance of

payments problems and inevitable economic decline. If this persisted, Labourism would come to an end. The Donovan Commission was a bulwark for Labourism and suggested the only remedy open to it: more bureaucratic policing of the working class. To this end, successive Governments were encouraged to set new agenda for industrial relations. Specifically, no strike 'cooling off' periods and the formalisation of rank and file shop stewards and their committees. It was thought that by tightening up control within the labour process, increased authority to determine the sale and use of labour power would shift to national and economy level, and so shift further into the sphere of influence of the Labourists. In effect the tighter bureaucratisation of labour was to be the basis upon which the polar oppositional trends of use and exchange value were to be anchored. If the anchor held, then class compromise could be effected. ANY weakness or fault lines and the polar opposition would produce ever more militant responses from capital and labour. Particularly so as the inflationary spiral implied by the opposition, would weaken even further the hold of the value relation. If labourism failed, in other words, finance capital would put immense pressure on the system to eradicate all restrictions on capital movement and the inflationary excesses of the State; while labour would push for further devaluations of money capital, greater rises in living standards and workers democracy to ensure these claims were carried through.

Initially, the balance of class forces went against finance capital, as the subsequent devaluations of 1967 and 1972 testify. The 1967 devaluation, coupled with the Wilson Government drive for modernisation, made it appear that a regroupment of capitalist forces within industry, in reaction against finance capital, was to be significant. The rationalising mergers of the 60s<sup>320</sup> and the rapid move towards more 'efficient' organisational structures (the 'M'-Form)

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<sup>320</sup> An indicator of merger rationalisation is suggested by the fact that by 1970 the top 100 manufacturing Companies accounted for 41% of manufacturing output, double the share enjoyed by the top 100 Companies in 1949, see Prais (1976) *The Evolution of Giant Firms, 1909-1970*, CUP.

(Nichols, 1986, p148-9); combined with the anti-labour policies of the Labour Party embodied in their document *In Place Of Strife* (1970) and Tory Party Industrial Relations Act (1971), was evidence of a concerted effort by Labourist forces to bring both labour and finance capital to heel.

The Labour Party and Tory Party commitment to taming the economic strength of the working class cannot be doubted. Neither can their commitment to bolstering the ailing bureaucratic atomisation imposed on the working class by the twin forces of trade union bureaucracy and personnel management. It is estimated that between 1963 and 1979 the personnel management function grew steadily from a figure of between 10, 000-15, 000 to 50, 000. As Pimblott suggests, 'it appears likely that representatives of personnel managers and industrial relations specialists on the governing bodies of organisations is strongly associated with the centralisation of pay bargaining' (1990, p294). *In Place of Strife* (1969) the Labour Party response to the findings of the Donovan Report, aimed at cutting the basis of working class resistance to the new rationalisation measures in industry. It proposed to give government direct powers to settle inter-union disputes; to impose a compulsory 28 day 'cooling off' period in the case of 'unconstitutional' strikes; to set up an Industrial Board to oversee the imposition of fines; to restructure informal bargaining, by incorporating the shop steward movement into the bureaucracy of their trade unions. Finally, in exchange for a greater effort by the trade union bureaucracy, to quell revolt from below, the government would enforce closed shop agreements, and provide greater protection over issues such as 'unfair dismissal'.

This left Labourist strategy was stillborn, due to the failure of the Labour Party to get re-elected in 1970.<sup>321</sup> Taken as a whole - rationalisation through mergers;

<sup>321</sup> Blackburn argues that Labour would have failed anyway due to its 'sentimental attachment both to bourgeois society...an to the obsolete Atlantic formula'. I think it more fundamentally correct to argue, as I have done above, that the Labour Party would have failed because the poor productivity..etc, and circulation

reorganisation of the large scale Company structures along 'M'-form lines; the development towards personnel management and centralised collective bargaining - the period was the peak of a trend in British capitalist society towards what has been referred to as 'Corporatism'<sup>322</sup> A project quite different than Labourism which, as argued is the outcome of the containment of class conflict within a declining capitalism which imparted, not a productivist or fixed capital bias, but the *maintenance of circulation capital bias* alongside bureaucratic atomisation of the working class. The election of a Tory Government in 1970, marked a definite movement away from anything like the ideal model of 'corporatism' and especially the haunting reality of the Labourist compromise. The move away was eventually to find its logical outcome in the election of the Thatcher Government in 1979. A mixture of right Labourist and finance capitalist motives are evident in the political strategy adopted by the Tory Government of 1970-74 to contain the threat of the working class.

### ***7.7 The beginning of the End for Labourism***

The main representatives of industrial capital, the CBI, favoured state regulation of industrial relations implied by the Labour document, but were most certainly against any notion of its other aspects such as state control of industry and 'worker representation on the board'. They were, therefore, resistant to any

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capital/short termism mentality, was structural to the 'success' (not in some abstract 'efficiency' sense) in controlling and containing the threat of the working class.

<sup>322</sup> Technically, 'Corporatism' is defined as a system of interest mediation..on a non-voluntaristic basis. The full implications of the social process are that markets are heavily circumscribed in a society where the state coordinates the actions of major institutional groups (labour and capital), through a rigid hierarchy of bureaucratic controls. It implies the possibility of the termination of class struggle (hence 'corporatism' remains an unrealisable goal). However, protagonists of the theory suggest societies are capable of drawing near to the ideal, for example, Fascist Germany. Proponents of the theory in practice, for example, Labourists in Britain, claim the Corporatist body can be interlocked with social democratic politics. The reality, however, as the 1960s and 1970s have revealed, is rather different - class conflict cannot be institutionalised out of existence!.

further movement to corporatism, despite the oft cited claims to the contrary made by large paternal capitalists such as Weinstock. If nothing else the dominance within the large industrial capital's of the institutional shareholders, through their ability to exact changes to the value of shares, not to mention their ability to exert minority control (see earlier chapter on finance capital), blocked any paternalistic desires to consolidate corporatist relations with labour.

In this respect the Tory Industrial Relations Act (IRA) (1971) appears to have gotten things just about right for large industrial capital *and* the interests of finance capital. Firstly, it advocated legal sanctions against trade unions and the working class, while rejecting any notion of an incomes policy. The lesson had been learned: incomes policies politicise the working class and are instrumental in weakening the bureaucratic containment imposed by Labourism. Secondly, the Tory Government adopted two (ultimately interrelated) strategies. A Neo-Liberal strategy for the wider economy and an industrial relations strategy specific to the re-commodification of labour power. The Neo-Liberal economic strategies aim was to rehabilitate and extend the sphere of influence of commodity relations. the regulatory powers of the NEDC were to be reversed and a market lead revival of the economy was to be introduced. Subsidies to so called 'ailing duck' industries would end, while stringent control of the money supply would again become the orthodoxy (the end of Keynesianism). The hoped for result would be deflation, an easing of the balance of payments problem, increased competition between firms, unemployment and a reduction in the collective power of labour. The Industrial Relations Act was designed to work in tangent with the above. As the discipline of the commodity form of production took affect, labour's own commodity status was to be re-invigorated and collective power weakened. The closed shop facility was to be weakened; the rights of individuals within trade unions were to be strengthened in such a way as to legally undermine collective decisions; a 60 day 'cooling off' period

before industrial action was to be introduced, as well as individual ballots before strike action.

These strategies of the 1970-74 Heath Government were not simply an attempt to deal with the ailing exports industry, spiralling inflation and the chronic balance of payments problem, crucial as these were. Nor was it simply the outcome of a sudden realisation of the Government that British capital's international accumulation strategy had to be re-orientated from an 'Atlantic' to a European one (Blackburn, 1971; Overbeek, 1990). Although this too has some truth. In a more profound sense, the Heath Governments strategies were an attempt to break with the Labourist containment of the working class.<sup>323</sup> The balance of payments and inflation problem had been driven to crisis proportions by the prospect of the break up of imperial preference and the pressure of having to adjust British average socially necessary labour output to EEC standards. Yet the adjustment was an impossible one, given that one of the main pillars of Labourism, *the site of valorisation* (in particular the large industrial capital's which dominated the economy such as GEC, ICI, British Leyland, British Steel etc), had been structured in such a way as to give finance capital maximum flexibility through the dominance of circulating capital. As explained earlier, informal pragmatic collective bargaining, overlain with the formal structures of worker atomisation provided by personnel management and trade union bureaucracies, on the one hand and short term circulation capital bias *within* the large productive capital on the other hand, were a crucial manifestation of Labourism. As were its empirical results: poor productivity, low rates of growth and investment. Thus the problem was not so much one of an international re-

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<sup>323</sup> Much has been written about the cohesions and breakdowns of 'international capital' vis-a-vis nations in the age of imperialism. While helpful in setting some crucial aspects of the context of the **class conflict between capital and labour** and some of the courses of action open or closed to capitals; it should not be used as a substitute for such an analysis, yet this has been by and large the case within Marxist literature (eg, see R. Blackburn, 1971; Overbeek, 1990). One must insist that the *underlying contradiction* between capital and labour, not capital and capital, via some abstract 'imperialism', is the real ground upon which an understanding of the aims, concessions and contradictory policies capitalist governments are forced into.



orientation, or piecemeal reform, but one of the beginning of the end of an epoch of the Labourist containment of labour. Commodity fetishism had failed, now Labourism was failing. A fact inherited by the Thatcher administration.

In as much as this was the real underlying issue to be resolved by capital, then the two strategies unfolded by the Tory Party in 1971 were indicative of the fact that, far from driving harder to maintain Labourism, most sectors of capital wished an end to Labourism. None more so than either the smaller capital's or the financial institutions of the City. Small capital's because they had been emasculated by economy wide incomes policies, the collective strength of labour and taxation claims which bore little relation to their rate of accumulation or specific market conditions. Institutional share holders and financiers wished an end to Labourism because they had been hemmed into a declining domestic economy where valorisation was proving ever more difficult, due to the politicisation of the working class, which had increased each passing year of Labourism. Trapped within the British economy, buying and selling shares in a vane effort to boost short term dividend profitability, against a backdrop of escalating worker discontent, could only ever be a short term response. One fraught with increasing danger, as the economy slowed and the working class breached the barriers of their bureaucratic atomisation, to defend what they perceived to be a social contract between themselves and left Labourists to provide needs regardless of profit. The CBI may have voiced reservations about the IRA (Leys, 1986; Coates, 1989), but, caught in a vice between the TUC's inability to control the working class adequately and embroiled in disenchantment amongst capitalist with Labourism, the CBI could bring no strategy of its own to the bargaining table.

### 7.8 *The Final Collapse.*

The historic defeat of the Tory Government has been well documented, both in its ability to enforce deflationary policies and to control the collective power of the labour movement.<sup>324</sup> By 1972 the IRA had been shelved, laid to ruin by the working class.<sup>325</sup> In the same year a complete reversal of economic policy had occurred. The infamous 'Barber Boom', set in motion a massive reflation of the economy. The Tory government had backed down and recommitted itself to Keynesian demand management. The Tory Government made some noises in the direction of corporatism, but the commitment was only half hearted as the TUC terms were too demanding.<sup>326</sup> Finance capital were being made to pay for the Governments failed attempt to remove Labourism and now had to bide its time before making its next move to attempt to dissolve the Labourist compromise.

The majority of commentators, quite correctly, point to the political ineptitude of the Heath Government over its handling of the two strategies, as well as its misfortune in carrying through the attack on the labour movement just when the world economic crisis and OPEC oil embargo hit Britain. While it is quite right to say that the Government were inept in using civil law (a tactic which made 'martyrs' of the working class, around which they could collectivise their threat to capital); and correct to point out that they attempted too much industrial relations reform too soon (a fact which gelled further still the collective response of

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<sup>324</sup> For example C. Crouch (1979); A. Barnett (1986), *Class Struggle and the Heath Government*, NLR, No 77. D. Coates (1989).

<sup>325</sup> The TUC had also felt the pinch of government policy to bring an end to Labourism. This had the effect of weakening the TUC's desire to control worker militancy; in fact the opposite was the case. The TUC eventually backed the call for a General Strike to bring down the IRA. The gaoling of the 'Pentinvile Five' (Dock workers gaoled for breaching the IRA), brought the whole process to a head, leaving the Government no option, but to either take on the working class at a time when the TUC were unwilling/unable to stop them, or backdown; the latter was of course preferred at this particular moment in the balance of class forces.

<sup>326</sup> The Government brought the TUC and CBI together for talks about the formulation of economic policy based on the NEDC. However, according to Fox (1985, p402), 'The union proposals which included repeal of the IRA and the Housing Finance Act, were deemed to be too high a political price and the government backed off'.

labour). However, such diagnosis continue to miss the main point of why the response from the working class was so explosive, so immediate and so damning for capital. To explain this one must refer to what the elimination of Labourism meant in terms of the commodity form of production relations.

It has been argued in this thesis that, commodity fetishism, as *the* capitalist labour control mechanism has gone into decline. The source of that decline lay in capital's incessant need to abstract labour in production and exchange in order to increase the efficiency of relative and absolute surplus value extraction. Yet the abstraction of labour transforms itself into working class socialisation in production. The subsequent collective organisation of its leading sections against capitalism limit capital's ability or desire to further the abstraction of labour. Due to this limit, fixed capital investment declines, as does the capitalist mode of production. The decline issued forth capital's primary response: the development of finance capital and its dominance over the economy and labour. Finance capital initially used parasitism, de-industrialisation, slump and the resulting high, sustained levels of unemployment, in their attempt to regain control over labour. Although surplus value extraction suffered, finance capital's profits did not necessarily do so, due to monopoly pricing and more importantly the export of capital.

However, this was only ever a short term strategy of labour containment and, as explained, a new strategy had to be institutionalised; one which *supported* ailing commodity fetishism and allowed the continued development of the abstraction of labour in production and exchange. Thus the Labourist system came into being in order to re-establish control over labour. The essential task was to allow the further abstraction of labour in production to continue, while resisting the negative effects it has on increasing the social integration of labour power and the effects this subsequently has in developing class wide action and

consciousness against the system. For this, Labourism has to penetrate the whole of society - the state, the economy and the site of valorisation itself. As argued, The Labourism which slowly emerged to actuality after WW11, attempted to gain this level of penetration. The sum total of social welfarism, full employment, Keynesian management of money, national collective bargaining system, and the combination of personnel management and trade union control at the workplace, sought to penetrate every pore of society and in so doing contain the working class in a bureaucratic straitjacket. The purpose was to politically atomise collective labour and channel labour into abstract collectives, limited to reforming the fundamental condition of alienation.

The inherent contradiction between capital and labour in the face of a declining capitalist system, proved to be far too strong a force for labourism to resolve. Labourism brought control, but at the price of poor productivity, poor investment in fixed capital and output growth rates vis-a-vis competitors. Nevertheless, Labourism, for a period, resting upon the pillar of Stalinism (see earlier explanation), did contain the potent force of socially integrated labour. The containment strategy was weakened considerably, however, when the institutions of the sterling area, as a central material support pillar of Labourism, eventually crumbled. The 1960s bore witness to the fact that, as Labourism grew weaker, its institutions became accessories to the re-politicisation of the working class. The class had gained entry to the State and Government policy. It began to use, as a kind of 'battering ram', the very institutions (collective bargaining, full employment, social welfare commitment to the meeting of needs) which before had served to emasculate labour. Thus, when the Tory Government decided to dissolve their commitment to Labourism, they were effectively dissolving the *control mechanism over labour* at the very same time as labour had become politicised into defending them. The outcome served only to strengthen the inherent socialisation of labour and intensify its political will to resist capital.

As history reveals, the TUC were way behind the working class and finding it increasingly difficult to head off their political confrontations with the state. The mineworkers victory in 1972 and more infamous one of 1974, which had ushered in the three day weeks and blackouts, were merely the head of steam generated out of the wider social unrest, guiding, focusing and radicalising it. As Kessler puts it the three day week and the blackouts thrust 'industrial relations into peoples homes - their lights went out - and that raised the significance of industrial action in pursuit of wage claims to a new political level' (p23, 1992).

The effects of the Stalinist influence over labour, however, were reinforced. The doctrinaire belief in and uncritical acceptance of a national state socialist project, was always to be the reef upon which the working classes militancy would flounder. It is around such a project that the Labour Party and trade union left (then called the Bennites) could fulfil their historic role for capitalism; welding the working class to Labourism once more. The fact that the revolutionary left was either seduced by the Labour Party and/or were wedded to the view that something inherently progressive and socialist was at work in the USSR, left the working class with little direction to channel its discontent, accept into electing a Labour Government once more. The left of the Labour Party, in winning the political head of the working class to Labourism once again, had won the right to at least call the manifesto shots of the incoming Labour Government of 1974. The result was that Labourism was provided with the all too necessary radical twist in order to dispel the militancy of workers and draw them back into reformism. The new twist was that use value would be given even higher prominence as a telos for social relations than Labourism had endorsed hitherto. Exchange value and its criteria was to be a poor second. Empirically, this revealed itself in the Labour Party manifesto as a massive expansion of social welfare; firmer commitment to full employment; stronger emphasis on demand management; and the extension of the nationalisation programme into industry

and the financial institutions of the City. As Hawkins points out, 'The idea behind the contract..was that workers might be induced to moderate their claims for higher money wages if their 'social wage' was improved. In return the TUC undertook to persuade affiliated unions not to push for increases in the real incomes of their members' (Hawkins, 1978, p72-3).

Against the backdrop of world recession and the OPEC oil embargo, the further re-alignment in the commodity form of production relations, which the commitment to a 'social wage' on the scale envisaged in 1974 implied, only intensified the antagonism between capital and labour. The result in 1974-75 was an effective strike in fixed capital formation leading to a 'three fold increase in unemployment'<sup>327</sup> to 1.5 million and 25% inflation. Known empirically as 'stagflation', its historically specific significance lay in its revelation that the unity of exchange and use value, which held commodity relations together, was beginning to stand in outright opposition, tearing apart commodity production relations. One estimate has it that profits as a percentage of GDP fell between 1972-76 from 14% to 9%.<sup>328</sup> As measured by the effective sterling exchange rate, the value of sterling had fallen by 29% between 1971-5.

Keith Joseph, one of the leaders of the new Neo-Liberal faction within the Tory Party, was adamant that British capitalism was heading towards destruction and eventual 'socialism'; propelled by the institutions of the Labour Party and trade unions, who had little control over the workers they 'represented' (see Coates, 1989). His worries for the *negative* destruction of capitalism were well placed, which is more than one can say for his views that the Labour Party were leading workers to socialism. The social contract entered into by workers and the Government, which was suppose to enhance needs over exchange value (the

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<sup>327</sup> P. Ormerod (1992), *Government Policy and Profitability*, cited in J. Mitchie (ed), *The Economic Legacy*, p294, Academic Press.

<sup>328</sup> P. Ormerod (1992), *ibid*, p294. This calculation excludes oil and is net of stock appreciation.

'social wage'), in return for observance of an incomes policy, was more than a little one sided. Faced by world recession, runs and threatened runs on sterling and inflation (which appeared to be getting out of control), the Labour Government implemented its incomes policy, but refused to carry out most of its promises to labour. A case of a 'contract' on the basis of *all* exchange value *no* use value. As Glyn & Harrison observed, 'Neither Benn nor the Tribunes fought effectively against this line'. Any talk of an 'alternative economic strategy', was confined very much to the corridors of Parliament and viewed as the usual 'Top down' socialism, through legislative slight of hand (1980, p110-11). With little political organisation to back up its economic muscle, the working class would remain entangled in the machinations of Stalinist influenced left politics. The TUC were brought into central frame to face down pressure from the rank and file and impose the incomes restraint on member unions.

In the context of this there was a run engineered on sterling which forced the Labour Government into acceptance of another IMF loan. The loan came with conditions not surprisingly beneficial to finance capital. The Public Sector Borrowing Requirement had to be cut by £3 billion and control of the money supply was to be the focus of policy, not commitment to full employment. The Labour Government faced down wage rises in the public sector with renewed vigour, while the TUC done likewise in the private sector. The government then proceed to uncoil its commitment to Labourism at the behest of the City and IMF. One after the other, it ended its commitment to Keynesianism, to any notion of physical planning and ushered in monetarism. As a result, alongside wage restraint, the working class were now asked to accept a total re-alignment in commodity relations. Cutbacks in social welfare commitments, the deflationary control of money supply in the overall interests of value accumulation and the introduction of a viable reserve army of labour. The Labour left remained silent.

Once the promise of 'socialism from above' had collapsed, the working class mobilised to smash Labourism, the so called 'winter of discontent' being the empirical manifestation of this. However, with no political guidance, except the negativeness of 'state socialism', the smashing of Labourism proved to be a wholly negative affair. The Labour movement collectivised in a negative show of strength to smash Labourism, then disbanded to leave 'Thatcherism' to emerge out of the ashes. The 'Alternative Economic Strategy' of the left appearing ludicrous in a situation where capital was running away from, not embracing, further mutations of Labourism.

With full recognition of the the failures of the 1971 IRA, the new Thatcher faction sought to squeeze out the last vestiges of Labourism which had enmeshed capital and labour. The trade unions, useless in their ability to control labour had to be by-passed. A series of 'Employment Acts' throughout the 1980s and 90s were deployed. They were designed, not so much to control 'union power', (the real problem was that unions lacked any real power), but to de-collectivise the working class, as a preemptive strike before attempting to recommodify labour power. While this route was taken, and in an effort to speed up recommodification of labour power, finance capital was set free to ravage the domestic and world economy in its parasitic craving for profit over and above surplus value extraction. The results of the past 15 years of political atomation, structrual unemployment and slump economics, in an economy in rapture to parasitism from the City of London, in the form of deregulation, privatisation and recommodification, is evidence of the fact that Labourism, as a strategy of labour containment and the containment of capitalist decline, has been well and truly abandoned by the British ruling class. The slump and structural unemployment, may have succeeded in atomising labour, but is, more essentially, evidence that



capital has distanced itself further still away from labour, and is ultimately, therefore, the harbinger of a steepening of the slope of capitalisms decline.

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