

Discussion Contribution

Some Points on Capitalism's Economic Prospects

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IN the very valuable report on capitalism's economic prospects there are I think two special questions which require further discussion.

1. The statement that "in the main the inflationary phase in the post-war period has now come to an end".

2. The possibly inadequate recognition of the special character of the parasitic imperialist development of Britain's economy, and the consequent problems arising therefrom, which are illustrated sharply in the current economic situation.

With regard to inflation I can understand the intention of the statement as designed to refer to the immediate recent experience of the past couple of years during which the Government has exercised a restrictive policy and tried to hold down prices. Attempts of this kind, however, and their successive failure have been characteristic phases of the wider long-term process of inflation. In the present period prices have again begun to rise rapidly, and there is once again talk and denials of possible devaluation of the pound.

Recently *The Times* published a table of the rising prices in all capitalist countries over the period of about the past forty years. This table showed more or less continuous rises in prices in all countries, irrespective of weak or strong currencies, also in respect of the purchasing power of the Swiss franc or the American dollar. Variation between differing countries would only be in the amount of the rise of prices. *The Times* calculated that on the whole prices tended to double in about thirty to forty years.

This is in fact an extraordinary phenomenon. With the continuous advance of technique and productive power, able to turn out more and more goods with less and less labour, it would be natural to expect that prices should be continually going down. In the period of normal capitalism in the second half of the nineteenth century this was in fact the case. Now, however, it has been taken for granted that prices always go up. The pound is declared to be worth 10s. or 6s. or 4s. in

terms of a given previous year. Where before Government stock was considered to be the safest sound investment of capital, "gilt-edged" is now regarded as a snare and a trap. It was recently shown that trade union funds have lost £34 million since 1949 through being invested in "gilt-edged". The Church with its keen scent for anything to do with the affairs of Mammon was quick to make the change and has been basking in the subsequent profits. This represents a remarkable reversal from classic capitalism.

The gold standard of classic capitalism was an objective regulating force which was outside the control of the capitalists. It was entirely understandable that after the first shock of the general crisis of capitalism through the First World War all the efforts of the capitalists were concentrated on the restoration of the gold standard. When that collapsed in Europe in 1931 all the efforts were still directed along the lines of the classic economic principles to work back to the old basis, whatever the costs in respect of the home economy and mass unemployment. It was in these conditions that the Keynesian doctrine began to take hold, first as a heresy, and then became the new orthodoxy. The new Keynesian orthodoxy threw overboard the old classic conceptions, and declared that budget deficits could be salutary, and miracles could be achieved with the extension of cheap credit. During the past quarter of a century this became the new orthodoxy. Now the Keynesian theories are already old-fashioned and under attack as it has become realised that the consequences of these policies involve a creeping inflation which eats away at the very basis of capitalism.

The Economic Cycle

The question asked at the starting point of the report on capitalism's economic prospects correctly reflects the question often raised on the apparent disappearance of the type of slump previously familiar and the consequent readiness to accept theories of a new capitalism. This question

is quite correctly answered in the report, which shows the continuance of the cyclical process. But in fact the question tends to put the problem out of focus. All the memory that exists today among most now living of previous crises of capitalism, is either of the crisis of 1929-31, which was an entirely abnormal multiple crash due to a whole number of factors, or the long mass unemployment in Britain from 1920-40, which was again a special phenomenon of the decline of British imperialism. The memory of the old normal process of the trade cycle as described by Marx has been replaced by these special memories, with the result that the absence of the recurrence of these abnormal situations has become the breeding ground for the host of reformist theories of the supposed new capitalism. In answer to such false theories the report correctly shows the continuance of the cyclical process in the complicated conditions of the general crisis of capitalism. This, however, always involves the danger that, because the question has in fact been posed in a wrong way, our answer appears to take a conservative defensive position in opposition to those who are trying to indicate changes in the character of present-day capitalism. But it is precisely the new features that are important. When Lenin wrote his *Imperialism* and refuted the revisionists of his day who claimed that capitalism had changed from the classic capitalism described by Marx, he did not make his main task to show that the classic analysis of Marx still held good, but to emphasise the real nature of the further development which had taken place in capitalism and which meant in fact not an improvement of conditions and a lessening of contradictions, but an extreme increase of contradictions. This applies similarly to the phase following the Second World War; and the consistent development of inflation is one of the symptoms of the extremely sick condition of the present stage of capitalism.

In the old normal operation of the trade cycle the period of boom was followed by the onset of a slump. Factories were closed, unemployment extended, the economic strength of the trade unions was weakened; wages were brought down, small businesses were made bankrupt. So the conditions were created for the cycle to begin anew.

The process of inflation, however, is not a sharp sudden crash, but a continuous expropriation. The purchasing power of wages is steadily eaten away. Only the most strongly organised sections are able to make good this loss and race after the increases of prices with increases of wages. The more weakly organised and the unorganised and all the low-paid suffer. All those with low incomes lose

heavily. Similarly with savings. The basis of capitalism required the inculcation of thrift as a cardinal virtue. Now the conception of thrift and small savings is turned into foolishness. Thus we have here not only the built-in strength of the big monopolies to withstand the normal processes of slump and very considerably maintain their price structure, but a consistent robbery of the mass of the people in contrast to or in addition to the short sharp attack of the old type.

The Balance of Payments

This development has a further very important bearing on the question of the balance of payments and Britain's present deficit in the balance of payments. The deficit this time shows a number of remarkable new features. In the book I used to write at intervals on *Britain's Crisis of Empire* or *The Crisis of Britain and the British Empire* in 1949, 1953 and 1957 I had to deal each time with the view that the problem of the deficit had now been overcome, that the Labour Government had achieved a remarkable recovery, or that the Conservative Government had achieved a remarkable recovery, and that the analysis given therefore no longer applied. In the preface to the 1957 edition I wrote that: "The facts themselves cannot be so easily exorcised. The facile dreams of 'recovery' without facing the basic problems have now twice faded", and that the deficit on the balance of payments would in fact return. It has now returned.

But it has returned with new features which show a far more advanced stage of decline than that analysis in my book. In my book I showed how the United Kingdom dollar deficit was balanced by a dollar surplus from the "rest of the sterling area", that is, especially the colonies and dependencies. The cocoa and palm kernels and rubber and oil from the colonies earned dollars and so paid for the dollar imports of all the latest American gadgets imported into Britain. This was partially reflected in the trebling of the colonial sterling balances during this period, reaching to a height of £1,400 million, equivalent to forced loans from the colonies to Britain. This situation is now transformed. While the price of primary commodities has fallen, the newly independent countries have begun to draw on their sterling balances. The recent period has shown a simultaneous deficit of the United Kingdom and of the rest of the sterling area with the non-sterling area. In 1960 the United Kingdom had a deficit of £644 million and the rest of the sterling area a deficit of £399 million or a combined deficit of £1,043 million for the entire sterling area.

How has it been possible with this net total

deficit for sterling to be maintained, and for even some export of capital to be continued? An examination of the accounts for the past period would suggest that the main balancing factor has been the inflow of long-term capital (temporarily also in the recent period, but to a lesser extent short-term capital), mainly American capital from outside the sterling area—in other words dollar investment in Britain and the British Empire. During the past decade 1950-60 it is estimated that roughly £1,000 million of American long-term capital has been invested in Britain and £2,000 million worth in the rest of the empire equivalent to a total of £3,000 million. While this has helped to stem the immediate deficit, it means that the real problem is only accentuated as the return flow of payment of interest and dividends on these investments begins to increase each year from the sterling area. During the same ten years it is estimated that British payments on American investments have risen from \$200 million to \$600 million in 1960 or £214 million. Britain, from being a tribute-receiving power, begins to pass into the colonial category of a tribute-paying power. There is still a surplus of tribute received, but that surplus steadily diminishes and the prospect when the two curves will cross draws in view.

From this follows the second decisive new feature of the present deficit on the balance of payments. This is the fall in the net income from so-called "invisibles". In the type of situation of the parasitic imperialist economy described in my book the trade gap or import surplus was covered by the so-called "invisibles" income, representing the return on overseas capital, international financial commissions, shipping income etc., in other words the income reflecting Britain's position as a leading world imperialist power. In 1950 a trade gap of £133 million was covered by a net "invisibles" income of £433 million, thus leaving a comfortable net surplus still for export of capital and overseas military expenditure. But in 1960 a trade gap of £366 million was only diminished by a net "invisibles" income of £22 million. Although the determined drive to export capital had resulted in an increase in the gross income from overseas investments the net income had fallen because of the outward drain of payments on the increasing American investments in Britain. In 1950, 55 per cent of the gross income from foreign investments became net income. By 1960 only 29 per cent

remained as net income. At the same time the net shipping income had been lost, and the overseas military expenditure rose between 1950 and 1960 from £100 million to £215 million.

Deepening Crisis

All this reveals an extreme stage in the present deepening crisis of the imperialist economy of Britain. It is very important for this to be widely understood, since it has a decisive bearing on the future economic and political perspective. The imperialist tribute surplus as a basis of Britain's economy was equally the basis of reformism in Britain, as Lenin constantly showed. Now the conditions for the continuance of this are approaching their end. Hence the immediate concentration on such a military aggression as that in Kuwait, which in fact will further burden the balance of payments, but necessary in the view equally of the Tory Government and of Gaitskell because the profits from Kuwait oil represent something like one-third of the British profits from overseas investments.

The entire character of the new Labour Party programme is directed to restricting consumption in order to make possible accumulation and export of capital so as to restore the flow of tribute to Britain. Thus the leaders of reformism, so far from presenting themselves as the champions of improved conditions and social services, become the champions of restricting the standards of the people. As these conditions develop, and as the bankruptcy of the old imperialist tributary basis, and the ruinous costs of the efforts to maintain it, become evident, the real choice before the people will be presented with increasing sharpness. In place of the assumption of tribute all over the world and the domination of the City, it will become necessary to face the physical realities of a future of Britain independent of tribute, and equally independent of American or other foreign domination, and to develop a programme in terms of the resources, production and working people of this country. The future passes from the striped pants of the City or their Gaitskell-like hangers-on to the real productive creators, the workers and scientists and technicians. The alternative to the bankruptcy of the programme of Conservatism and reformism, based on the assumptions of imperialism, becomes more and more visibly the programme of our Party, the programme of the British Road to Socialism.