

Fourth International

A JOURNAL OF INTERNATIONAL MARXISM PUBLISHED BY THE INTERNATIONAL COMMITTEE OF THE FOURTH INTERNATIONAL

NOVEMBER 1966

VOLUME 3 NUMBER 4

PRICE: 4/-



An Evaluation of John Maynard Keynes

ROSA LUXEMBURG

NIGERIA TODAY

MONOPOLY CAPITAL



Fourth International


A Journal of International Marxism

Published by the International Committee
of the Fourth International

186a Clapham High Street, London S.W.4

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Cover photograph shows John Maynard Keynes with Henry Morgenthau at Bretton Woods, 1946

EDITORIAL

It is ten years since the workers of Hungary were bloodily suppressed by the armies of the Stalinist bureaucracy after briefly establishing the power of workers' councils in the towns of Hungary in October 1956. The workers of Poland had, by their mass actions organised by similar councils, forced the removal of the ruling group within the Stalinist bureaucracy in their country.

In those struggles, the workers of Eastern Europe fought to defend the economic gains of the expropriation of the capitalist class, and fought that they could do this only by armed struggle against the Stalinist bureaucracy. This Stalinist bureaucracy had usurped the conquests of the Russian proletariat, first established in the Bolshevik-led revolution of October 1917.

The struggle of the workers' councils in Eastern Europe is characterised by the Stalinists as 'counter-revolution' and the work of imperialism. It was in fact the only revolutionary path for those workers. In order to take their place beside the international working class in the struggle to defeat imperialism, they were and are forced to take the step of **political revolution** against their bureaucratic rulers. These bureaucrats, part of the international apparatus of the Stalinist bureaucracy in the Kremlin, play the counter-revolutionary role of accommodating to the imperialists and separating the workers of Russia and Eastern Europe from the class struggle against imperialism in the rest of the world.

This accommodation to imperialism is in fact a growing and enormous danger to the conquests of the October Revolution and its extension by military-bureaucratic means into Eastern Europe after World War II. When the Hungarian and Polish workers today con-

tinue their struggle against the bureaucracy, they are the best defenders of these gains, just as they were in 1956.

The workers' councils of 1956 were thus part of the very same struggle as that of the Vietnamese workers and peasants today, as that of workers in the advanced capitalist countries against their own ruling classes as the most effective blow they can strike against the imperialist butchery in Vietnam. The international class struggle is one; the programme of the Fourth International is the revolutionary basis for effectively uniting all these struggles under Marxist leadership for the defeat of world capitalism. This is why only the Fourth International, through the International Committee, can mobilise at the same time the most effective forces against the imperialist war in Vietnam and for the defence of the Hungarian and Polish Octobers.

This unified programme was dramatically expressed in the demonstration at Liège, Belgium on October 15th, 1966. There the revolutionary youth of the British Young Socialists and French youth paper 'Révoltes' participated in an international youth demonstration against the imperialist war in Vietnam and against the North Atlantic Treaty Organisation. Their participation was based on the essential nature of a struggle against the bourgeoisie in their own countries as the key to a struggle against imperialist war. There is no peace without new revolutions, as Lenin said. But the preparation for such struggles for power requires in our epoch an implacable fight against the counter-revolutionary Stalinist bureaucracy. For this reason the Trotskyist youth of Britain and France carried the banner, 'Long Live the Hungarian Revolution

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of 1956!', and defended it against all those Stalinists, fellow-travellers and pacifists who left the demonstration or threatened to do so, once an attempt to call in the police had been exposed.

This expression of the radicalisation and political development of working-class youth represents the living forces which make the programme of the Fourth International at its founding conference in 1938 a document of burning actuality. As the Manifesto of the 1966 Conference of the International Committee makes clear, the crisis of the capitalist system forces the imperialists to threaten every historical gain made by the working class, from the property relations established by the October Revolution to the basic trade union organisations of the old capitalist countries.

But these attacks, in Vietnam as well as in Western Europe, are the result of crisis, and not of the strength and confidence of the ruling class in any sense. The imperialists have to engage the mighty forces of the working class in struggle. Wherever they turn to resolve their crisis, it is this great force which stands against them. Workers are drawn into struggles which are immediately political in character: the question of power is raised at every turn by the attempt of the capitalists to saddle the working class with the crisis. This means that a battle for political leadership is fought out in front of the workers in struggle.

It is therefore in a changed international context that the workers of the USSR and Eastern Europe take up their struggle against the Stalinist bureaucracy today. Through intervention in this new stage of the world class struggle, the forces of the International Committee of the Fourth International hold out an entirely new prospect for the struggles in such countries as Hungary.

When the Young Socialists and the Socialist Labour League in Britain fight against the Labour Government and its

attempts to discipline the working class to capitalism, they are building the force which can really support the revolutionary war in Vietnam. At the same time, they strengthen the only force which is really capable of building on the experience of the Hungarian struggle against Stalinism, the Fourth International, whose programme unites all these struggles.

When the French Trotskyists of the Organisation Communiste Internationaliste, and the revolutionary youth of the paper **Révoltes**, fight against de Gaulle, and against the 'socialists' and Stalinists who welcome his 'peace initiatives' on Vietnam, they too are basing themselves on the programme of Bolshevism: the enemy is at home, in our own country, the class enemy.

Here then is the real proletarian internationalism. Against all the false 'friends' of the Hungarian Revolution, from open anti-communists to revisionists like the Pabloites who cover up for the bureaucracy, the task is to build an international revolutionary leadership which can unite the Hungarian workers in their political revolution against bureaucracy with the struggles of workers in the imperialists countries against the capitalist state.

Against all those who call for 'peace' in Vietnam, from de Gaulle to the Stalinists of all varieties, the task is to strike blows against the imperialists who conduct the Vietnam war, body-blows from the working class of the advanced capitalist countries, above all the USA, France and Britain.

The working class can only be mobilised for such battles behind a Trotskyist leadership which fights against the opportunists and Stalinists at every turn, to resolve the crisis of working-class leadership. Here lie the lessons of the Hungarian Revolution of 1956, of the Vietnam war of 1966, of the October Revolution of 1917, and of the long struggle of Trotsky to build the Fourth International on the foundations of Bolshevism.

An Evaluation of John Maynard Keynes

by **G. Pilling**

'To understand my state of mind, however, you have to know that I (believe) myself to be writing a book on economic theory which will largely revolutionise—not, I suppose, at once but in the course of the next ten years—the way the world thinks about economic problems. When my new theory has been duly assimilated and mixed with politics and feelings and passions, I can't predict what the final upshot will be in its effect on action and affairs. But there will be a great change and, in particular, the Ricardian foundations of Marxism will be knocked away.'

THERE IS LITTLE doubt that the work of John Maynard Keynes (1883-1946) has had the greatest impact upon both orthodox economic theory and policy in this century. No development of Marxist political economy is possible without a thorough and systematic critique of his contribution to the development of economics and to bourgeois thought in general. Although many professional economists might dissent on points of detail and emphasis from his conclusions and even from his method, Keynes' theoretical system is the 'starting point' for contemporary discussion. Or as one recent writer has put it 'modern economics is neo-Keynesian economics.'² It is the purpose of this paper to begin a treatment of Keynes' work; for this purpose concentration will be placed upon his own writings and particularly upon his most mature statement, the *General Theory of Employment, Interest and Money*.³ Some reference will be made to post-Keynesian developments, but these will in the main be left for treatment at a later date.

It is especially necessary that Marxists take up the challenge and the problems posed by Keynes. It is widely assumed that as a result of his work the problems of instability and crisis which were formerly a normal feature of capitalism are now largely a thing of the past. As such it is widely believed that Keynes deals adequately with the Marxian and socialist critique of capitalism. It is also important that Marxists take up a struggle against Keynesian theories because, in the opinion of the present writer at least, much of the discussion about Keynes from those claiming to be Marxists has been crude and inadequate. Paul Sweezy, by no means the worst example of this type, has suggested that while the Keynesian system is constructed in logically consistent terms it is 'utopian' in the sense that Keynes' theoretical system does not correspond to the situation in the real (capitalist) world: that it is impossible to apply his remedies for the ills of capitalism. Thus Sweezy's discussion of Keynes is largely concerned with the role of the state as an economic instrument; with the possibilities for income redistribution and the 'socialisation of investment' under capitalism. Although many of the points

1. John Maynard Keynes, letter to George Bernard Shaw, Jan. 1st. 1935. Quoted in R. F. Harrod, *The Life of John Maynard Keynes*, London 1951, page 462.

2. Jan Pen, *Modern Economics*, London, 1965, page 10.

3. J. M. Keynes, *General Theory of Employment, Interest & Money*, London, 1936. (Hereafter *General Theory*.)

which he makes are formally correct they are discussed largely in isolation from the theoretical system and method of Keynes, which is assumed to be 'logically consistent'. It is interesting that this same writer, at the time of Keynes' death, in evaluating his contribution to the development of economic theory, makes large concessions to him.⁴ Other writers, more directly under the impact of Stalinism, have had no consistently worked-out attitude to Keynes: their position has varied in direct relation with the position of the Soviet bureaucracy.⁵ It is necessary for Marxists to tackle Keynes from a methodological point of view and to place him correctly in the evolution of bourgeois economic theory. Secondly, his work must be critically examined from the point of view of the light which it throws on the development of the capitalist system itself: Marxists must deal with the 'New Economics' as an ideological reflection of the development of capitalism itself. It is my intention here to tackle both of these problems, the first one in more detail than the second.

Keynes' claim to a place in the leading ranks of orthodox economics lies in the fact that he was amongst the first, during the 1930s, to attempt to show, in a worked-out theoretical form, why capitalism was not an automatically self-regulating system of production which guaranteed the maximum utilisation of productive resources. That capitalism was such a harmonious system had been one of the implicit assumptions throughout most of the nineteenth century—from the final triumph of the Ricardian economics over those of Malthus. An economy based upon private ownership in the means of production, it was assumed, did promote just such a full utilisation of economic resources. This implicit assumption was perhaps most crudely seen in 'Say's Law of Markets' which in the now famous phrase asserted that 'supply always creates its own demand'.⁶ All the leading representatives of orthodoxy—Ricardo, Mill, Jevons, Marshall, and Pigou—followed in this tradition. Marx and his followers, along with a few other isolated writers, stood alone in rejecting this orthodoxy.⁷

The Great Depression of the 1920s and '30s threw such orthodoxy into crisis. Keynes' role was to provide the most coherent and consistent attempt to resolve this theoretical crisis by incorporating into the body of economic theory new concepts and categories which would enable economics to explain this crisis and also advance practical remedies for its solution. The import of Keynes' achievements and the place of his

General Theory as a classic of economics depend upon whether one accepts that his theoretical system did constitute a 'revolution' in the methodology of economics. That this is the case is now almost universally accepted, by pro- and anti-Keynesians, including many Marxists.

Keynes himself felt that his work involved a sharp, even painful, break from the grip of orthodoxy. His treatment of both his predecessors and his contemporaries (notably A. C. Pigou, at that time Professor of Political Economy in Cambridge) is often unsympathetic and disparaging in tone. He writes in the *General Theory*:

'The composition of this book has been for the author a long struggle of escape, and so must the reading of it be for most readers if the author's assault upon them is to be successful, a struggle of escape from the natural modes of thought and expression. The ideas which are here expressed so laboriously are extremely simple and should be obvious. The difficulty lies, not in the new ideas but in escaping from the old ones which ramify, for those brought up as most of us have been, into the corner of our minds.'⁸

Did Keynes in fact escape from these 'natural modes of thought and expression'? To answer this crucial question in fact means to examine Keynes' own views on the development of the 'old ideas' and his relationship to them. We shall suggest that his understanding of these historical developments was formal and superficial and therefore provides an inadequate basis on which to evaluate his contribution to economic thought in this century.

4. 'Generally speaking their logical consistency cannot be challenged, either on their own ground or on the basis of the Marxian analysis of the reproduction process. The critique of Keynesian theories of liberal capitalist reform starts, therefore, not from their economic logic but rather from their faulty (usually implicit) assumptions about the relationship, or perhaps one should say lack of relationship, between economics and political action.' P.M. Sweezy *Theory of Capitalist Development*, London, 1942, page 348. Also the same author's *Present as History*, New York, 1953 and 'John Maynard Keynes' *Science and Society*, Fall 1946, Vol. X, reprinted in S. E. Harris (editor) *The New Economics*, New York, 1947.

5. An example of this would be John Eaton's popular *Political Economy*, the various editions of which, in their changing treatment of Keynes, have been directly influenced by immediate political considerations.

6. Jean Baptiste Say (1767-1832) after whom this 'law' is known.

7. Among the non-Marxists the most notable were the 'under-consumptionists' including in England J. A. Hobson.

8. Preface to *General Theory*.

Whatever his feelings in the matter, or those of his followers, we shall argue that in all essential respects Keynes continued in the method of the old system and was unable adequately to break from it. In other words we shall challenge Keynes' interpretation of the development of economics during the nineteenth and early twentieth centuries. In particular we shall reject the central importance which he ascribes to Say's Law.

Keynes, at the commencement of the *General Theory*, has a very important passage in which he comments, in passing, upon these matters:

"The Classical economists" was a name invented by Marx to cover Ricardo and James Mill and their predecessors, that is to say for the founders of the theory which culminated in the Ricardian economics. I have been accustomed, perhaps perpetrating a solecism, to include in "the classical school" the followers of Ricardo, those, that is to say, who adopted and perfected the theory of the Ricardian economics, including (for example) J. S. Mill, Marshall, Edgeworth and Prof. Pigou.⁹

This passage, a mere footnote on the first page of Keynes' work, has been quoted in full because it provides the key to the understanding of his role in the evolution of bourgeois economics. What Keynes is here suggesting is that there is an essential unity in the evolution of economic method throughout the nineteenth century up to and including the contribution of Marshall and Pigou. This unity, according to Keynes, as he makes clear in the first chapter of the book, was based upon a common acceptance of Say's Law, of the automatic regulation of the capitalist system.

This view of the development of political economy during the nineteenth century is fundamentally different from that of Marx and his followers.¹⁰ Marxists place the break in the unity of the Classical School with the death of Ricardo and the attacks upon his theoretical system. In Marx's view, the Classical School reaches the high point of its achievements with the systematic treatment of the social relations of capitalism found in the work of Adam Smith and especially of David Ricardo. In the work of these two writers is found the most objective and coherent understanding of the laws which regulated production under capitalism. Their work represents the high-water mark of the achievements of English Classical Political Economy. In Smith's *Wealth of Nations* and Ricardo's *Principles* is found, in Marx's view, an examination, in scientific terms, of the real relationships of 'modern', that is capitalist, society. Their work was 'objective' in the sense that its starting-points were the laws,

independent of man's will or consciousness, which operated in the process of production and exchange under capitalism. After the death of Ricardo there was, in Marx's opinion, a general retreat from this method and towards a more abstract method which had little in common with political economy. After Ricardo the leading figures in what Marx called the 'vulgar school' in contradistinction to the 'Classical School', were concerned with the relationships between the consumer and 'material goods'. This was revealed above all in the evolution of value theory—the cornerstone of political economy—which assumed an increasingly subjective form, in sharp contrast to the labour theory of value in the Classical School, which, despite many crudities and even inconsistencies, was an attempt to express value in social terms as an expression of the social relations between men when they entered into relations of production.

The movement away from the method of the Classicists started in the 1820s and '30s with the work of writers such as Bailey, Longfield, Nassau Senior and others, amongst them those 'neglected Economists' in the history of economic analysis.¹¹ By the 1870s this process was virtually complete, and economic orthodoxy, in the field of theoretical work at least, was dominated by one variant or another of a subjective form of value theory. Thus although Jevons, in his well-known egotistical outburst, was largely mistaken, when, in the 1870s, he arrogantly claimed:

'In the last few months I have, fortunately, struck out what I have no doubt is *the true Theory of Economy* so thorough going and consistent, that I cannot now read other books on the subject without indignation.'¹²

he was correct to the extent that his work did give a systematic form to developments which had been taking place over the previous fifty

9. *Ibid.*, page 3.

10. Karl Marx, *Theories of Surplus Value*, Moscow, FLPH, 1964, Vol. I. In what follows the term 'Classical Economics' will be used in the sense in which Marx uses the term, i.e. to denote that phase in the evolution in political economy in France and England which culminated in the work of David Ricardo. For post-Ricardian developments the term 'neo-Classical' will be used.

11. E. A. R. Seligman 'On some neglected British Economists' *Economic Journal* Vol. xiii, 1903. R. L. Meek 'The Decline of Ricardian Economics in England' *Economica*, Feb. 1950.

12. *Letters and Journal of W. Stanley Jevons*, edited by A. Jevons, London, 1886, pages 151-152.

years. These developments were, to emphasise our main point, to turn away from an examination of the social relations of production as the basis of the discipline: to move from 'political economy' to 'economics' as the study of the rewards and sacrifices encountered in the course of production. Or, as Jevons put it, economics was from now onwards to be based upon a 'Calculus of Pleasure and Pain'.¹³ The logic of these developments was, as Oscar Lange has recently reminded us, to transform political economy into a branch of praxiology. In this sense it was left to Marx and his followers to continue in the great methodological tradition of the Classical School.

Keynes did not accept this interpretation of these developments in the subject. Indeed his redefinition of the 'Classical Economists' testifies to this. For Keynes, acceptance of Say's Law was the crucial and central factor. But Say's Law was only one aspect of the development of economic theory in the nineteenth century, and by no means the most vital. Marx made stringent criticism of post-Ricardian economics, with its vulgar theory and method. This does not imply that Marx accepted the whole of Classicism as a finished and complete body of doctrine. He was acutely aware of its serious limitations. His main attack upon Ricardo and Smith centred upon their ahistorical approach to social phenomena: he criticised the inability of both these writers to see capitalism as an historically limited social system. Further, he proceeds to show that the illogicalities in their theoretical work—their confusions over value theory, their inability to distinguish accurately 'productive' from 'unproductive' labour—stem precisely from this anti-historical approach. One aspect of this approach lay in the inability of the whole Classical School, including Ricardo, its leading representative, to achieve an understanding of the possibility of crisis in the development of the capitalist system. Ricardo had explained crisis in terms of factors imported from outside the system, in his case from the sphere of agriculture. In *Theories of Surplus Value*, Marx demonstrated that this profound weakness in Ricardo's understanding of crisis stemmed from the fact that his vision was confined to the limits of the capitalist mode of production: that he was unable to see outside the 'parallelograms of Mr. Owen'.¹⁴ Ricardo's implicit acceptance of Say's Law was treated with a mixture of scorn and dismay by Marx. 'This is the childish babbling of a Say, but unworthy of Ricardo.' If only Keynes had possessed the consciousness to explore those 'underworlds' which he treats with such contempt

his 'struggle of escape' might have been considerably less protracted and painful and more successful. Dismissing Say, Marx points out:

'Nothing could be more childish than the dogma that, because every sale is a purchase, and every purchase a sale, therefore the circulation of commodities necessarily implies an equilibrium of sales and purchases. . . . No one can sell unless someone else purchases. But no one is forthwith bound to purchase because he has just sold. . . . If the split between the sale and purchase become too pronounced the intimate connections between them, their oneness, asserts itself by producing—a crisis.'¹⁵

The inability of the Classicists to achieve a coherent crisis theory was not due to any intellectual deficiency on their part, as Keynes seems to imagine. This School contained in its ranks men of outstanding achievement, even genius. Their failure stems from the fact that they were trapped in categories of thought which were limited to the capitalist form of production. In any case, their theoretical work played a vital ideological role in the struggle against the landed interest, the leading representative of which was Malthus. To admit that the process of capital accumulation might suffer from internal contradictions which would lead to crises and dislocation would have been a powerful weapon in the hands of those who were opposed to the emergence to a position of dominance of the capitalist system. The rapid expansion of the capitalist system in the latter part of the eighteenth and early part of the nineteenth century was reflected in the absence of a systematic crisis theory in the work of the ideologues of this process. This, at least in part, explains the eventual triumph of the Ricardian economics over that of its opponents. Because Keynes has no real understanding of the ideological, as opposed to the 'scientific' and narrowly 'positivist' role of social science he is unable adequately to explain the continued existence of the glaring weaknesses of his intellectual antecedents. The long dominance of Say's Law remains 'something of a curiosity and a mystery'¹⁶ although he does at one point appear to see a glimmering of the real factors involved. In the 1930s capitalism had now reached a point in its advanced development (imperialism) when Say's Law as an expression of the smooth functioning of the system was hopelessly outdated as Keynes

13. *Ibid.*,

14. Peter Jeffries, 'On the Development of Marxist Political Economy', *Marxist* Vol. 3 No. 1.

15. Karl Marx *Capital*, Vol. I.

16. *General Theory*, pages 32-33.

instinctively realised. He was however unable to see the material and intellectual basis of this degeneration in terms of the degeneration of the methodology of political economy and the social sciences in general. Presumably he was ignorant of the heated debate which had been proceeding amongst Marxists since the beginning of the century about the nature of capitalist crisis, including amongst others Lenin, Rosa Luxemburg and Bukharin.¹⁷

Keynes' lack of clarity and understanding about the real significance of these developments is, on this view, crucial. He does not stand alone in these respects. Alfred Marshall, the outstanding representative of the neo-Classical School prior to Keynes, was also guilty of serious misunderstandings. In his famous *Principles* he consciously tries to show that his theory of value shares much in common with that of Ricardo and attacks people such as Jevons who had pointed openly to the newness and novelty of their approach.¹⁸ This attempt to reinterpret the 'history of the theory' was noted at the time by Wicksteed, although he explains it in terms of Marshall's 'modesty'.¹⁹ Joseph Schumpeter, in a similar manner, divides up his history of economic analysis at the 1790s; that is Ricardo is included in the later phase of developments (compared to Smith) which embraced the growth of marginal and other subjective forms of value theory.²⁰ Eric Roll, in his popular work in this field, adopts an historical periodisation of theory which, broadly speaking, would be shared by most Marxists. He notes in passing that his treatment of the Classicists differs from that of Keynes, although the significance of it appears to escape him.²¹ These are not pedantic points. An objective history of the development of economic analysis requires a scheme which is able to explain and highlight the qualitative changes in method between different periods and to explain this as part of the evolution of society as a whole. Otherwise, there is a great danger, as Engels and others have pointed out, of an abstract and formal view of social development which can explain nothing.²²

The decisive question in evaluating Keynes' role and the significance of the so-called 'revolution' for which he was supposedly responsible is whether Keynes was able to extricate himself from the formal and subjective method of his predecessors. This demands an investigation of the methodological foundations of Keynes' most thoroughly worked-out statement of position, the *General Theory*.

The *General Theory* is constructed around three 'independent variables' which, in combination, determine the limits within which the capitalist system fluctuates. These three variables are the 'marginal efficiency of capital', the 'rate of interest' and the 'consumption function'.²³ They are 'independent' in the sense that the value of any one cannot be deduced or inferred from the others. The 'consumption function' is the relationship between movements in income and movements in consumption. In Keynes' view a rise in income tends to produce a less than proportionate increase in consumption. As income rises, that is, the average propensity (or tendency) to consume diminishes. The 'gap' between income and consumption tends to grow: in Keynes' terminology this 'gap' is designated 'savings'. As income grows, the tendency, or propensity, to save increases. The 'marginal efficiency of capital' Keynes defines as the anticipated return on any additional unit of capital investment. When, in the opinion of investors, the marginal efficiency of capital (characterised in the *General Theory* in the form of a stream of anticipated income) falls too close to the current rate of interest, that is to the cost of borrowing money, the rate of addition to the stock of capital will tend to fall. In other words the rate of investment will slacken off. The 'rate of interest', Keynes' final 'independent variable', is determined by (i) the strength of the 'natural' desire which people have for holding their assets in 'liquid' form and hence the payment (interest) which they demand for parting with this liquidity and by (ii) the quantity of money in existence,

17. E.g. V. I. Lenin *Imperialism*, Rosa Luxemburg *The Accumulation of Capital*.

18. Alfred Marshall, *Principles* (Eighth Edition) London, 1920 Appendix I.

19. P. H. Wicksteed *Common Sense of Political Economy*, Vol. II, London 1933, page 819.

20. J. A. Schumpeter *History of Economic Analysis*, New York, 1954.

21. Eric Roll *A History of Economic Thought*, London 1953 page 483. In some respects this particular history of the development of economic thought is nearer to Marxism than most expositions. But Roll misunderstands the place of Keynes. He looks upon his work as constituting something of a return to the early traditions of Classicism (page 480) and he looks upon the Keynesian 'Revolution' as one not in the *form* which particular aspects of traditional theory took (the view expressed in this article but rather as a revolution in the basic methodology of the subject (page 486).

22. See especially F. Engels, *Anti-Duhring*.

23. *General Theory*, pages 245-246.

which can be controlled by the Central Bank.

These are the 'key variables' which we shall analyse in more detail. They are related in the Keynesian model in the following way: as total income increases with the development of society, there is a tendency for both the absolute and relative amount of resources which are saved (that is, not consumed) to increase. Unless this increased volume of saving is successfully channelled into investment (that is, into additions to the stock of capital) the value of the national income will fall to a point where savings (this time out of a reduced volume of income) are once more forced down into line with investment. Savings, at the end of the process, will always be equal to investment but the equality will be produced via fluctuations in the level of national income.²⁴ The crucial question for Keynes was therefore an examination of the conditions under which profitable investment could occur. He explained the stagnation of the '30s largely in terms of the increased difficulties in finding profitable investment outlets for an increased volume of savings. The situation was made worse, in Keynes' view, by a tendency which he felt was in operation, which produced a steady fall in the rate of profit, or more strictly, to use his vocabulary, in the marginal efficiency of capital. Because of this tendency it was the responsibility of the state to force down the rate of interest as a means of inducing more investment.

If investment could be stimulated in this way, then enough income would be generated to provide sufficient savings to 'match' the initial increment in investment. The process by which income would be generated and the size of its increase, Keynes explained in terms of his concept of the 'multiplier'.²⁵ Briefly, if the marginal propensity to save were known, the multiplier would be its inverse. In other words, an increase in investment would generate extra income which was limited in size only through the 'leaks' which would occur as a result of savings. The rate of interest, in Keynes' view, could be altered, given a known schedule of liquidity preference, by variations in the money supply. An increase in the money supply, under conditions postulated above, would cause a fall in the general rate of interest.

The most important variable in the system was undoubtedly the marginal efficiency of capital, or the anticipated rate of profit. As the rate of investment proceeds and the volume of capital grows greater so it becomes 'less scarce' and its marginal efficiency, argues Keynes, tends to decline. As Keynes admits, the marginal efficiency of capital

is a highly psychological phenomenon: or as he expresses it, it represents 'the psychological attitude to future yields from capital assets'²⁶ and is largely dependent upon 'expectations'. Thus Keynes has no conception of the social origin of profit: its movement is also highly dependent upon subjective factors. As Keynes explains, his expectations are born of 'animal spirits' and based upon the irrationality of the stock market. Keynes is here guilty of inverting reality: the movement of profit is reflected in the movement of stock prices and not the other way round. This is not to deny the role of an analysis of the place of the stock exchange in a fully worked out picture of the development of crises. But these factors are strictly secondary ones which may explain the form taken by a particular crisis, but can never determine its basic form. They can never, that is, determine the 'laws of motion' of the economic system.

How does Keynes explain the process whereby the marginal efficiency of capital tends to decline over time? He does so in terms of the neo-Classical theory of distribution: in terms of the 'scarcity theory of capital'. As more capital is accumulated in relation to the other 'factors of production', it becomes less scarce and therefore its 'marginal productivity' tends to fall. Under this 'law' the rate of return going to capital (profit) tends 'naturally' to fall. Such a 'law' has nothing to do with political economy. It abstracts completely from the social relations of production and is a mere formal statement of identity. Furthermore, it is based upon certain implicit assumptions. Most important, it operates in a deterministic and mechanical way and only in one direction (downwards). What is missing from the law is any conception of *quality*. It can recognise only quantities and can therefore recognise nothing new in the world. The process of capital accumulation is characterised not merely by changes in the quantity of capital but, decisively, by changes in its composition, organisation, complexity, etc. The marginal theory of distribution which Keynes

24. In this sense Keynes departed from the neo-Classical conclusions which had asserted that movements in the rate of interest always tended to bring savings and investment into equilibrium.

25. Thus if, for example, the marginal propensity to consume were $3/4$, the marginal propensity to save, by definition, would be $1/4$. An increase in investment of £1 mn. would, assuming a stable mpc, produce a £4 mn. increase in the income.

26. *General Theory* page 247.

takes over from the main stream of economics in the nineteenth century was posed in static terms: this was why orthodox theory was unable not only to explain the development of crises but also to account for the emergence of monopoly during the latter part of the century. Keynes, that is to say, takes over what is essentially a static concept and transports it into what is usually assumed to be a dynamic theory of development.

Keynes, we are suggesting, completely abstracts from technical factors. In fact he makes this abundantly clear at more than one point:

'We take as given the existing skill and quantity of labour, the existing quality and quantity of available equipment, the existing techniques.'²⁷

As Schumpeter notes,²⁸ such a theory is concerned only with extremely short-run considerations and is in no way truly 'dynamic'. As such it can have no status as a theory explaining the main driving forces operating in the economic system. Even a glance at the alternative theory developed by Marx reveals the superiority of its method. In the accumulation process Marx saw changes in the quality of capital as a central feature, changes which are embodied in his conception of the 'organic composition of capital'. This concept embraces not merely narrow, technical, factors but is an expression of value relationships. From it Marx derives his concept of the 'tendency of the falling rate of profit', which does not rely upon formal, mathematical equations for its 'solution' but is based upon real relations of production. That it often is assumed to take a 'deterministic' form is the responsibility not of Marx, but of his undistinguished followers. Marx's method and analysis has nothing in common with that of Keynes.²⁹

In a similar way, Keynes' 'explanation' for interest is couched in purely subjective, asocial terms. Speaking of this concept he refers to it as 'the psychological attitude to liquidity preference'. Normally, because of the uncertainties associated with the business (capitalist) world, a person will usually prefer to hold his assets in a liquid rather than an illiquid form. This 'propensity to hoard' can be overcome only on the basis of the payment of a reward-interest.

'Thus the rate of interest at any time, being the reward for parting with liquidity, is a measure of the unwillingness of those who possess it to part with their liquid control over it.'³⁰

It is payment for 'not hoarding'. Keynes treats interest, that is, in an abstract, even psychological,

manner. Once more he gives no indication of the social source of income. Interest is not seen, as in Marx, as a component of total surplus value and dependent, under modern capitalist conditions, upon the rate of profit.

Keynes' treatment of interest is also historically incorrect. By making the marginal efficiency of capital dependent upon the rate of interest, he *inverts* the real relations operative in modern society. In his *Theories of Surplus Value*, Marx makes similar criticisms of the Physiocrats. This school, reflecting the historical conditions at that time in France, believed that *rent* was the 'prime mover' of the economic system and hence attacked the 'sterile' manufacturing class. Marx shows that this mistake stemmed from their lack of historical understanding. In a similar way, Keynes reveals weaknesses of this same order. His treatment of interest as a separate, independent category reflected an earlier stage in the evolution of capitalism before the close merging of bank and industrial capital. As we shall see, this mistake has important implications for a judgment of the adequacy of Keynes' practical proposals.

This particular weakness reveals another aspect of the problem which goes far beyond a critique of Keynes. It displays a serious fragmentation in the development of social science generally: namely the divorce between 'theory' and 'history'. The essential unity of Classicism, with its attempt to explain the structure and development of society in theoretical terms (later taken to a high point in Marx's *Capital*) was broken after the death of Ricardo, as far as orthodoxy is concerned. In the place of this unified structure two quite distinct branches of the social sciences develop, largely independent of each other. On the one hand develops a branch of social science concerned with the empirical description of historical phenomena: the Historical School of Roscher, Hilderbrandt, Knies and Schmoller, with writers in

27. *Ibid.*, page 245.

28. 'John Maynard Keynes' in J. A. Schumpeter, *Ten Great Economists*, London, 1952, page 283.

29. Karl Marx *Capital* Vol. III *passim*. Joseph Gillman (*The Falling Rate of Profit*, London, 1957) makes formal references to these complexities but then proceeds to 'explain' movements in American profit rates during the present century on the basis of a reformulation of Marx' categories 'c' 'v' and 's'. John Strachey, *The Nature of Capitalist Crisis*, London, 1935, pages 237-264, provides an outstanding example of an extremely mechanical exposition of the Marxian laws of political economy.

30. *General Theory* page 167.

England adopting a similar position such as Cunningham and later Clapham. These writers in many cases argued against the thesis that there was any discernable regularity in the development of society, that it was 'law-governed' in fact. Political economy was transformed into 'economic history'. On the other hand the 'theoretical' side of the science was concerned with static technical problems of resource allocation amongst the 'factors of production'.³¹ Alongside these two branches, the 'history of the theory' plays a minor and secondary role. What work did appear in this field was often guided by a teleological approach, as Professor Meek has pointed out: that is the history of political economy and economics consists of a gradual elimination of error, 'revealed truth' being found in present day 'positive' equilibrium analysis.³² In Keynes' work this fragmentation is very evident. What comments there are in the *General Theory* on historical matters are incidental to the main theoretical work and not embodied into it. His comments on the history of theory are equally revealing: his discussion of both the neo-Classical School and of underconsumptionist explanations of crisis are designed simply to reveal the intellectual errors of the writers concerned.³³ He is unable to explain the forces which produced and sustained these ideas for so long.

Keynes' last 'independent variable' is the 'marginal propensity to consume'; the 'consumption function'. Its importance in the structure of his thought is that as the level of income rises so the proportionate amount of savings increases. Unless this rising share of national income finds its way into investment there will be a tendency towards stagnation and under-utilisation of resources. As we have seen above, Keynes believes that there is a quasi-automatic tendency for the rate of profit to fall with the development of capitalism and hence a tendency towards semi-permanent stagnation, unless, that is, means can be found to stimulate investment at the required level to generate sufficient income to ensure a full utilisation of resources. The dynamic factor is the rate of investment: in his model the level of consumption is dependent upon the rate of investment.

Keynes has often been accused, by Marxists and others, of being an under-consumptionist. I do not think that this is strictly correct. In the *General Theory*, Keynes stresses that the dynamic factor in the development of capitalism is the rate of investment. Certainly he was conscious about the

effects of a declining propensity to consume as income rose, but he believed that if the conditions could be provided for a sufficient rate of investment the problem could be surmounted. Consumption, for Keynes, was the 'passive' factor in his system.³⁴ Most of his practical proposals were, as we shall see, designed to stimulate investment. Keynes' weakness was if anything, that he posited a too rigid dichotomy between production and consumption. He is concerned primarily to expose the illogicalities of Say. Marx had accused the latter of reducing the relationship of sale and purchase to a formal, tautological unity. The same charge, but this time from the opposite point of view, may be levelled against Keynes. In Keynes' system investment in the main determines consumption which responds in a passive manner to changes produced in income through movements in the rate of investment. In fact his categories 'investment' and 'consumption' do not correspond to the real categories in capitalist society.³⁵ 'Consumption' does not include only the purchases of individual consumers. 'Investment' does not include only the additions to the capital stock made by capitalists to produce the required volume of consumer goods. Lenin provides the key to the establishment of the correct, although complex, relationships between these

31. Oscar Lange *Political Economy: General Problems*, London 1963 Ch 6. Sydney Pollard 'Economic History—A Science of Society?' *Past and Present*, No. 30, April, 1965.

32. R. L. Meek, *op cit.*, and 'Is Economics Biased?' *Scottish Journal of Political Economy*, 1957.

33. *General Theory*, Ch. 23.

34. In one of the best known expositions of the Keynesian system, Professor Dillard makes this clear: '... changes in the amount of consumption depend mainly on changes in the amount of income and not on changes in the propensity to consume out of a given income. To repeat for emphasis, this conclusion makes investment the strategic variable in the general theory of employment. The implicit proposition that employment can increase only if investment can increase presupposes a stable propensity to consume' Dudley Dillard *The Economics of John Maynard Keynes*, London, 1958, pages 84-85. Also *General Theory*, page 96.

35. The distinction between 'consumption' and 'savings' is, typically with Keynes, made on personal lines. 'The criterion (for the distinction between investment and consumption) must obviously correspond to where we draw the line between the consumer and the entrepreneur' *General Theory*, page 62.

two categories.³⁶ In his polemics against the Narodniks he points to the very important category 'productive consumption', that is, investment made by the capitalists in the means of making goods which will then be able to produce goods for the final market. In other words, the relationship between investment and consumption is not an immediate and direct one.

Keynes' error was that, as opposed to the classic underconsumptionist position (which incidentally he treats towards the end of the *General Theory*) he gives too passive a role to consumption. In other words, the volume of current consumption does influence the level of investment. They cannot be considered 'independent' categories, as Keynes suggests.³⁷ That is to say, the 'realisation problem' is a real one for capitalism, which at certain points in its development can become the dominant problem. Keynes assumes that the very process of investment would, acting via the 'multiplier', eventually generate income large enough to provide additional savings which would then bring savings and investment back into line. To maintain this position with any degree of consistency, his system requires there to be a known and predictable relationship between income and savings. If these ratios vary at different points in time, with changes in income or at different phases of the trade cycle in ways which are not capable of prediction the structure of his entire model of the economic system, even on formal grounds, is thrown into difficulties. If changes in income produce no predictable changes in savings and consumption it is impossible to estimate the impact, in terms of an increase in income, of a rise in investment.³⁸

Is Keynes justified in postulating this stable relationship between income, consumption and savings? Empirical evidence by his followers and others suggests that there is no such simple relationship in the real world. The 'consumption function', it would appear, varies with past income, with anticipated earnings, with price movements, and varies as between income groups in its stability and level. In the same way his rather vague comments about the changes in the consumption function at various points in the trade cycle have been disputed by some of his most eminent admirers.³⁹ To the extent that a crisis produces a sharp rise in the volume of savings—by both individuals and companies—this produces considerable 'leaks' in the system which may overcome any rise in the level of investment undertaken either privately or by the state. The

growth of credit sales and the whole superstructure of hire purchase financing, etc., has only further undermined any stability in Keynes' consumption function.

To take up another important point of method about Keynes' treatment of consumption: he deals with it implicitly from the point of view of the 'individual'. In fact, the idea of the 'consumption function' cannot be applied to a company: there can clearly be no 'psychological' relationship between the income of a firm and the volume of its consumption. It is meaningless to say that, as the income of a firm grows, its consumption tends to constitute a diminishing proportion of that income. In fact, to the extent that the larger firms have access to funds and can raise loans etc., they are in a position to allow their consumption to exceed their income. But in conditions of modern capitalism it is firms which are increasingly responsible for a larger volume of consumption savings and investment.⁴⁰ Keynes'

36. V. I. Lenin, *Collected Works*, Moscow, FLPH, 1960 Vol. I especially 'On the so-called Market Question', pages 75-129. Lenin stresses that the relationship of the capital goods industries (Marx's Department I) and the consumer good industries (Marx's Department II) is not a formal technical question but one produced by the development of the capitalist mode of production.

37. John H. Williams has noted, along similar lines to Dillard but from a critical point of view, that Keynes' system depends upon the assumption that '(1) . . . consumption is dependent upon income and (2) that there is a "regular" or "stable" or "normal" relationship between them, such that the consumption function can be derived as a given datum of the system and used as a basis of policy and prediction.' He is unprepared to accept either assumption, on the basis of the available historical evidence. J. H. Williams 'An Appraisal of Keynesian Economics' *American Economic Review, Papers and Proceedings*, May 1948 pages 273-290.

38. That is, the 'multiplier' can only be calculated given a stable or predictable relationship between consumption savings and income. Without a known 'multiplier' the result of any increment in investment on the level of income—or even less employment—must be unknown.

39. A. H. Hansen *A Guide to Keynes*, New York, 1953 James S. Duesenberry *Income Savings and the Theory of Consumer Behaviour*.

40. It is an interesting point that the role which a number of 'revisionist' writers assign to the giant corporations under managerial control—indifference from the immediate profit motive, control over investment decisions etc.—are in conflict with the theoretical bases of the Keynesian system although many of them—Crosland, Jay, Strachey—base themselves upon Keynes in their rejection of Marxism.

system starts from the viewpoint of the individual, faced with choices about the distribution of his income between consumption and savings. Having made this first decision he then chooses, our individual, how to hold his savings: either in liquid or illiquid form. In this way Keynes only follows the methodological path of his predecessors: one important aspect of the break-up of the Classical School was the drift towards the view of economics as the 'science' which studied the relationship of the 'individual' to 'material goods'. On the basis of the summation of the individual decisions of all consumers the goals of society were set. The ideological implications of such methods of analysis are obvious. Even Professor Galbraith has noted the complete inconsistency of the notions of 'consumers' sovereignty' in modern capitalist conditions and noted the slowness of traditional economic theory to adapt to the new situation.⁴¹

After discussing the three key variables in Keynes' system we can now proceed to discuss their inter-relationships in more detail than when this was first sketched out above. That is, we shall discuss Keynes' 'model' as a whole. We shall be particularly concerned with its 'adequacy' as a means of describing and highlighting the basic movement and structure of the economic system, capitalism. Maurice Dobb and others have outlined some of the qualities which a model must possess to be considered 'adequate' in the sense used here. They relate to the basis on which abstraction takes place.⁴²

First, all the variables in the system must be considered to have a high degree of independence from each other. Otherwise any model will be indeterminate. Second, the variables, when taken in combination, must be adequate to explain the basis of the economic system which they are attempting to describe. That is, no exogenous features which the system takes as 'given' should, in fact, play a decisive role in determining the movement of the economic system.

Keynes' model, following from that of the neo-Classicalist, may, in its simplest form, be represented by $Y=C+I$, where Y =income, C =consumption and I =investment. Such an initial formulation is inadequate in this sense: consumption, in part, depends upon the level of income, but income itself depends partly upon the level of consumption. Hence income is a function of income!⁴³ Keynes attempts to overcome this problem by reformulating the above relationships so that income (Y) is made a function of investment (I) and the propensity to consume. But this reformulation

is open to the same type of objection in that the propensity to consume cannot be postulated independently of income.⁴⁴ It can only be taken as 'given' if we assume, with Keynes, that it is basically a subjective and psychological phenomenon. But if we insist, along with Schumpeter, that we probe behind these subjective categories to the economic bases which lie behind them we find Keynes guilty of circular reasoning. Other points could be made in the same manner: are consumption and investment independent categories? Can we assume, as Keynes does, that interest influences investment? Other writers have argued that, in fact, the rate of profit is the main determinant of the rate of interest.

Secondly, and much more important however, is the question of whether Keynes' variables are in any way sufficient to explain the workings of the capitalist system. As we have seen, at every point he abstracts completely from the social relations of production. The implications of such a method can be seen when, at one point in the *General Theory*, Keynes assumes that changes in the level of production are uniquely related to changes in the level of employment. Such an assumption, which lies at the heart of Keynes' method, allows us to understand nothing about the working of the world in which we live. The judgement of Joseph Schumpeter, written in reviewing the *General Theory* soon after its publication, makes the point adequately enough for any Marxist:

'. . . reasoning on the assumption that variations in output are uniquely related to variations in employment imposes a further assumption that all production functions remain invariant. Now the outstanding feature of capitalism is that they do not but that, on the contrary, they are being increasingly revolutionised. The capitalist process is essentially a process of the change of the type which is being assumed away in this book, and all its characteristic phenomena and problems arise from the fact that it is such a process. A theory

41. J. K. Galbraith, *The Affluent Society*.

42. M. H. Dobb 'A Sceptical View of the Theory of Wages' in *On Economic Theory and Socialism*, London, 1955.

43. L. Tarshis 'An Exposition of Keynesian Economics' *American Economic Review, Papers and Proceedings*, May 1948, page 265.

44. In other words, the three variables mutually condition each other: an equilibrium level of income can only be postulated for each level of investment if we assume a given relationship between two of them, namely the level of income and the level of consumption. If we reject this assumption as invalid the Keynesian system is invalid.

that postulates invariance of production functions may, if correct in itself, still be of some use to the theorist. But it is the theory of another world and out of all contact with modern industrial fact, unemployment included.⁴⁵

Another aspect of the problem of abstraction must be taken up which, in my opinion, is not adequately dealt with by Marxists, including Dobb. This relates to the *historical* nature of abstraction. Marx bases his theory of value—which as Dobb himself has pointed out is the central point for any economic theory—upon ‘abstract labour’. This category, ‘abstract labour’ is historically abstracted in the sense that Marx takes it as his ‘starting point’ only after a long and patient historical and theoretical study of the development and growth of the capitalist system. The dominance of commodity production, with the status of labour reduced to that of a commodity, was one of the specific features which distinguished capitalism from all previous forms of production. This rise to dominance of commodity production had reduced all labour to a common standard which could now be subjected to quantitative measurement: ‘abstract labour’. Marx shows how this process—a real process bound inseparably to the rise of capitalism—is reflected in the development of value theory in pre-capitalist and early capitalist society, which, starting with labour on the land, gradually develops in the work of the English Classical Economists to see labour ‘in general’ as the source and measure of all value. In other words, abstraction is not a technical question alone: it must conform to the real categories in society as they have historically arisen. Keynes’ abstractions have no such social or historical validity: they conform to no historical process. This in part explains Keynes’ ignorance of the development of economics which is the root cause of much of his inconsistency and confusion.

To accept the concept of the ‘Keynesian Revolution’ is to ignore the fact that Keynes explicitly accepts much of the old neo-Classical structure: his role was essentially to add to this structure in an empirical way and not to revolutionise it:

‘But if our central controls succeed in establishing an aggregate volume of employment corresponding to full employment as nearly as is practicable, the classical theory comes into its own from that point onwards . . . To put the point concretely, I see no reason to suppose that the existing system seriously misemploys the factors of production which are in use.’⁴⁶

‘Thus I agree with Gessell that the result of filling in the gaps in the classical theory is not to dispose of the ‘Manchester System’ but to indicate the nature of the environment which the free play of economic forces requires if it is to retain the full potentialities of production.’⁴⁷

Keynes’ work did nothing, that is, to arrest the process of disintegration which we have mentioned above. Keynes tried to patch up the old structure in one direction. In another, writers such as Joan Robinson in Britain and Chamberlain in America extended the ‘marginal theory’ of distribution by including in its orbit market forms other than the ‘perfectly competitive’ type usually assumed in the mainstream of neo-Classicism: but even here the static method, which had undermined the old system and prevented it from explaining the development of monopoly, in large degree remained. At the same time the system of ‘Welfare Economics’ refined by Pigou and others remained as an explanation of the distribution of a ‘given’ income among the factors of production, without explaining why this given income was distributed in a certain way.

It remains to make some comments upon the practical proposals which Keynes advanced as the basis of a solution to the ills of capitalism. Whatever other defects he may have had, Keynes cannot be accused of erecting a separate theoretical system which was divorced from practical economic and political questions. In essence, Keynes deals with three proposals which he saw as flowing from his analysis of capitalism.

In the first place, he proposed action by the Central Bank as a means of lowering the rate of interest to stimulate investment. The rate of interest could, in his opinion, be lowered through

45. J. A. Schumpeter ‘Keynes’ General Theory of Employment Interest and Money’ *Journal of the American Statistical Association*. December 1936, Vol. xxxi (new series) page 793.

46. *General Theory* pages 378-379.

47. *Ibid.*, page 379 ‘The division of Economics between the Theory of Value and Distribution on the one hand and the Theory of Money on the other, is I think, a false division. The right dichotomy [NB] is I suggest, between the theory of the individual industry or Firm and of the rewards and the distribution between different uses of a given quantity on the one hand, and the Theory of Output and Employment as a whole on the other hand.’ *Ibid.*, page 293.

an increase in the supply of money.⁴⁸ By lowering the rate of interest this would widen the 'gap' between it and the marginal efficiency of capital, thus making investment more rewarding. Keynes realised that this proposal would lead to the gradual 'euthanasia of the rentier' but he saw this as a necessary sacrifice which had to be made to preserve the system as a whole. Crucial objections, from the camp of orthodoxy, have been raised against the practicability of these proposals. Perhaps the greatest has been the large volume of evidence, both empirical and theoretical, to show that the rate of interest has little impact upon the level of investment.⁴⁹ Increasingly, in modern capitalist conditions, investment is undertaken by the giant enterprises from their own internal accumulated funds and is not directly affected by the current rate of interest. Interest cannot be considered an 'independent' factor which determines the rate of profit, even in part. Rather it is a fragment of total surplus value accruing to the owners of capital. In any case, to the extent that monopolistic or oligopolistic market structures are now 'typical', an increase in the rate of interest affected by the Central Bank can be avoided, within limits, by an increase in prices. In this sense, the attempt to reduce 'effective demand' by means of a 'credit squeeze' involving in part a raising of interest rates, probably accelerates the process towards the concentration and centralisation of capital in that the smaller firms, unable to exert any marked influence upon the structure of market prices, and more dependent upon external sources of finance, are driven out of business at the expense of their (bigger) rivals. A second objection to Keynes' interest rate policy, which he himself partly recognised, is associated with the inability of the Central Bank, under conditions of the private ownership of the means of production exploited for profit, to drive down interest rates below a certain level. At very low levels of interest the dangers of large capital losses as a result of small movements in the rate of interest are very greatly increased.

The second result of an increase in the volume of the money supply (apart from a reduction in the rate of interest) would be to reduce real wages through an increase in prices. The conception of the neo-Classical School, seen in its most prominent representative before Keynes, A. C. Pigou, was that unemployment could be reduced in normal circumstances only on the basis of a cut in money wages. This, by making investment more attractive, would lead to an expansion in

the use of resources and hence an increase in employment (assuming static technical conditions of production). Keynes held an essentially similar view, except that he realised that while attempts to reduce money wages would be difficult (because of resistance from the working class) the same result could be achieved by lowering real wages through an increase in the general price level. He writes in the *General Theory*, discussing the postulates of the neo-Classical School:

'Whilst workers will usually resist a reduction of money-wages, it is not their practice to withdraw their labour whenever there is a rise in the price of wage goods.'⁵⁰

'... if employment increases, then, in the short period, the reward per unit of labour in terms of wage goods must in general decline and profit increase.'⁵¹

The second of Keynes' proposals concerned the structure and incidence of taxation in modern capitalist society. He proposed some increase in the taxation of the rich: his proposals were, however, very mild, on his own admission being 'moderately conservative' in their implication. In any case, to the extent that these proposals concern the sphere of *consumption* they cannot hope basically to alter the structure of income distribution, which is generated in the sphere of *production*. This separation of the economics of 'consumption' and 'production' (it is difficult to see that orthodox economics has a true theory of production) was again one of the products of the break-up of the old classical system, starting in this case perhaps with John Stuart Mill who made a formal distinction between the two.⁵²

Finally, the last of Keynes' proposals was that the State should assume greater responsibility for the 'socialisation of investment' (a vague term which is never satisfactorily defined). Keynes was specifically opposed to socialism, as his biographer

48. Even this would be disputed by many orthodox economists today. It is now suggested that the supply of money is not the important factor in the monetary system, so much as the general availability of credit of various types, which may not be subject to immediate and direct control simply through action by the Central Bank upon the supply of money.

49. See, for example, the work of Andrews, Meade and Anderson soon after the publication of the *General Theory*, in which they concluded that changes in the rate of interest had little impact upon the level or rate of investment. *Oxford Economic Papers*, No. 1, October, 1938.

50. *General Theory* page 9.

51. *Ibid.*, page 31.

52. John Stuart Mill *Principles of Political Economy*.

Harrod makes clear. He was concerned that the State should provide the framework in which the 'factors of production' should continue to enjoy their 'just' rewards. The enlargement of the functions of the State he saw as the only alternative to chaos:

'Whilst, therefore, the enlargement of the functions of government, involved in adjusting to one another the propensity to consume and the inducement to invest, 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 practicable means of avoiding the destruction of existing economic forms in their entirety and as the condition of the successful functioning of individual initiative.'⁵³

This cannot be the place for a full discussion of the impact, if any, of these policy recommendations on the functioning of the capitalist system since the publication of the *General Theory*. The relative stability and moderate expansion of the system both during and after the war cannot, we suggest, be explained in the terms of Keynes' analysis. An investigation of this problem would require a full treatment of the role and impact of technological change—as we have seen almost entirely assumed away in the Keynesian system—which, many would argue, laid the basis, in the form of a cluster of 'new industries', for the post-war expansionary phase. In addition, one would have to examine amongst other functions the role of armaments expenditure and the relationships between the metropolitan and 'underdeveloped' areas of the world economy. Such questions are virtually excluded by the form and content of Keynes' model. All these factors lie at the centre of the Marxian model of capital accumulation.

The economics of Keynes, at least as far as the practical proposals are concerned, are closely related to the stage which capitalism had reached in the 1930s. The old days of the 'perfectly competitive' system which did guarantee, relatively speaking, a fairly rapid rate of expansion and a certain degree of stability were at an end. Keynes himself realised instinctively that 1914-18 marks a watershed in the development of capitalism. Now monopolies, in close association with the banks and other financial institutions, increasingly dominated the economic, political and military life of the major capitalist states. The old economics, along with its parallel doctrine of *laissez faire*, was now at an end for ever. In particular, the capitalist system required in each country a closer drawing together of the monopolies

and the state. This was determined by the stage reached in the development of the productive forces which still remained privately owned and controlled. The Keynesian system, with its active encouragement of state intervention to strengthen the functioning of capitalism, met this need and was indeed a reflection, in ideological terms, of it. In particular, Keynes' system represented the needs of the world economy, divided into nation states, in a situation of war or threats of war which were, and are, a semi-permanent feature of 'modern' society. The tasks of preparing for and waging war were now so great that they could not be made the responsibility of private capitalism unaided. It is interesting that the two major phases of state intervention into the domain of the capitalist economies have occurred during periods of war preparations: during the 1890's and the first decade of this century and secondly during the 1930's. Far from being a move in the direction of 'socialism', as many reformists suggest, Keynesian theory represented the exact opposite of this: it reflected the needs of the system at a definite stage in its development.

Keynes was unable to analyse capitalism in satisfactory terms because he did not realise the ideological impact of the social sciences in a society divided into classes. In fact his view of the role of economics and economists is openly idealistic:

'... the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else... Madmen in authority who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the powers of vested interests is vastly exaggerated compared with the gradual encroachment of ideas.'⁵⁴

This statement in fact underlines the methodological position of the *General Theory*. His failure to understand the crisis in the development of political economy arose from the fact that he viewed it from the point of view of the 'objective' bourgeois intellectual. This is not to say that Keynes failed to recognise the existence of contradictions in society. Here he is speaking in the 1920's before his major writings were undertaken: he is discussing the possibility of his joining the Labour Party. He rejects the idea in the following way:

'To begin with, it is a class party, and

53. *General Theory* page 386.

54. *Ibid.*, page 383.

the class is not my class. If I am going to pursue sectional interests at all, I shall pursue my own. When it comes to the class struggle as such, my local and personal patriotisms, like those of every one else, except certain unpleasant zealous ones, are attached to my own surroundings. I can be influenced by what seems to me to be Justice and good sense: but the *Class* war will find me on the side of the educated *bourgeoisie*.⁵⁵

Keynes, as Harrod notes, believed in the power of intellectual leadership in the State.⁵⁶ He saw the bourgeois stratum from which he came as vested with the powers of objectivity and detachment which allowed it to arrive at objective decisions in the interests of the whole of society. This although the working class might never be able to achieve a rational understanding of the functioning of society, the intelligentsia was in a different position. Although the question cannot be fully developed at this point it is interesting to note the similarities in Keynes' outlook to those Sociologists of Knowledge, notably Karl

Mannheim in *Ideology and Utopia*, who assign to the intellectuals the power to rise above ideology through their ability to understand the social pressures conditioning thought.

We have tried to demonstrate the social and intellectual origin of Keynes' ideas. We have tried to show that, despite his illusions to the contrary, he was unable, 'educated bourgeois' though he undoubtedly was, to understand the origins of these ideas and therefore unable to probe to the roots of the problems which he realised were gripping political economy along with bourgeois thought in general. That he is still rightly regarded as the outstanding representative of orthodox economics during this century is far from a testimony to its strength and vitality but rather to the continuing weakness of much of the 'New Economics'.

55. J. M. Keynes, *Essays in Persuasion*, London 1951, page 324 (Keynes' emphasis).

56. Harrod, *op. cit.* page 331.

THE AGE OF PERMANENT REVOLUTION

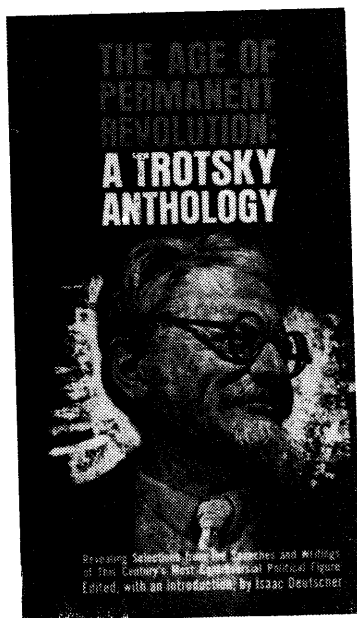
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NIGERIA TODAY

by J. Kiomenesekenegha

THE SECOND MILITARY COUP which took place in Nigeria on July 2 this year reflects the general crisis of a decaying world capitalist system. The problems facing the nationalist leaders of the country are insoluble ones which they have inherited from their imperialist masters. They cannot be solved by the ruling class, including the army which is now the custodian-cum-watchdog of foreign capital and local interests.

Nigeria is undergoing a crisis both economically and politically. Foremost of these problems is the growing unemployment which the famous military coup of January 15 relegated to the background temporarily. Every year school-leavers of both primary and secondary schools and university graduates roam from town to town and city to city looking desperately for jobs. Farmers thrown out from their communal lands by native and foreign plantation owners join the queue of unemployed in the cities. Workers become jobless as small firms are squeezed out of the market due to inability to compete with the monopoly

firms like ICI, Dunlop, Lever Brothers and Nestle's Products. In addition to unemployment there is a roaring inflation. A cup of **gari** that formerly cost 8 for a shilling in Lagos and 28 in the provinces, now costs 3 for a shilling and 6 for a shilling respectively. Bananas that formerly cost 6d. to 1/6, now cost 4/6 to 8/6 per lb. As a result of the world cocoa crisis created by the imperialists who control and dictate the price in the world market, many cocoa farmers in the Western Region were reduced to a state of pauperism. Some of them were forced to leave their farms to look for jobs in the towns and cities.

In spite of the fact that after a long agitation and pressure from the masses, the former military Government cut rent by two shillings in the pound, it did not in fact raise the standard of living; rather the landlords gained by increasing their rent through other ways.

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In Lagos a labourer earning £8 to £10 a month pays £4 10s. to £5 for a room. Thus more

than half of his income goes out for rent. Due to the hardship and inadequate salaries many workers owe more than six months rent and they are forced to borrow money from callous moneylenders to pay for rent. Many have to mortgage their belongings to live. More than two workers share one room (sometimes with their families) to cut down the burden of the rent.

In order to make ends meet, workers' wives, children and near relatives depending on them are forced to do some sort of petty trade, farming, fishing or woodcutting to live.

Apart from Lagos, where there is some sort of free education, in the rest of the country there are no free schools. Hospitals, whether privately owned by missionaries, doctors, or governments, are not free. In some towns and villages the nearest hospital is about 100 miles away. In some areas as big as Wales there is not a single hospital to serve the people who are taxed heavily by the regional and Federal Governments. Whether one is unemployed or not, one is forced to pay tax. How can a man who at the end of the year has not earned a penny, pay tax of £3 10s.? He has no alternative but to steal. As a result, during the period of tax raids the prisons are overcrowded and theft cases increase in the lawcourts. Petty crimes, highway robbery, house-breaking, hold-ups increase yearly as the people face more hardships. Even married women in some parts of the country sell themselves for prostitution so as to send home money to pay for the school fees of their children and to feed the family at home.

While millions are living in abject poverty and squalor, while thousands plead for alms in the towns and cities, and while lepers mingle with people in the market places, buses and trains a handful of corrupt politicians and their business agents are amassing wealth rapidly.

In the midst of this poverty and suffering of millions of people, the former bourgeois politicians and their business agents were saving millions of pounds in Swiss and other European banks overseas. Some former Ministers of Balewa's regime are believed to have saved between £12 and £24 million sterling in Swiss banks.

Only a few months ago, it was revealed in some of the tribunals set up by the Military Government probing the affairs of the Government Corporations how within a year a man on a salary of under £2,000 a year saved over £11,000. Another one on a salary of £2,500 saved over £26,000 in his bank account. A former chairman of the Railway Corporation had two hospitals,

over five buildings and five expensive cars in less than two years.

The six years development plan had been a fraud as far as the toiling masses are concerned. The plan had benefitted only the capitalists and moneylenders of Nigeria and imperialist finance capital.

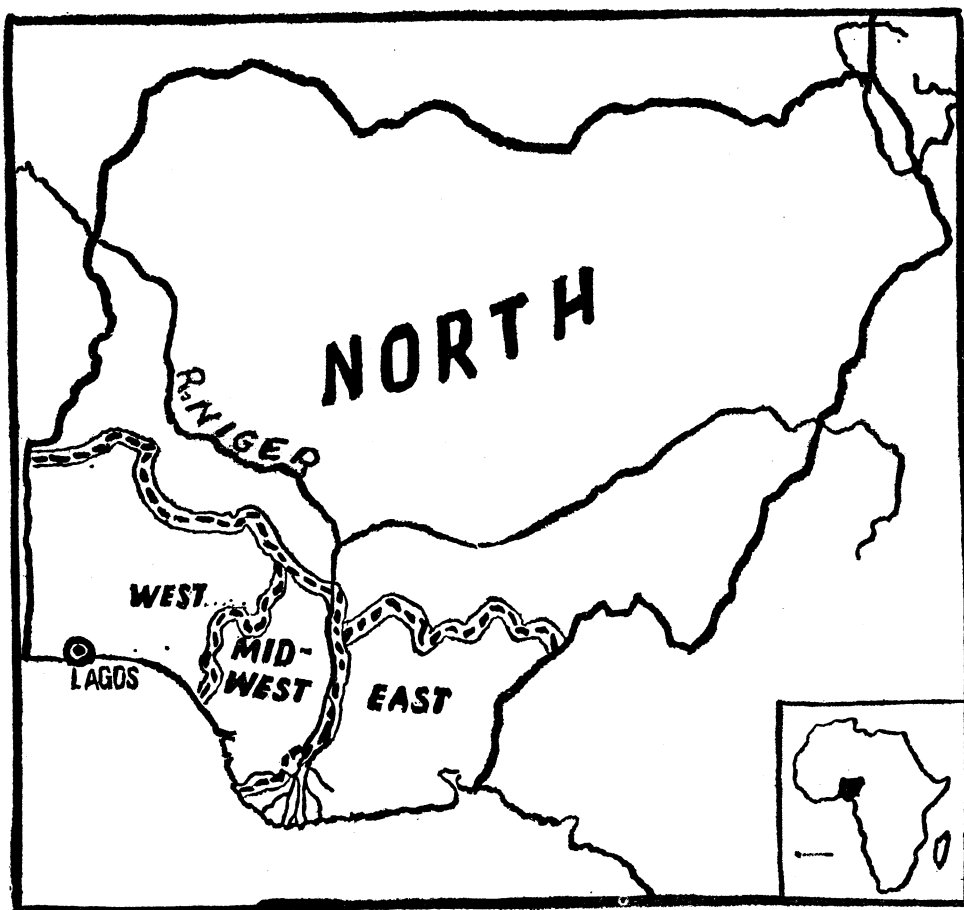
The downfall of Ironsi's military regime was due primarily to the sharpening contradictions within the ruling classes among the major tribes in the country; namely the Hausas and Fulanis (feudal lords) of the North, the native bourgeoisie of the Ibo tribe and Chiefs and bourgeoisie of the Yorubas of the South. The cause of Ironsi's fall can be summarised thus: his appeasement of the feudal lords of the North, and his failure to carry out the limited social reform programme which the leaders of the January coup had promised. Ironsi and his group had no firm political roots, thus relying on the civil servants of the former politicians to guide his government from day to day, and last, but not least, he failed to release the leaders of the January coup from detention.

The British colonialist government with its notorious 'divide and rule' policy conveniently divided the country to preserve its own interests a few years later before political independence was granted to Nigeria. And on the other hand, the then nationalist leaders whom the masses thought should have opposed the carving up of the country, accepted the regionalisation of the country because of their bourgeois class interests and their weak position and subservience to imperialist big business.

From 1849 to 1857 Nigeria was a single entity. But in 1853 Britain broke the South into three separate colonies and named them as follows: Bight of Benin covering the present regions of the West and Midwest; Bight of Biafra covering the present Eastern Region and the island of Fernando Po, now a forced labour camp for Spanish imperialism; and Lagos, the capital of Nigeria, which was made a separate colony of its own.

In 1866 Lagos was placed under Sierra Leone, 1,149 miles away from Nigeria. As it was inconvenient for them, they placed Lagos under Gold Coast (now Ghana) in 1874, still 296 miles away from Nigeria. When there was trouble in Lagos among the warring chiefs the British did not have any effective machinery to deal with the immediate situation as Ghana was too far away, so they decided to separate Lagos from Ghana in 1886.

In 1891 Eastern and Western Nigeria were united and called Southern Nigeria. Lagos was



The imperialist carve-up of Nigeria

still separated from Nigeria. In 1906 Lagos was integrated with Nigeria. All this time Northern Nigeria was ruled and governed by the Royal Niger Company (now United African Company). It was in 1914 that both Northern and Southern Nigeria were united administratively when they found that it was not economically profitable to have two Nigerias.

In 1948 when the national struggle for independence was at its height and workers were drawn into the struggle with a general strike and demonstrations that resulted in shooting, the imperialists once more decided to carve the country up again so as to weaken the nationalist movements and the growing trade unions. This led to the present regional set-up in the country.

In order not to be confronted with competition from the rising bourgeoisie in the South, the

British colonialists made sure that the backward semi-feudal North should rule and dominate the country politically. The Northern ruling class until January this year have been ruling the country (with the help of the imperialists), against the will of the people. The imposition of the feudal lords on the rest of the country by British imperialism had brought crisis upon crisis within the ruling classes of the country.

At present the country is divided into four regions and a federal capital. The Northern Region, which is three times bigger than all the other three regions put together, is dominated by emirs, feudal lords of the Hausa-Fulani tribes.

The North is more backward in development. Illiteracy is three times higher in this region than in any other. The population have strong Moslem traditions and beliefs. Out of a total population of

29 million people, the Hausa and Fulani tribes number 13,600,000. Most of the export crops come from the North: cotton, benniseed, cotton seeds, groundnuts and gum arabic. Tin and nearly all the world output of columbite comes from the North.

The Eastern Region with 12½ million people is dominated and ruled by the 7,800,000-strong Ibo tribe. The Ibos are the most enterprising petty bourgeois in the country. This was due mostly to the land problem in the Eastern Region. Unlike other tribes with sufficient fertile land, the Ibo land is arid. The fertile part is not enough to sustain the Ibo community. Faced with this problem the Ibos resorted to trade and spread out to other parts of the country to make a living.

With their acceptance of Western (European) teachings, culture and Christianity, and by spreading European culture and its ways of life to the North, they challenged the sacred and traditional assumptions of feudal Islamic doctrine. This the feudal emirs of the Fulani-Hausas detest most vehemently. It is true to say that the Ibos were welcomed in all the tribes. There was nothing like tribalism until the imperialists made use of the contradictions of the ruling class in Nigeria.

The other minority tribes in the Eastern Region, the Ibibios, Efiks and the Eastern Ijaws occupy the most fertile land, and these tribes did not migrate.

Nearly all the petty trade and businesses like transport, petrol stations, market stalls, hotels, buildings (houses) and retail trade in the North are owned by Ibos. They also occupy better posts in both private and government establishments. When the nationalist movement was gathering momentum, the imperialists exploited these contradictions within the ruling class of the Ibos and the Northern feudalists and instigated tribal animosity. It was the Ibos whom the church missionaries used in the North to break through the stronghold of the Moslem order.

It is not the fault of the Ibos that they should dominate the life of the country by occupying all the better posts and business. The other tribes, mostly in the Moslem North, shunned and fought against the white man's culture and education. In the North they had already established their own Islamic schools before the arrival of the white man. Other tribes in the South (excluding the Ibos) quickly accepted the white man's education and the churches of the various missionaries, the rest were contented with their land and their primitive tribal way of life. They resented the

idea of learning foreign languages to look for jobs. But by the time capitalism had made itself felt in the country and was destroying their primitive social system, forcing them out of their land to sell themselves for wages in the towns and cities, the Ibo occupied the better posts in the firms and secured the monopoly of the market as petty traders and businessmen. The only jobs available for other tribesmen were unskilled jobs as they could not read and write in English. The Ibos, using their privileged positions in the establishments introduced tribalism by employing their own men in better jobs.

Although Christianity is strong among the tribes in the Eastern Region, nevertheless there are very few Christians who do not believe in ju-juism, or worship in ju-ju shrines.

From the East we get coal, lead, zinc, iron ore, limestone, palm oil, palm kernel, timber, copra, rubber, natural gas and oil.

The Western Region with a population of 11½ million is the only region in which the entire people belong to one ethnic tribal group, the Yorubas. The ruling class are semi-feudal lords, powerful aristocratic land-owning chiefs (Obas) and native petty bourgeoisie. The people of the region are a mixture of Moslems and pagans. In some parts a kind of communal economy prevailed. The land in this region is the most fertile land. This region supplies limestones, lignites, cocoa, timber and copra.

The Midwestern Region which was carved out of the Western Region in 1963 is the smallest region with a population of 2½ million people. Apart from the Oba of Benin who is a feudal chief, the rest of the tribes in the region have been living in a sort of primitive communism up to a very recent period. There are many lands in this area or region still owned by clans and communities in spite of capitalist development and private plantations. Apart from foreign businessmen, it is difficult to find a rich class in this region. Paganism is very strong in this region. From this region we get rubber, timber, plywood, palm oil, palm kernel oil and natural gas.

The struggle for power between the various ruling classes of the three major tribes in the country (the Ibos, Yorubas and the Hausas) to dominate each other and to get control of the Federal capital of Lagos has brought the country to the brink of Pakistanism. In short, the fight between the ruling classes in the country is who should have the larger share of the nation's cake.

There is common agreement among them as to the exploitation of the working class in the country.

Though the late Major General Ironsi appeased the feudal lords of the North and assured them of his intention to keep their properties and their ways of living safe, they still did not trust him because he was an Ibo man of the ruling class. And more than that, they needed political power to save the decaying traditional rights of feudalism and the Islamic teachings and customs from the threats of bourgeois culture. The people whom Ironsi was appeasing, because of their class interest plotted with Northern soldiers in the army and removed him from office.

Thus the July 29 coup staged by Northerners in the army, which culminated in the mass slaughter of Ibos and other minority tribesmen of Southern origin in the North, was done in the interests of the ruling class of the North. It is a lie to say that the coup was done for the interest of the whole people in the North as the bourgeoisie will like us to believe. The poor farmers, the Hausa workers, and the rest of the toiling masses who were deceived by the feudal lords and induced to murder Ibos and other tribesmen from the South did not benefit from the coup. The toiling masses, be they Ibos, Yorubas, or Fulani-Hausas, have not at any time benefited by the 'tribal wars'. Rather, they have kept them divided as a class.

The removal of Ironsi created unforeseen problems for the Northern ruling class. Their hope of coming back to dominate the country has proved forlorn. Lt.-Col. Gowon, the man whom they placed at the head in Lagos, is not in a position to fulfill their dream. He is too weak to do so. The coup has brought the country to



Lt.-Col. Yakubu Gowon, replaced Ironsi as commander of Army.

the verge of tribal war. It has disintegrated the army. Regional Governors are loyal to the ruling class in their respective regions and not to the Federal Military Government of Gowon. The minority tribes making use of this situation are demanding the creation of states. Ironsi was the only one holding the army together. Since his removal Gowon has not been able to convene the Military Council. A big vacuum has been created since the removal of Ironsi. While Gowon is in a hurry to hand over power to the civilians, his problem now is to find a suitable person for the job. Up to now he has not got the man that will be acceptable to the various ruling classes and the masses.

The conflicts among the military Governors and Gowon, particularly that between the Eastern Region Commander Lt.-Col. Ojukwu and Lt.-Col. Hassan Katsina of the North is irreconcilable. Up to now Ojukwu of the East addresses the head of Military Government Lt.-Col. Gowon by his military title and not as the Head of the Military Government as others do.

Lt.-Col. Ojukwu, the Military Governor of the Eastern Region, said, 'It was recognised that the factors which made for Federation no longer exist'. On August 29 he declared in his Region a mourning day for the Easterners who were murdered in cold blood. On May 29 and July 29 Lt.-Col. Gowon declared the mourning unconstitutional. In spite of Gowon declaring the 'mourning unconstitutional, the mourning took place just the same.

The Military Governor of the Northern Region talks of, 'North must act as one and his people are brothers'. He no longer says Nigerians must act as one and live as brothers, as when he was first appointed after the January coup.

Since the infamous coup of July 29 the country has been on the brink of disintegration. To what extent the ruling class will be able to break up the country, whether by secession or by confederation wherein the present regions shall become sovereign states, or whether it shall remain as it is depends mainly on several factors. Firstly the attitude of British imperialism. Whether a united Nigeria will be more convenient to make more super-profits or, on the contrary, whether by carving out nations out of Nigeria Britain will preserve its investments and prolong its stay in the country and protect itself against any future threat from a united working-class struggle. Secondly, it depends largely on the class consciousness of the working class and the rest of the oppressed classes in the country. And



Maj-Gen. Ironsi

above all, the building of a Marxist leadership to direct the masses to take the road of class struggle.

The most tragic side of the events in the country is the complete absence of working-class leadership, leaving the toiling masses at the mercy of both the feudal lords and the weak subservient petty native bourgeoisie.

Since political parties are banned the only body that could have given leadership to the masses is the trade union movement. But unfortunately, the five trade union central organisations are divided and, one way or another, they are heavily tied into the various interests of the bureaucratized international trade union movements of the world: the ICFTU, WFTU and International Confederation of Christian Trade Unions (ICCTU).

The five Central trade union organisations are: Nigerian Trade Union Congress (NTUC) led by Stalinists of the Moscow camp. Although the congress is not an affiliate of WFTU nevertheless it derives its funds from there and its policy is the same as that of the WFTU: 'peaceful co-existence'. The United Labour Congress of Nigeria (ULCN) is an affiliate of ICFTU. Its leaders are paid by both ICFTU and American African Labour Centre, an Anti-Communist organisation. Nigerian Workers Council (NWC) is another anti-Communist front affiliated to the ICCTU. Labour Unity Front (LUF) is a neutral

organisation led mainly by ex-Stalinists and petty trade union bureaucrats who live comfortably on the union's check-off dues. Although not affiliated to any international body, most of the unions in it are affiliates of various trade departments of WFTU and ICFTU. LUF was formed as a pressure group to commit the other central organisations to do something. But the Stalinists have weakened the fighting ability of it since the leaders committed the organisation to the banned bourgeois parties of the South in the 1964 general election. The Northern Federation of Labour (NFL) has no international affiliation but its main purpose is to support the feudal Northern Government. It was formed to regionalise the trade unions. The feudal government of the North felt that the other four central bodies were supporting the bourgeoisie of the South against them. It was this that led to the formation of the NFL. But due to the stand of the workers at the time when the question of unity was uppermost in their minds, the NFL did not make any headway. Up to now it is very insignificant.

The first national dock strike of 1963 brought about the unity of four central labour organisations when the rank-and-file trade unionists all over the country wanted a sympathetic strike to support the dockworkers who for 14 days without pay battled with the whole of the state machine; the army, police and the law courts. It was this that led to the formation of the Joint Action Committee (JAC). But the leaders of JAC betrayed the dockworkers and allowed them to be defeated by refusing to call other workers on strike. It was this JAC after long agitation of the rank-and-file workers and trade unionists (mostly those who were in LUF) that was forced to call the general strike of June 1964. The majority of the former federal ministers fled from Lagos to hide during this great strike.

Right from the start, the workers raised political slogans: 'Down with Balewa Government', 'Imoudu (the president of Rail and Port Workers Union and leader of LUF) our Prime Minister'. When Balewa, the then prime minister, gave an ultimatum for the workers to return to work, the Workers Defence Committee too gave an ultimatum for Balewa to resign. In the East, workers went and closed down the law courts which were trying the strikers.

When the Workers Defence Committee and other rank-and-file trade unionists were issuing political leaflets, the Stalinists joined with the right-wing leaders to denounce the Committee and called the Committee adventurists, splitters and

confusionists. They went so far as to make statements that the strike (which was directed against the government for its refusal to agree with the wage recommendation made by the Morgan Commission set up by the same government) was not political but rather purely economic.

The strike, which was called off against the will of the workers by the leaders of JAC, brought a lot of victimization and retrenchment to the workers. When the JAC leaders, including some Stalinists, went round to call off the strikes in various towns, they accepted presents from the regional premiers for the good job done in keeping the strike away from the 'trouble shooters'. The presents included large robes and cash.

Before and after the strike, the demand by all the affiliated unions in the four centres was that the JAC should be turned into a Central Labour Organisation. While LUF and ULCN were ready for the demand of the workers, the NTUC led by the Stalinists were campaigning to have a loose confederation. Finally, the opportunist leaders and Stalinists in the NTUC and Imoudu of the LUF, who wanted to carry out their class collaboration theory of 'revolution in stages', broke the militant JAC into pieces in the 1964 general election by allying the JAC with the bourgeois parties of the South. The right-wing ULCN and the NWC, who were then in a crisis, used this as a pretext and broke away from the JAC. Since then the trade union movement has been divided. The execrable role of the Stalinists in the trade union movement in Nigeria is too long to be included in the compass of this article. But there are certain roles which we cannot avoid pointing out.

The JAC which was once the spokesman of the working class is finished. The possibility of uniting the unions to form something like JAC is now remote.

The Stalinist-controlled NTUC, because of its policy of peaceful co-existence, has not made any move to mobilize its supporters for any action since the events of July 29. Dr. Tunji Otegbeye, the leader of the banned Socialist Workers Party (Stalinist party of the Moscow camp) who in fact controls the NTUC, said that 'there is no revolutionary situation in Africa and Nigeria' and that 'anybody who talks of revolutionary situation in Africa is an adventurist'. And to carry out their class collaboration, Dr. Tunji Otegbeye suggested a way out to solve the insoluble dilemma for the ruling class of Nigeria in a pamphlet he has just published. In it he said, 'There is therefore the great need for a

natural front of the army, workers, farmers, progressive businessmen who will command respect of the nation and be in a position to formulate and effectively interpret government policies to the people. This is the great need of the hour,' said he.

Dr. Otegbeye is not formulating a new theory or device to sell out the workers. He has only borrowed a leaf from his masters in Moscow. He is only trying like his cousins in Moscow and King Street to pretend that the crisis in Nigeria has nothing to do with the class struggle but rather is above it. Dr. Otegbeye's theory of a 'natural front' of all classes (excluding only the feudal lords of the North) to solve the problem for the ruling class of Nigeria is not new. It is exactly what Stalin and Bukharin in their formula of 'bloc of four classes' prescribed in China; it later led to the massacre of the Communists by Chiang Kai Shek's troops in 1927.

Instead of Dr. Otegbeye calling a meeting of trade unions to discuss the situation in the country, he attends the meetings of tribal chiefs, feudal lords and bourgeoisie of the Yoruba lands. Goodluck, the president of the NTUC, attends those of the Lagos dignitaries. Bohra, the General Secretary of the ULCN, attends those of the Mid-west ruling class. These trade union leaders are manoeuvring with the ruling class to secure positions when power is handed back to civilians. For them, trade unionism is to be used as a bargaining force for privileged posts in capitalist society.

In the wings the imperialist powers are watching the events in the country. They have not come out openly to take sides. But the British, USA, West German representatives in the country are scheming behind the scenes and ready to intervene at any moment they feel their investment is in danger. Out of the 12 oil companies in Nigeria, nine are from the USA. Every year as they discover more oil wells in commercial quantity Nigeria can be turned into another Congo or Vietnam at any moment by the imperialist powers.

When the fighting started on July 29, the oil companies met the Military Governor of the East where most of the oil has been found. They asked him for assurances about the security of their investments. The Military Governor, Lt.-Col. Ojukwu, not only assured them, but he took immediate practical steps by sending soldiers and police reinforcement to the oil areas. In turn, the oil companies too assured him of their co-operation in any event.

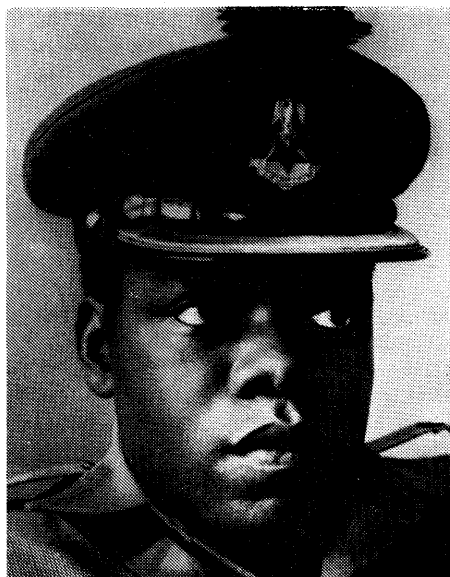


Col. Adeyinka Adebayo, Governor of Western Nigeria

Why are the oil companies worried? Who are they afraid of when the head of the Military Government, Lt.-Col. Gowon of Lagos, Col. Adebayo of the West, Lt.-Col. Ejoor of the Midwest and Lt.-Col. Hassan have also given similar assurances to foreign capital in the country. It is simple. The traditional militancy of the working class comes from the industrial towns of Aba, Port Harcourt, Warri and Burutu where the oil is found. Burutu was the scene of shootings during the struggle for independence. During the 1964 general strike the demand for workers and farmers government started from Aba and Port Harcourt where the oil refinery is. Aba is not only an industrial town, but the people from that area, called Ngwas, are warriors. The women from the Ngwa land have led many riots against the ruling class, mostly at the time of national struggle. The fear of the oil companies and other monopoly firms in the country is that the ruling class to whom they handed power to look after their investment are too weak, therefore they cannot in actual fact control the toiling masses for long, in spite of the division among the labour movement and the treachery of the labour leaders.

As a result of the bloody massacre of Southerners in the North, fear of 'tribal war' has gripped the people. To use Lt. Col. Ojukwu's own words;

'In May thousands of people of Eastern Nigerian origin were premeditatedly slaughtered like rats



Lt.-Col. Odumegwu Ojukwu, Governor of Eastern Nigeria Province

including some in their sickbeds in hospitals, women in labour rooms, not to mention the massacres in places of worship, market places, offices and streets.'

'In July the army trained and disciplined to protect themselves and the country against an enemy turned against itself.'

'Officers and men of Eastern Nigeria origin were systematically eliminated by soldiers from the Northern Region.'

Nobody knows actually how many people have lost their lives. Even in Lagos where Gowon is at the head, soldiers molest civilians with impunity.

For the past two and a half months there has been a mass exodus of people fleeing from one region to another. Over 65,000 people have arrived in the Eastern Region. Many more are fleeing to their homes.

Communications from the South to the North are almost paralysed. Business in the North is almost at a standstill as there are no Northerners to fill the immediate vacancies in firms and government establishments which have occurred as a result of Southerners fleeing from the North for safety.

Lt.-Col. Ojukwu has ordered out all non-Easterners from his own region. This has inflamed the hatred of the Hausas in the South against the Ibos.

In all these, it is the workers who are suffering from the insensate war between the ruling groups.

The big transport owners, whether they be Ibos, Hausas or Yorubas, are making huge profits daily as fares have risen from £1 10s. 0d. to £6 and from £2 10s. 0d. to £7 10s. 0d. The very Ibo ruling class and their transport owners who are supposed to be fighting for the whole interests of the Ibos cannot provide transport free to their own Ibo men. The same thing is happening in the Yoruba and Hausa areas. They (the transport companies) are extorting every penny from the fleeing masses who have not experienced such a situation before in their own country. Some people who have lived in other regions all their lives do not recognise their home regions. The agents of the transport owners spread dangerous rumours to scare people to run away from one region to the other so that they continue to have people to carry in their vehicles. Lorries that have been thrown into the scrap yards have been brought back on to the roads to make profit out of the terror-stricken peasants and workers.

Ojukwu of the East has the biggest problem to solve: the problem of how to resettle 65,000 people and to find them jobs. The non-Easterners whom he had ordered out from his region, do not add up to more than 6,000. Although one million pounds was voted for this project, by the time these 65,000 find employment in the East he will certainly need more than that. Like any other part of the country, unemployment in the East too is very high. There are no figures available. In the East houseboys or servants earn 8/- a month. Some are prepared to serve you provided only that you feed them. Prostitution is very high among the tribes in the East.

The reason why prostitution is higher among the tribes in this region than the other tribes in the country is not mainly due to unemployment. Its origins go back further than that and emanate from the arrival of the church missionaries.

Before the arrival of the imperialists with their brainwashing machines (the church missionaries) polygamy was common. Some men would marry up to 50 or more wives. This is no exaggeration. But when the church missionaries introduced monogamy, the majority of those who accepted this bourgeois institution and had already married polygamously, drove away all the wives except the one whom they happened to like best. They did not only drive out the unfortunate ones, but also demanded the bride-price which they paid on their heads. These unfortunates who have no landed properties to farm (as women have no right to claim their father's landed property) have no other means by which they can pay

back the bride price but to take up prostitution. When the young men too considered polygamy a sin against God, this created a surplus of unmarried women in the Christian areas. These women too resorted to the same trade. So today in Nigeria, where Christianity is strong, you have a very high rate of prostitution. Thus, amongst the Owerri in the Ibo land, the Efiks, Ibibios, the Ijaws in the East and the Urhobos and the Ishekris in the Midwestern Region who accepted monogamy as a form of marriage, prostitution is very prevalent.



Owolowo



*Balewa
Abubakar*

As the Military Government makes gestures about returning to civilian rule, the former politicians such as Dr. Azikiwe who was dethroned as president of the Federation when he was yachting in the Caribbean, Owolowo the leader of the banned Action Group party who was jailed for ten years for attempting to overthrow the government and only released recently by Gowon, and many other discredited former politicians are now back on their saddles.

The ecclesiastical rogues and humbugs who masquerade as missionaries are praying every day for peaceful co-existence among the various ruling classes. The feudal lords of the North, aristocratic chiefs of the West and the bourgeoisie of the East are meeting with their respective military governors on how to preserve their class interest.

The constitutional conference of selected sections of the ruling class from the various regions has not found a solution to the problems. It was in the midst of the conference that fresh fighting and killing started off in the North and East. The burning question of the minorities which the British colonialist played down during the struggle for political independence has come up in this conference. One of the reasons why some regions who wanted to secede changed their mind is because of the demands of the minority

tribes who want to have states of their own.

The ruling class of the Ibos from the East who connived with the feudal lords of the North and carved out the Midwestern Region from the West, have always vehemently opposed the creation of more states in the East. The reason for opposing the creation of more states by the Ibo ruling class is because oil is found in the minority areas in the Eastern Region. The minorities have complained bitterly that the Ibos have oppressed them and the oil royalties have not been used to develop their areas but rather used for the benefit of the Ibos. In the North too the minority tribes have lodged similar complaints against the Hausa-Fulani domination.

Like imperialism, the Ibo bourgeoisie and the feudal landlords are now adapting themselves to the capitalist market and expansion. To do this they need to keep the people of the minorities down.

The feudal Northerners who want to keep the North as it is, have been forced by events to agree on the creation of states. The head of the Military Government who comes from a minority area in the North will not hand over power to the ruling class without seeing to it that the demand of his Tiv people in the Middle Belt are met. Ojukwu too has been forced to agree on the creation of more states. If more states are created, the feudal domination of the political life of the country will be greatly weakened. Nevertheless, creation of more states will not solve the

problems facing the country.

No matter how the feudal lords of the North, the aristocratic land-owning semi-feudal chiefs of the Yorubas and the Ibo petty bourgeoisie may quarrel among themselves, one thing is certain: as soon as the working class with the rest of the toiling masses becomes class conscious and unites on a socialist policy to take class action to solve the problem facing them in the country, these warring lords of the ruling class will come together for their class interests to fight the oppressed class.

The solution in Nigeria and other parts of Africa imperatively demands working class leadership. Neither the bourgeoisie nor the feudal lords can unite the country and wipe out tribalism and any other form of racialism in Nigeria.

The belated capitalist development of Nigeria precludes the cleansing of the semi-feudal refuse in the North, nor can the feudal North succeed in imposing its decaying system on the backward capitalist society in the South. All of them are too weak. Finance capital only wants to make use of them to prolong its stay in Nigeria.

It is only the working class (small as it may be) with the alliance of the poor farmers in the North, West, Midwest and East that can unite the country by bringing about a socialist system of production. But this cannot be achieved without a Bolshevik leadership. Such a leadership must be built in Nigeria and Africa. This is the task of the Fourth International.



Rosa Luxemburg

A Review Article by C. Slaughter

Rosa Luxemburg, by J. P. Nettl, Oxford University Press, 2 Vols. 948 pp. £6 6s



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ROSA LUXEMBURG has until now received not even the merest fraction of the serious attention which her actions and theoretical work require for Marxists. She is one of the giants of Marxism and the proletarian revolution, and yet her collected works are not yet published in German, let alone translated into other languages.

Nettl's book, because it is the work of a thoroughly diligent researcher who has investigated every available source of Rosa Luxemburg's work and life, and because it is written with a sincere enthusiasm for Rosa's greatness, is an important and welcome work.

Sympathetic to Rosa and to the socialist aims which she set herself, Nettl is nevertheless no Marxist, and consequently his book suffers serious weaknesses. Other reviewers have paid lavish compliments to the positive sides of his book, and certainly Marxists will for years find it an authority. The most serious tribute we can pay to it is to make the most thorough criticism of its shortcomings, and to take the opportunity of a review to restate the views of the followers of Lenin and Trotsky on Rosa Luxemburg's work.

In approaching Nettl's book Marxists will recall, particularly on a subject such as this, the opening words of Trotsky's 'Introduction' to Harold Isaacs' *Tragedy of the Chinese Revolution*:¹

'First of all, the mere fact that the author of this book belongs to the school of historical materialism would be entirely insufficient in our eyes to win approval for his work. In present-day conditions the Marxist label would predispose us to mistrust rather than to acceptance. In close connection with the degeneration of the Soviet State, Marxism has in the past fifteen years passed through an unprecedented period of decline and debasement. From an instrument of analysis and criticism, it has been turned into an instrument of cheap apologetics. Instead of analysing facts, it occupies itself with selecting sophisms in the interests of exalted clients.'

Nettl himself traces the conse-

quences of this debasement of Marxism by the Stalinists in his account of the use of Rosa and her literary heritage after her death by the Stalinist bureaucracy. His own work has the advantage of freedom from this school of distortion, and he has no 'exalted clients' to serve. But he also has the great disadvantage of trying to start from a vantage-point which stands above or outside this history, rather than from the Marxist vantage-point of struggle against it. Such was the position taken up by Trotsky.

Nettl provides us with a very large number of citations from all of Rosa's works and from unpublished letters and other sources, but for Marxists his book remains to a large extent raw material for analysis rather than the finished article. And when this material is worked over, it is necessary to say without qualification to Mr. Nettl that his 'detached' viewpoint in historical and sociological analysis is untenable, and nor are its consequences avoided by a *feeling* of support for Rosa's aims.

Before taking up the substance of some of Rosa's ideas and contributions to Marxism, it is worth considering a little further this initial criticism of Nettl himself. In a footnote (page 543) Nettl glimpses the problem: 'At some stage every writer on Marxism or on any important Marxist must face for himself the problem of the "correct" relationship between theory and practice, as implied by a Marxist system of thought and as interpreted by current Marxist orthodoxy. . . .' Nettl gives high marks to Rosa on her ability to relate the particular to the general, but he omits the relation between her theoretical conquests and her revolutionary actions. His failure to place his *own* work and his *own* method in this context is therefore hardly surprising. When Nettl takes up the viewpoint of the abstracted individual, passing his verdict on processes outside of himself, using for this the 'insights' of modern sociology and political science (the honorific titles taken by academic prejudice in social and political matters), he is in fact occupying the definite political

ground of a definite social and ideological group. Max Weber, Alfred Weber, Karl Mannheim and others have attempted the most systematic statement of the social and political 'independence' of this free-wheeling intelligentsia, largely to be found in the universities. Their independence of the state and of the private employer is supposed to put them in a specially advantageous position for rationally understanding society as a whole.

For example, Nettl writes in a number of places that the problem of bureaucracy in the working-class movement, political parties and the state has now been opened up to us much more by advances in sociology. In other chapters he makes slighting references to the 'talmudic' pre-occupations of Trotsky and the Left Opposition with the social nature of the USSR under Stalin. Marxists will rightly dismiss Nettl's supposition that he can take suitable theories from bourgeois sociology and 'apply' them to the problems tackled by Luxemburg and Trotsky. The modern 'insights' of sociology on bureaucracy, for example, are derived from the work of Max Weber, Rosa's contemporary. We must see Rosa's attitude to the Social-Democratic bureaucracy, and Trotsky's critique of the Stalinist bureaucracy, as moments in a struggle against counter-revolutionary forces in the working-class; if we start instead by viewing them abstractly as analyses of bureaucracy, we will never understand their scientific value. Such a separation of the views of Marxists on this or that question from their whole revolutionary struggle is what is meant by a complete failure to understand the unity of theory and practice in Marxism.

Max Weber's theory of sociology, and in particular his theory of bureaucracy, were also developed in close connection with the political struggles in which Rosa

¹ Martin Secker and Warburg, 1938 edition. This edition was dedicated 'To the martyred heroes and the living fighters of the Chinese revolution'. Trotsky's introduction was omitted from the later editions of Isaacs' book.

was involved. If Nettl took up the question of bureaucracy in the workers' movement dialectically, historically, he would treat the 'sociological' (i.e. bourgeois) theory of bureaucracy as a 'moment' in the struggles which have taken place over this problem. Max Weber had his chance to struggle against the virus of bureaucracy in the German Social—Democratic Party, but he certainly did not fight alongside Rosa, encouraging the rank and file to act and remove the bureaucrats, improving their understanding of the bureaucracy and how to defeat it. His standpoint was exactly the opposite. He put forward a fatalistic theory that along with the rest of modern society political parties would inevitably become bureaucratized, and that socialism was but a dream. Take for example a speech he made to the 'Verein für Sozialpolitik' in 1909:

'I could not but shake my head at the illusion which seems to have possessed all of you here that, when the private employer has been replaced to the fullest possible extent by the state or municipal official, the result will be anything other than the administration of state authority from the employer's point of view.'²

The so-called insights of modern sociology, following in Weber's footsteps, have not passed beyond these smug and petty horizons of the middle-class citizen, which give us only a more sophisticated formula for the most banal and conservative objections to socialism. One cannot agnostically take 'insights' from a theory developed within such narrow class limits and 'apply' them eclectically to the 'improvement' of a revolutionary critique of bureaucracy. There is no misunderstanding here: Weber understood clearly enough, for all his tortured moral posturings, where he stood in relation to the revolution of 1918-19 in Germany. The Social-Democratic government which supervised the murder of Luxemburg and Liebknecht had Weber as one of its constitutional advisers. At that time Weber wrote: 'I have no political plans except to concentrate all my

intellectual strength on the one problem, how to get once more for Germany a great general staff.' So much for the great battler against bureaucracy! But he had a cure: 'Only the election by the people of a Reich president provides the opportunity to achieve selection of political leadership and may consequently lead to a revitalisation of political parties which will overcome the antiquated system run by notabilities hitherto practised.' It was this conclusion, drawn largely from Weber's own theory of 'charisma' in leadership, that brought the inclusion in the Weimar Constitution of the famous article 41: 'The President of the Reich is elected by the whole German people.'

It is not just that under this clause Chancellor Hitler took office; Fascists do not take power because of flaws in constitutions. But Weber proceeded from the point of view that it was possible to carve out some path for a democratic bourgeoisie in Germany. He rejected the consistent dialectical analysis, from Marx and Engels in 1848 to Rosa and Trotsky, of the historical impotence of the 'democratic' bourgeoisie in Germany, a rejection which the epigones of Weber cling to in modern sociology, *vide* the work of Talcott Parsons and Ralf Dahrendorf on Germany.

It will seem to many readers that we have over-laboured this point. Most serious reviewers of Nettl's book have lightly dismissed his references to sociology as an idiosyncrasy out of character with the seriousness of his subject. But it is in fact indicative of a failure to choose between the continuity of Marxism, a unity of theory and practice, in which his book would have been written as a weapon in the continuing struggle for the proletarian revolution, and the tradition of the pseudo-scientific intelligentsia whose false independence conceals its fundamental failure to challenge any of the assumptions of capitalism. In a period of social revolution like our own, that position has an inexorable logic.

Having established the relation between Nettl's philosophical assumptions, basically those of an eclectic and an empiricist, which cannot but lead to an idealist method, in which several separately derived 'insights' are combined with the individual's sympathies to arrange and present the subject to the reader, and the method of Marxism, we can perhaps now show more clearly the basic *political* fault in this biography. It is a fault which derives directly from the failure to produce this book as a weapon to continue the fight of Rosa Luxemburg, Lenin and Trotsky. It is only because Nettl's work is so thorough and scrupulous in presenting Rosa's own writings (with a few exceptions, such as the cavalier dismissal of her writings on France in the years 1898-1901) that his grave errors on the Russian and international context of Rosa's work, particularly after her death, do not do grave damage to the entire work.

I refer to Nettl's constant implication of a *continuity* between Bolshevism and Stalinism. In estimating the place of Rosa Luxemburg in the history and development of the Marxist movement, Nettl discusses in terms of the division between the Second or Social-Democratic and the Third (Communist) International as if it was a static and fixed phenomenon. Stalin's bureaucratic centralism is seen as the logical development of the democratic centralism of Lenin. The relation between Stalin's Comintern and the member parties is even projected back to make a mockery of the early days of the International. From a study of the material available it is obvious that the International did function as an International, giving guidance to the newly-formed parties. The training and experience of the Bolsheviks gave them an undisputed authority, which they used in the first place to correct the 'infantile leftism' of some elements in the European parties. Without any analysis whatsoever of these early

²Quoted in J. P. Mayer, *Max Weber and German Politics*, p.97.

years, Netti makes the following comment on the consequences of the assassination of Luxemburg and Jogiches:

'But for the Russians the event had its useful side, for with Rosa Luxemburg and Leo Jogiches there disappeared two determined opponents of Bolshevik control of international socialism. Henceforth the Russians were the more easily able to impose their will on the German party, and after the adhesion of the larger part of the USPD to the KPD in the summer of 1920, a real mass base was at last available to the Communists'.

Other reviewers have contrasted Netti's vast knowledge of Rosa's own career and his knowledge of German politics, on the one hand, with his less expert knowledge of the Polish and Russian backgrounds. This unevenness is to some extent understandable in a specialised work of this kind, but it is fatal when it extends to the very heart of Rosa's own preoccupations, the internal struggles in building the international revolutionary leadership. The history of Bolshevism in the international movement is *not* a history of encroaching Russian control. In the years between 1919 and 1923, it was a question of a struggle to learn the lessons of the Russian Revolution and the Bolshevik experience



Trotsky

for all the parties. Once the Stalin faction gained control, however, the Bolshevik tendency was locked in struggle against the leadership of the Comintern. When Trotsky claimed in the 1930's that the Fourth International could justifiably claim to fight under the banner of Rosa as well as that of Lenin, he spoke from the point of view of the Bolshevik opposition to Stalinism, the same Stalinism which distorted the history and the ideas of Rosa and the Spartacus League.

Nettl challenges this claim. In the first place he sees Rosa's theories as a unique combination of some of the revolutionary aspects of Bolshevism with a supposed humanitarianism and democracy more at home in the Second International (though he does not identify this with the 'democratic' ideology of Social Democracy). He is really rationalising his own position and that of many like him. Attracted by the conquests of the October revolution and by the revolutionary successes of the Bolsheviks, they at the same time shy away from the break with the 'freedom' and comfort afforded to the middle-class intelligentsia which is required by the struggle to continue the work of the Bolsheviks. Secondly, Netti chooses to ignore the question of whether or not Trotsky's struggle against Stalinism was not in fact the continuation of all that was best in Rosa's 'independent' position. Surely the essence of Rosa's own lifelong fight against the right wing of the Social Democracy was the assertion of the political independence of the working class against petty-bourgeois and bureaucratic tendencies, in the field of theory and of political strategy and tactics. She herself recognised that the success of the Bolsheviks in Russia opened a completely new stage in this fight. Trotsky's battle against bureaucracy in the international communist movement was the next great struggle against revisionism. He was perfectly right to claim Rosa as one of the forbears of the Fourth International. It was precisely in terms of this fight to build a leadership, and not from an abstract point of view of the exact

tallying of ideas, that Trotsky made his claim. Defending Rosa Luxemburg from the slanders and distortions of the Stalinists, he concluded:

'It is evident that the crisis of working-class leadership cannot be resolved by some abstract formula. It is a question of a very long process, i.e., a process of the objective conditions of conscious activity. Rather, what is involved is a continuous chain of ideological, political and organisational measures, taken in order to weld together the best and most farsighted elements of the international proletariat under a spotless banner, to strengthen more and more their numbers and their self-confidence, to develop and deepen their links with other, larger layers of the working class; in a word: to give back to the proletariat, in a new and extremely difficult situation with pressing responsibilities, its real historical significance and its leadership. The 'spontaneity' confusionists of the latest variety have as little right to call up Rosa in their services as have the Comintern functionaries to invoke Lenin. If we leave aside secondary features and things by-passed by the march of events, we have every right to put our work for the Fourth International under the sign of the 'three L's', i.e., not only that of Lenin, but also of Luxemburg and Liebknecht.'³

It certainly must be said in Netti's favour that his book gives no comfort to those who have tried to make out of Rosa's weakest sides a political system, opposed to centralised proletarian leadership on the grounds of the inevitability of bureaucracy and the powers of spontaneous generation of leadership by the proletariat in struggle. Similarly, on her criticisms of the Bolshevik revolution, Netti concludes: 'Those who are made joyful by criticism of the fundamentals of the Russian revolution would do better to turn elsewhere.' Anti-communists and 'state-department

³ Trotsky, *Rosa Luxemburg et la Quatrieme Internationale*. 1935.



Karl Liebknecht addressing anti-war rally in Germany.

socialists' of various hues have in the last few years sought to use Rosa's criticisms to turn away from Marxism those who have begun to seek an alternative to Stalinism. Nettl gives a balanced account of these criticisms and establishes the spirit in which they were made. Rosa's primary consideration was to emphasise the overwhelming necessity for a revolution in the advanced capitalist countries if the October revolution was to be saved. She would have dismissed with contempt those who have used her pamphlet, written after the Brest-Litovsk Treaty, to discredit the Soviet regime. Before this she had written to her friend Luise Kautsky, wife of Karl Kautsky:

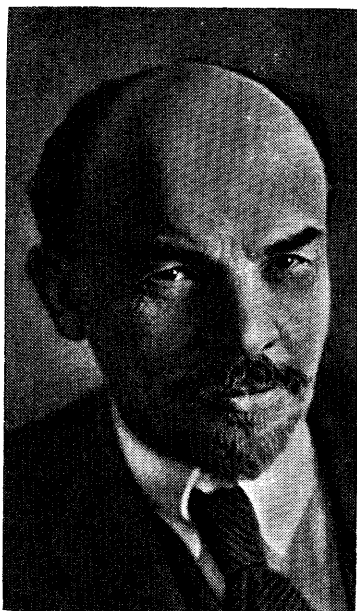
'What do you think of the Russians? Of course, they will not be able to maintain themselves in this witches' Sabbath, not because statistics show economic develop-

ment in Russia to be too backward as your clever husband has figured out, but because Social Democracy in the highly developed west consists of miserable and wretched cowards who will look quietly on and let the Russians bleed to death. But such an end is better than "living on for the fatherland"; it is an act of historical significance whose traces will not have disappeared even after many ages have passed. I expect great things to come in the next few years, but how I wish that I did not have to admire world history only through the bars of my cage' (Nov. 24, 1917).

The opinions expressed in her later pamphlet were in precisely this same framework, even though she made many errors on questions of the nature of the proletarian dictatorship in Russia. Thus:

'Lenin and Trotsky and their friends were the *first* who went ahead as an example to the proletariat of the world . . . But in Russia the problem could only be posed. It could not be solved there. In *this* sense, the future everywhere belongs to Bolshevism.'

Nettl refers to the testimonies that she changed her mind on many of the detailed criticisms which she had made, and the material provided in his book leaves little scope for the professional quotation-mongers who are so fond of using Rosa's pamphlet as an instrument in a cause she would never have countenanced. Nettl suggests at one point that in the years when socialism was blackened by the worst excesses of Stalinism, Rosa, had she survived 1919, might have finished up the anguished occupant of some US university fellowship; here he



Lenin

is once again trapped by the temptation to rationalise his own position, sorting out the arguments instead of proceeding from the real struggle in the Marxist movement; Rosa never stepped outside this, and she would not have paused for one minute to ponder her destiny in the way Nettel poses it. Here again we are compelled to draw the contrast between his scholarly devotion to his subject and at the same time the dangerous abstraction of that subject from the real struggle in which Rosa acted out her life and which continued after her death. It continued in different forms, and the biographer must master the method by which she would have tackled these new forms, rather than pose against these new forms the established positions of Rosa at earlier times. As Nettel himself shows, her ideas on all important questions went through constant change and development.

In his chapter, 'Luxemburgism—Weapon and Myth', Nettel traces the most important phases of the Stalinists' treatment of Rosa's work according to the needs of the bureaucracy at the various stages of its development, and this will remain a useful reference work.

Unfortunately Nettel again tries his hand at conclusions in the spirit of putting all the 'good' things in one basket, rather than from the point of view of the actual political struggle. Convinced that Rosa can inspire those who wish to combine 'a complete loyalty to dialectical materialism with absolute insistence on the humanistic and self-liberating aspects of revolutionary democracy', he at the same time concludes from his purely empirical survey of trends in Stalinist thinking that:

'Just as Rosa reconnected directly to Marx in 1918, so the Russian leaders or Mao and their successors may one day reconnect to an early or even pre-Leninist conception in which the *process* as well as the *product* of Socialism is functionally related to the emancipation of humanity—with humanity that is not merely a collective abstraction but the sum of the participating individuals.' (p. 827)

Here is the logical outcome of the attempt to occupy the stance of a mere interested observer. From the failure to grasp the essential discontinuity, the great conflict, between Leninism and Stalinism, one arrives at the point of expecting Rosa's rehabilitation from her very falsifiers, those who were guilty of destroying everything she fought for, in Germany, in the USSR, and in Poland.

As Nettel makes clear once again, Rosa, because of her direct participation in the German Social Democracy, came earlier than Lenin to a recognition of the depths of opportunism to which its leaders had sunk, behind the mask of Marxist orthodoxy. Kautsky was of course the leading representative of this orthodoxy. In the first years of the 1914-18 war, Lenin acknowledged that Rosa had been right about Kautsky. Lenin was not slow in his remaining years to analyse what lay behind Rosa's difference from the Right and from the centrists in the SPD. In 1920 he wrote:

'While such outstanding representatives of the revolutionary proletariat and of unfalsified Marxism

as Rosa Luxemburg immediately realised the significance of this practical experience (the 1905 revolution) and made a critical analysis of it at meetings and in the press, the vast majority of the official representatives of the official Social-Democratic and socialist parties—including both the reformists and people of the type of the future "Kautskyites", "Longuetists", the followers of Hillquit in America, etc.—proved absolutely incapable of grasping the significance of this experience and of performing their duty as *revolutionaries*, i.e. of setting to work to study and propagate the lessons of this experience.'⁴

It is important to bear in mind that this was Lenin's unqualified verdict on Rosa Luxemburg, that she belonged wholly to the revolutionary tradition, and that she stood apart from and against both the Right and centrist 'swamp' in the Second International. But it is equally important to clarify the *difference* between Bolshevism and the group of Marxists around Rosa Luxemburg. It is these weaknesses of Rosa, the failure to express organisationally the political independence which she asserted against the opportunists and the centrists, which are glorified and built into a system by small sects of self-styled 'Luxemburgists'. It would of course be better for them if Rosa had *not* been the founder of the German Communist Party in her last days. But she was, and no Marxist will doubt that once having taken this step she would, had she lived, have been a great leader of a Leninist party in Germany.

The difference between Rosa Luxemburg and Lenin on organisational questions is one of the most instructive aspects of the whole history of the workers' movement. Paul Froelich, in what was hitherto the only available biography of Rosa in English, was guilty of blurring over the differences

⁴ Lenin, 'Contribution to the History of the Dictatorship' in *Collected Works*, Vol 31, p. 343

between Lenin and Luxemburg, and this was precisely because he himself was dithering on the basic question which divided them—the building of the independent revolutionary leadership, by that time the Fourth International. Froelich's subservience to the Popular Front politics of the Kremlin made it necessary to present Rosa's ideas on this and other questions as differing only in emphasis from those of Lenin. Nettle, on the other hand, does not really attempt an estimate of the lessons of Rosa's opposition to Leninism on organisational questions. Most readers would conclude from his account that her objections to Lenin's intransigence in these matters was a consequence of her stress on the self-liberating aspect of the proletarian movement, the insistence on 'organisation as process', and that her opinions about this should be considered part and parcel with the positive heritage which Nettle considers she has left to non-Stalinist Marxists.

However, Nettle does give, on this as on many other disputed questions, sufficient evidence to make clear that Rosa herself never made a rigid 'system' out of her stress on spontaneity. All the citations, right from her writings on the 'Mass Strike' to her wartime letters, confirm this judgement of Trotsky. Most important of all, to read once again the history of the revolutionary events of 1918-19 is to see very clearly the fatal weakness of Rosa and the German Left. Since Nettle writes as historian and biographer rather than as participant, it is worth using this review to outline the political conclusions. This is particularly necessary because of the general character of Nettle's approach, which we have already criticised.

In writing about the lessons of the 1905 Revolution in Russia, for which she was later commended by Lenin, Rosa made a number of brilliant observations on the relationship between political leadership and the strike actions of the masses. For example:

'The leadership of a mass strike rests with Social Democracy and

its responsible leaders in quite a different sense. Instead of racking their brains about the technical problems, the mechanics, of a mass strike, Social Democracy must take over the *political* leadership even in the midst of a revolutionary period. The slogans, the direction of the battle, the tactics of the political struggle have to be organised in such a way that every phase and every moment in the struggle is related to the existing and already realised achievements of the proletariat and that this is always taken into account when the plan of campaign is made so that the tactics of Social-Democracy . . . must never fall *below* the level of the genuinely existing power possibilities, but must always be in advance of them—this is the most important task of the "leadership" during any period of mass strikes. And it is such a leadership which automatically settles technical problems as well.'

Here and in other writings Rosa insists that the task of leadership is not just administration but *political* leadership of the whole movement. The fact that she constantly fought along this line, and that she saw every struggle as the expression of a revolutionary process, placed her in the revolutionary camp. And yet on the organisational questions in Russian Social Democracy she sided with the Mensheviks. Her mistakes on this question were to have tragic consequences. When the revolution broke out in 1918, the Spartacists were still organised as the left wing of the USPD (a centrist split from the SPD). As Mehring wrote in his open letter to the Bolsheviks: 'We have made one big mistake, namely that from an organisational point of view we joined the Independents in the hope of driving them forward. This hope we have had to give up. . . .'

Lenin was well aware of this deficiency long before 1918, and put his finger on it in his comments on Rosa's famous pamphlet on the war and the Social Democracy (the 'Junius pamphlet'):

' . . . Junius states quite correctly that you cannot "make" a revo-

lution. Yet the revolution was on the programme (of history) in the years 1914-16. It is contained in the womb of the war, it would have *emerged* from the war. This should have been *proclaimed* in the name of the revolutionary classes; *their* programme should have been fearlessly developed. . . .' (Quoted by Nettle, page 625.)

In this criticism there comes out clearly the danger inherent in Rosa's stress on the spontaneity of the masses. Lenin elaborates on the point:

'One senses the outsider who, like a lone wolf, has no comrades linked to him in an illegal organisation, accustomed to thinking through revolutionary solutions right to the end and to educating the masses in that spirit. But these shortcomings—and it would be entirely wrong to forget it—are not personal failures in Junius but the result of the weakness of the *entire* German Left, hemmed in on all sides by the infamous net of Kautskyite hypocrisy, pedantry, and all the "goodwill" of the opportunists.'

The parties of the Second International, and in particular the SPD, had achieved their most spectacular growth in non-revolutionary periods, and even where Marxist theory went beyond the limitations of these conditions, as in Rosa's case, it did not get to the point of a theory of revolutionary organisation, as Lukács has pointed out. Rosa made a wholly positive stress on the self-action of the revolutionary masses as a corrective to the fossilised bureaucracy of the trade unions and the SPD. But to stop there was to fatally delay the tasks of preparation which are the responsibility of Marxists. Rosa insisted on the upsurge of the masses in revolutionary struggle as the corrective to opportunism, but this involved an underestimation of the strength and deep-rootedness of *bourgeois* ideology within the working class itself. She tended to assume that the correctness of Marxist theory and programme would find a natural response in the working class, and an automatic acceptance which would quickly sweep away opportunism.

But it is precisely at the point of revolutionary struggles that these bourgeois ideas, implanted in the working class by reformism and bureaucracy, place in front of the workers their biggest obstacle, and require an independently steered and trained leadership, proceeding from the overall needs of the class. This is what Lenin was driving at in *What is to be Done* when with characteristic sharpness he insisted that, while militant trade union consciousness can develop spontaneously through the struggle of the working class, *socialist* or political consciousness must be brought *from the outside*. Rosa failed to see the *political* implications of Lenin's firmness on organisational questions against the Mensheviks.

Lukacs, in the years before he hid away in the field of literary criticism (and self-criticism!), summed up the consequences of this error for Rosa and her comrades:

'The weak spot of all the non-Russian left tendencies in the Second International lay in that their taking up of revolutionary positions against the opportunism of the revisionists and the centrists could not and would not concretise itself at the organisational level. This left it open to their opponents, and particularly to the centrists, to obscure the actual differences before the revolutionary proletariat. And so their opposition was unable to prevent the centrists from appearing to be the representatives of Marxism.' (Lukacs, *Histoire et Conscience de Classe*.)

Lukacs is only summarising the actual experience of the Spartakusbund, an experience from which Rosa drew, too late, the conclusion that the Communist Party of Germany must be formed. In the earlier years, she had insisted on the preservation of the unity of the Social Democracy, confident that the struggle and developing class-consciousness of the workers would defeat the opportunism of the leaders. We have seen that the Spartakusbund then made the mistake, in the developing revolutionary situation of 1918, of remaining as the left wing of the 'Independent

Socialists'. It is interesting that R. Palme Dutt, leading Communist Party scribe, refers in his review of Netti's book⁵ to the failure to split from the SPD, but draws a blind across the mistake in relation to the Independents. Such are the penalties of being tied to the line of 'left unity' in 1966—one is obliged to defend it for 1918, even when it led to the annihilation of a whole leadership.

Dutt's review of Netti's book could indeed have served as a useful illustration of the kind of Stalinist criticism of Rosa Luxemburg which Netti outlines in his final chapter. Dutt complains about the subjective and 'maddening' interpretations of political questions by the biographer, but he makes no analysis of the meaning of these interpretations as a preliminary to putting the record straight. Instead he indulges in the same old game of sorting out from Rosa's work that which is suitable to Stalinism today and making formal criticisms of her mistakes. Because he, like Netti, does not distinguish between Leninism and Stalinism, he can say nothing about the decades of distortion and obfuscation which Rosa has suffered. He mentions quite blithely her 'well-known' writings on the Mass Strike and on reform and revolution, without making the slightest indication that the Stalinist-controlled publishing houses did nothing to circulate these invaluable works, and still do nothing. When Dutt replies to Rosa's criticisms of the Russian proletarian dictatorship in 1917-18, he mentions the standard reply that she changed her mind on the important question of the Constituent Assembly, but he completely omits the basic framework of her approach, viz., the *primary* importance of the proletarian revolution in the advanced capitalist countries. It is *this* which assures Rosa's place in the revolutionary tradition, even in her errors, and it is because the Stalinist Dutt, still tied to the ideology of 'Socialism in a single country', cannot admit this that he ends up by praising her only for her implacable revolutionary will and determination, as contrasted with what Dutt

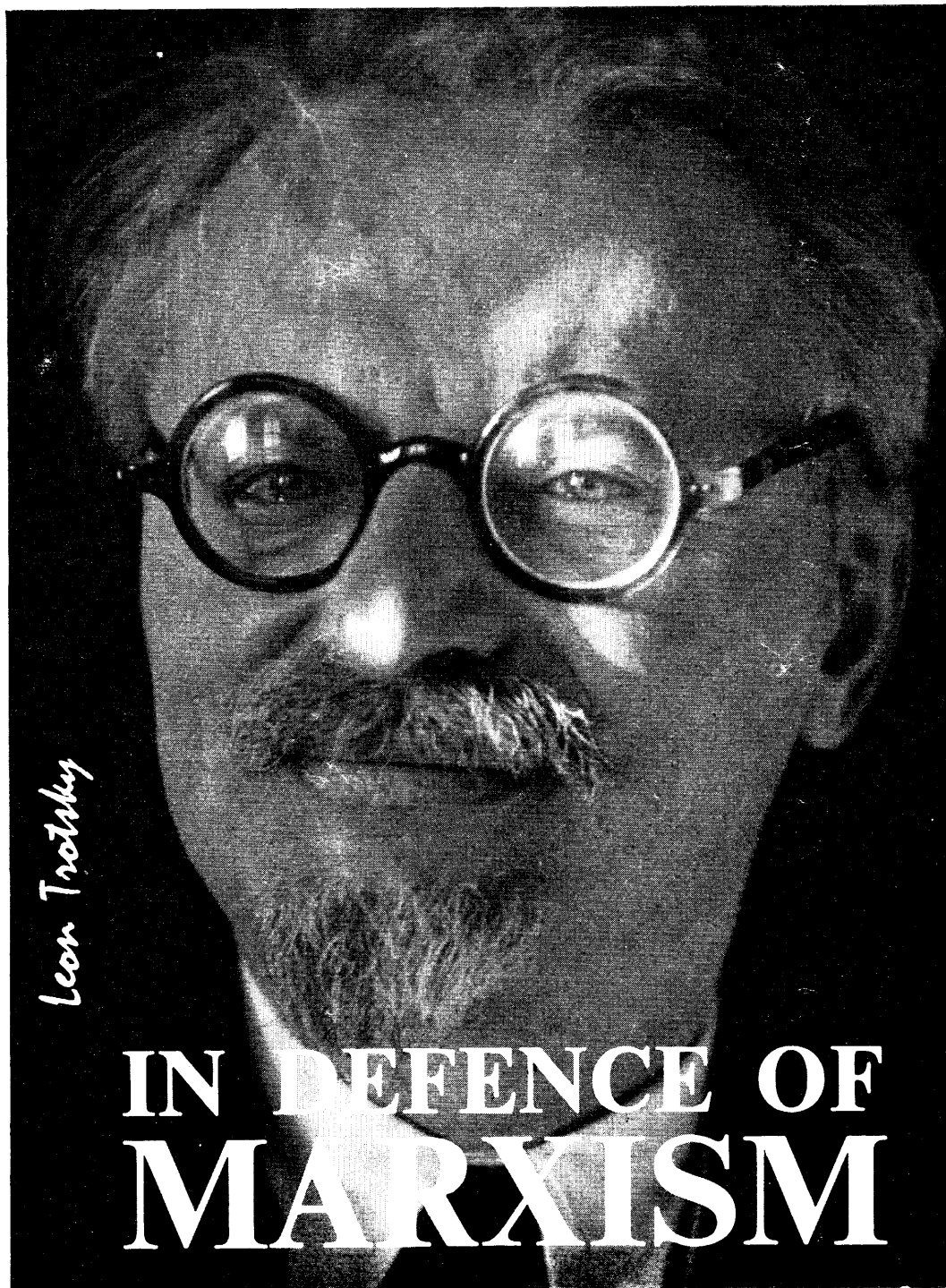
patronisingly calls her theoretical 'ambitions'. Dutt provides a similarly simplified view of the dispute over national self-determination, proceeding not from Lenin's views but from the current Stalinist mish-mash about 'the interlinked advance of socialism and national liberation (as) the manifest governing feature of the modern world. . .'.⁶ Not only Rosa but Lenin too would have boxed the ears of any self-styled Communist who constructed such formulae to obscure the class struggle and the responsibilities of Marxist revolutionaries in the struggle against imperialism.

The reactions to Netti's book of the Stalinist Dutt serve only to reinforce the main argument which we have developed in this critical review. We have left aside many important aspects of Rosa's work and lessons of the struggles in which she played so glorious a part. Dutt chooses to quote Lenin on Rosa's record as a revolutionary heroine, despite her errors, but he also chooses to omit Lenin's characterisation of her as representing 'unfalsified Marxism'. This makes it easier for him to avoid the essential questions of Stalinism and the betrayal of the world revolution. Rosa will resume her rightful place of honour in the history of this revolution, and in the education of a victorious generation of communist fighters, only through the fight for the real continuity of the Marxist tradition, the struggle of Bolshevism against Stalinism. Netti's book will be an invaluable source for those fighting in this battle. But the fight against bureaucratic distortions of her work, to establish her real stature, to guarantee the availability of all her works, that requires a continuous tradition of struggle against those who have usurped the conquests of the working class and the mantle of Marx, Engels and Lenin. In this sense we reaffirm Trotsky's claim that the work of the Fourth International goes on under the banner of Luxemburg and Liebknecht as well as that of Lenin.

⁵ *Labour Monthly*, August 1966.

⁶ *Ibid*, page 397.

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Leon Trotsky

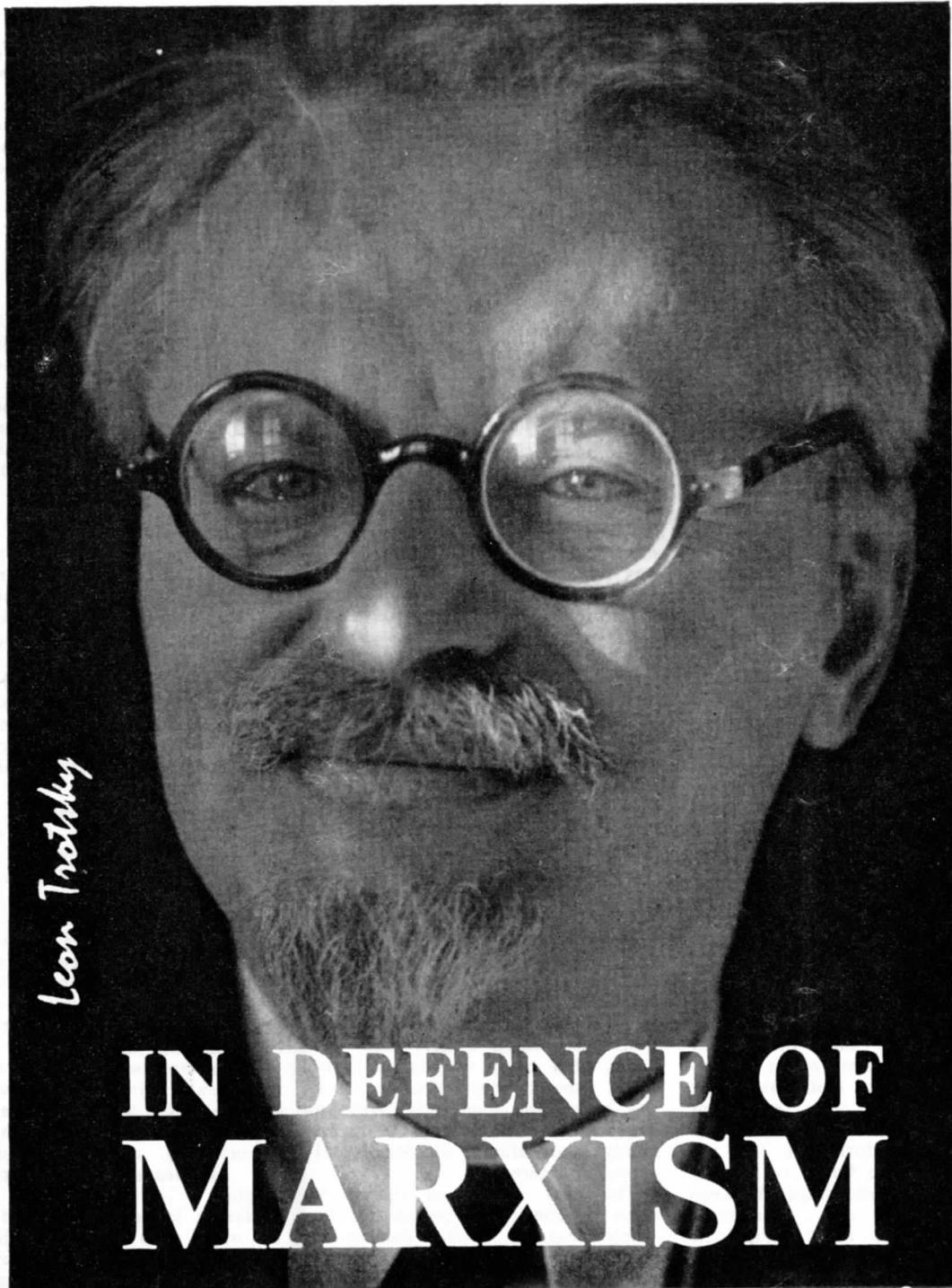
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Monopoly Capital

An Essay on the American Economic and Social Order.

Paul A. Baran and Paul M. Sweezy.

Monthly Review Press. New York and London.

pp 402. Price 62 shillings.

THE authors of the present volume are well known writers in the field of socialism and Marxism. Sweezy, editor of *Monthly Review*, is author of the popular *Theory of Capitalist Development* (1942), which is widely thought of as an authoritative exposition of Marxist political economy, while the late Paul Baran, formerly Professor of Economics at Stanford University, is author of *The Political Economy of Growth* (1957). If for no other reason than their popularity this volume would justify serious study and evaluation by all Marxists.

To deal, in the first place, with the main contents of the book. After some opening remarks about the weakness of bourgeois social science with its inability to answer any of the crucial questions posed by the development of capitalism, they proceed to examine what they consider to be some of the weaknesses in Marxism, particularly in the field of political economy. Capitalism has survived in a way which Marx did not nor could not have anticipated. Since the century in which Marx wrote about capitalism the system has undergone many important changes. Most prominent and important amongst these has been the transformation of the system from one based on largely competitive relationships between capitalists to one dominated by monopolistic and oligopolistic market structures. It is this fact which must be taken as the starting point in a re-evaluation of the functioning of present capitalist

society. Baran and Sweezy point out that writers following Marx, most notably Rudolph Hilferding and Lenin, were aware of the advent and dominance of monopoly (Lenin did after all suggest that the best shorthand definition of imperialism was 'monopoly capitalism'). But no Marxist, including Lenin and Hilferding, explored the development of monopoly in terms of the 'law of motion' of the economic system: there was no development in 'economic theory'. The purpose of the book is to begin such an evaluation of monopoly capitalism and its laws of motion. In order to do this American economy is focussed upon as 'typical' of these new developments: 'typical' in the sense in which Marx chose Britain for his analysis of capitalism in the 19th century.

After these initial remarks there follows a lengthy consideration of the structure and role of the modern giant corporation in the American economy. The authors agree that control of these institutions has passed largely into the hands of a group of salaried managers, although they stress the close ties which the managerial stratum has with stockholders in terms of family, education, ideology and economic interests.

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by a tendency for the economic surplus (which, briefly defined, is the difference between what a society produces and the costs incurred in producing it) to rise. This tendency for the surplus to rise in both relative and absolute terms is now the dominant law of motion of modern capitalism:

'This law immediately invites comparison, as it should, with the classical-Marxian law of the falling tendency of the rate of profit. Without entering into an analysis of the different versions of the latter, we can say that all presuppose a competitive system. By substituting the law of rising surplus for the law of falling profit we are therefore not rejecting or revising a time honoured theorem of political economy: we are simply taking account of the undoubted fact that the structure of the capitalist economy has undergone a fundamental change since that theorem was formulated. What is most essential about the change from competitive to monopoly capitalism finds its theoretical expression in this substitution.'

Given that a tendency to rising surplus is dominant the central question facing the capitalist system is the absorption and distribution of this growing surplus. Having decided that this is the key question the remainder of the study falls logically into place. Baran and Sweezy demonstrate that neither the investments nor consumption of the capitalist class come anywhere near to absorbing this surplus. They therefore analyse the role of advertising expenditure, the economic activities of the State and the importance of imperialism and expenditures on preparation for war as means of absorbing the surplus.

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Having looked at each of these factors in turn they conclude that, even in combination, they are inadequate to prevent stagnation and the under-utilisation of resources under monopoly capital-

ism. The capitalist system has in fact only been 'rescued' from worse crisis by two other factors which must be taken into account: 'epoch-making' innovations which shake up the entire pattern of the economy and as such create vast outlets for the investment of capital far beyond the capital they directly absorb. Only three innovations can be accepted under this head—the steam engine, the railroad and the automobile. The second major factor which must be incorporated into the analysis which has been presented so far is the role of war, which has been a 'normal' feature of the present century. Baran and Sweezy then attempt to show that the history of monopoly capitalism in America demonstrates that when both or either of these stimuli are present the problems that would occur with a rising surplus are 'neutralised'.

Only when they are absent or present with insufficient force do the laws of motion of the system assert themselves and dominate, producing 'creeping stagnation' and unemployment.

The book ends with three closely related chapters on the quality of life under modern American capitalism. Here the authors range widely over the condition of the Negro population, the housing situation, the waste and inefficiency of modern urban life, the dehumanisation of labour in modern industry, the inadequacy of educational provisions, the break-up of the basic unit of bourgeois life—the family—etc.

In conclusion the authors speculate about the prospect of the overthrow of capitalism in America. They conclude that the possibility of this happening is slim. The working class now occupies no special position in the capitalist system, as it did when Marx wrote. The organised sections of the working class (in any case a declining proportion of the population) have to a large degree been integrated into capitalist society as consumers and ideologically conditioned to accept existing social relations. The working class is not a particular victim of capitalism: it suffers from the

irrationality of society, but only alongside other classes and strata. The main impulse for socialism must come from outside America: in Vietnam, China, Korea and Cuba and Algeria. Socialism is only in prospect for America after decisive victories have been achieved in the colonial and ex-colonial areas.

Obviously there are many points that one would like to take up, most of which have far-reaching implications for Marxism. However, only a few can be selected for anything approaching detailed treatment. In any case, as the authors plead in their work, the analysis must be considered in general and not in any of its particular details. This is what this review will attempt to do.

As we have already suggested, the central part of the work is the claim that a tendency for the production of a rising surplus under capitalism is now the key law of motion of the system. The manner in which Baran and Sweezy attempt to establish this fact is extremely revealing about their approach to the problems of political economy. Capitalist industry is, in the 'typical' case, now dominated by a few giant producers: it displays what is normally called an oligopolistic market structure. Baran and Sweezy concern themselves with the pricing and output policies of these few large firms in each industry. The prices they charge can be best understood, they suggest, in terms of the orthodox monopoly price theory (which bourgeois economics always treated as a special case). That is, a monopolist will lower his price to the point where the revenue from selling an extra unit exactly equals the additional expense incurred in producing an extra unit. The producers in each industry are interested in maximum profits for the group as a whole, and this defines their attitude to questions of price policy. 'Regulated' prices are now the normal feature of capitalism in its monopoly phase and price competition is rejected because of the ruinous effects it can have on all producers. Price changes are effected through 'price leadership'

which normally tends to push prices ever upwards. The giants still compete, but this now takes the form of a massive extension of the sales effort to gain a larger share of the market and at technical changes which are aimed at cost reduction and hence increased profits, which in turn give the company making them increased power against its rivals. This theory of price can only be called subjective and has little in common with the Marxist theory of value. The implication of their position is the total rejection of the labour theory of value as a means of analysing capitalism. If prices are fixed by oligopolists at a level to maximise profits for the group as a whole—prices being limited presumably only by the demand schedule of consumers for the commodity concerned—there would then be no objective relationship holding between the value of a commodity and its price. In *Capital*, in developing his theory of value in Vol III, Marx shows that the deviation of value and price can be explained in terms of the uneven development of the economy which reveals itself in differing organic compositions of capital from industry to industry. That is, it could be explained by means of objective processes which were themselves a necessary feature of the development of capitalism. Of course Marx was aware that in the case of a pure monopoly his theory of value ceased to hold. To justify their implicit rejection of the theory of value Baran and Sweezy would have to prove that this was in fact now the normal feature of the economy. As against their position two points can be made. In the first place one suspects that they seriously underestimate the amount of price competition that does persist between the oligopolists on both a national and certainly an international scale. In the second place they seem in grave danger of looking upon a particular phase in the recent evolution of capitalism and on the basis of this limited experience drawing unwarranted and unjustified generalisations. In particular: given a strong tendency for the organic

composition of capital to rise under capitalism (a point hardly seriously to be challenged) each firm in an industry must struggle to maintain and improve its profitability largely through the increased exploitation of its labour force. It may, in conditions of rising demand, be able to indulge in pricing agreements which allow its rivals to live in relative peace. But matters are entirely otherwise once there is any check to the rate of expansion of the market. Certainly an actual *decline* in the market will produce an even sharper reversal of policy. In other words, an absence of competition between firms for a period in no way implies a disappearance of the *contradictions* between them as producers of commodities in a capitalist economy. We shall return to some of these points later.

This subjective element in the analysis is evident at an earlier point in the discussion on the modern corporation. Baran and Sweezy are concerned with the following question: given that most large firms are now managerially controlled does this alter, in any fundamental sense, their attitude to profitability? In general they conclude that it does not and in several places they explicitly attack the notion that the managerial strata can stand outside the laws of the system of which their enterprises are integral parts. But despite taking this position—undoubtedly a correct one—they end this section of their work by suggesting that in two important respects the modern corporation does display a different behaviour pattern from that established by the firm in the earlier, competitive, phase of capitalism. In the first place the modern giant is less prone to take risks than was the early pioneer capitalist. New ventures are only undertaken if the corporation knows that the odds are in its favour, and in any case the big firm has a long time-horizon, not being under the same pressure to realise quick returns on its investments. The second feature which, to a degree, separates out the managerially run firm is its attitude to other firms in the same industry: it has an attitude of 'live and let

live': its behaviour to its rivals is what Schumpeter called 'co-competitive'. Both these so-called 'new factors' stem from the same subjective method noted above. The relations existing between firms are determined by the laws of the system as a whole: whether there is a spirit of 'live and let live' is not dependent upon the internal structure of the enterprises concerned but on the contrary depends upon rate of expansion of the market, the degree of profitability, etc.

The other side of the picture which 'explains' the rising surplus under monopoly capitalism (apart from the ability of the oligopolists to fix their prices at a level to secure maximum profits in their industry) is the tendency for technical change continually to raise the productivity of labour and therefore reduce costs. To arrive at this conclusion they are forced—even in opposition to such reformists as John Strachey in his *Contemporary Capitalism*—to deny the importance of the trade unions as instruments for influencing the class distribution of income. That is the working class has no chance of capturing increments in surplus value resulting from rising productivity. No consideration whatsoever is given to an examination of the condition of the unions inside or outside the States, the role of their leaderships and their relationship to the capitalist state etc.

In general, one suspects that in this section of their work Baran and Sweezy have done little more than seize on certain aspects of capitalism which have existed since the end of the second world war and elevated them to the level of features typical of the innermost working of capitalism. For example, the tendency for prices to rise over this period and to have been 'sticky' in a downwards direction and along with it the ability, in normal years, of firms to pass on increased costs in the form of higher prices are surely explicable in terms of the rate of expansion of the capitalist system in this period. This explains the absence of any general price competition, the

growth of price-fixing agreements, cartels etc. Many of these were blown sky high in the depressed 20s and 30s and surely will be once more when the rate of expansion of the capitalist system begins seriously to slow down. Thus the factors which Baran and Sweezy introduce into their analysis to explain the changed functioning of capitalism are rather effects of the phase through which the system has recently passed.

The authors invite comparison between their new law and Marx's law of the falling tendency of the rate of profit. It is interesting that no reference is made to Joseph Gillman's work in this field: in particular his *The Falling Rate of Profit*. Despite serious weaknesses in the method of this book it has the virtue of attempting to explain capitalist development in the recent past in terms of Marx's categories. Baran and Sweezy give no indication why they consider it necessary to cast out what has long been one of the cornerstones of political economy. A tendency for profits to rise both absolutely and as a component part of national income would not of course invalidate Marx's law, nor call for its reformulation. The rate of profit tended to fall given the tendency under capitalism for the organic composition of capital to rise over time, although unevenly, and assuming that the rate of exploitation remained constant. As Marx was at pains to point out, there were many important counter-acting tendencies which could arise to check and even reverse the operation of this law. In particular, Marx did not see the decline of capitalism as a smooth, mechanistic and purely 'objective' process. Capitalism was, by its very nature, a system that had continuously to revolutionise methods of production. Because the accumulation process has as its *raison d'être* the production of surplus value and not the satisfaction of use values, it was a contradictory process which led periodically to crises which presented the working class and its allies with the possibility of overthrowing the system. These crises were not only inevitable: more

than this they were the very means whereby capitalism prepared for a new phase of expansion and accumulation.

This must lead to some further considerations of the methodology of the book. In the early part of the book Baran and Sweezy make some interesting points in this respect. Scientific understanding proceeds by way of the construction of 'models' which abstract certain features or components of reality for investigation. There are no 'rules' for model building: a 'good' model will be one which abstracts from all inessential features while a 'bad' one will include unimportant elements to the exclusion of elements which are essential to the subject under consideration. As they say, the acid test is whether the model 'makes sense' of the real world: 'the proof of the pudding is in the eating.' Again we must say that this is an inadequate statement of the method of Marxism: it betrays the same weaknesses which are evidenced in Sweezy's earlier work. (Baran has always displayed some impatience with methodological questions and tended towards 'practicalism'. This is certainly true of the opening parts of his *Political Economy of Growth*.) Marxism does not consist simply of starting with some initial hypotheses, which are then polished and refined as the analysis proceeds. This smacks very much of the spurious 'scientific method' of sociology. It is interesting that Baran and Sweezy in several places pay warm tribute to the writings of C. Wright Mills. Certainly Mills was able to point to the fragmentation of orthodox social science and its degeneration into narrow empiricism. But it is significant that Mills rejects the dialectical theory of knowledge as a piece of Victorian metaphysics. Marx's categories for *Capital* and their development by later Marxists were not devised by a positivist method. They were developed on the basis of an analysis of the conquests of the leading bourgeois ideologues in relation to the experiences produced by the development of the working class as a new force in history.

Because this is not taken as the starting point of their work, Baran and Sweezy misunderstand the nature of political economy in its relationship to Marxism generally. To illustrate this point in relation to their comments on the work of Lenin: they suggest that while Lenin was able to point to the development of monopoly as an important feature of the later phase of capitalist development he did not integrate his insight into the body of 'economic theory.' Lenin's *Imperialism* was an attempt to evaluate the stage reached by capitalism as a social system: the 'stage' in the sense not merely of 'objective' factors but in terms of the problems which this stage posed for the development of socialism, the different tendencies inside the labour movement and the tasks of the working class. Lenin demonstrated that capitalism had now reached its highest point, that its continuation would produce deeper and deeper crises on a world scale and that the working class must prepare for its revolutionary overthrow.

He also traced the connection between the development of imperialism and the growth of 'Kautskyism' inside the labour movement. Lenin's categories for *Imperialism* were produced through a concrete grasp of the relationship of the stage reached in the class struggle with the previous conquests of Marxism. This is clearly seen in his work on the nature of the State, a key feature of his analysis of imperialism. Lenin traces in detail the battles of Marx and Engels to establish their conception of the state in struggle with the representatives of the capitalist class. Because they fail to understand the true nature of political economy, Baran and Sweezy misunderstand the true significance of Lenin's work and this mistake is closely related to their positivist method.

To turn to one last major point. Much of the later parts of the book are concerned with the irrationality and waste of capitalism. As we have noted, it is here that they deal with the enormous expenditures on arms, the paltry sums which in com-

parison are devoted to education, housing, the social services, etc. They try to show—with some degree of success—that this maldistribution of resources is not accidental but stems from the very nature of the capitalist system with its demand for more and more profit as the final goal of all production. It must be said however that this part of their work bears a very close resemblance to much of the writing of the New Left in these fields. Like Baran and Sweezy, the New Left, in analysing modern capitalism, suggested that the working class was no longer a revolutionary class; that the system did not suffer from the 'old' problems and that new ones had taken their place, problems which were not concerned with economics so much as with more general questions such as the debasement of culture under capitalism, the contrast between 'private affluence' and 'public squalor', etc.

The weakness of this method of analysis is that it does not concern itself with the *contradictions* of capitalism so much as with its *irrationality*. It is interesting that the final chapter of the book is entitled 'The Irrational System' Such a method is closely concerned with an abstract *criticism* of capitalism and not with an exploration of the inner contradictions of the system as part of the struggle to overthrow it. This largely explains the pessimism of Baran and Sweezy about the possibilities of socialism in America. Marx was not concerned merely to criticise capitalism; this had long been a pre-occupation of socialists and radicals of various hues. He attempted to show that capitalism was not merely irrational, but locked in contradictions which assumed larger and larger proportions. At the base of these contradictions was of course the struggle between the working class and the capitalist class.

The weakness of their method can be illustrated by reference to the way in which they examine the role of the state, expenditures on war and the nature of imperialism as means of absorbing the growing surplus generated by the capitalist

system. Perhaps the most obvious case is their treatment of the role of arms expenditures. They rightly point out that this represents a convenient way of disposing of 'unwanted' capital and avoiding the traditional 'realisation' problem of the system (although it is not discussed in quite these terms) and further show that the large export of 'aid' abroad together with a large military commitment throughout the world is part of the defence of US imperialism and the preservation of its profits. These points are undoubtedly correct, but they do nothing to highlight the *contradictions* involved in these developments. The problem cannot be examined at this point in any detail. But it is clear that the present US balance of payments difficulties and the serious disequilibria that this produces in the world economy—especially in the form of the present 'liquidity crisis'—are the product, in the main, of the massive outpourings of capital from America in the post-war period. None of these problems receives any attention. In fact the relationships of US imperialism to the rest of the world economy are totally neglected as a central part of the analysis. There is no treatment of the tendency to uneven development under imperialism, surely one of the key features of modern capitalism. It is precisely the tremendous imbalance between the

speed of development of the American economy in relation to the rest of the world which produces the present crisis. In a similar way, arms expenditures *have* played a role in the stabilisation of capitalism in the recent past. But they also produce their own set of problems and contradictions for the system. The impact of the war in Vietnam is a classic illustration of this point. Not only does this war produce increasing political tensions inside America, for both the ruling class and the working class, but it generates inflationary and monetary disturbances which are of major concern to the Johnson administration, producing an attempt at wage limitation which sharpens the conflicts with organised labour. Finally the role of the State: once more this has not simply been a one-sided way of stabilising capitalism. The intervention of the state, and with it the great increase in the volume of taxation, has been a contributory factor to the inflationary pressures now at work in the States and, by undertaking increasing expenditures in the field of research and development (especially those connected with the war machine) it has tended to speed up technical progress which capitalism finds it increasingly difficult to contain and utilise.

That Baran and Sweezy can say little about the state of the class

struggle in America today and are doubtful whether socialism will be achieved during this century stems from their failure to analyse the relationship of developments in America to world economics and politics and the impact of these developments on the consciousness and fighting capacity of the US working class.

Not all the questions raised by this book can be dealt with. But from the points already made it is clear that the present work cannot be considered adequate in any way. Although claiming to follow in the Marxist method and although employing the terminology of Marx in many places Baran and Sweezy have in practice capitulated to revisionist conceptions. Certainly Sweezy's earlier work has many weaknesses which have been discussed in the pages of this journal. But this book represents a serious degeneration from even his earlier work. No Marxist should be afraid to analyse capitalism afresh and seek out new developments. Without a constant struggle to do this Marxism would become ossified and lose all connection with the struggles of the working class. This we believe is the historical duty and responsibility of the Fourth International. It cannot be achieved by isolated commentators, such as Baran and Sweezy, no matter how gifted or sophisticated they might be. G.P.

The New Course By Leon Trotsky

A collection of articles written in 1923 during the lull before the great storm of persecution which was later to overwhelm Russian Bolshevism. Here Trotsky, analyses the incipient stages of the degeneration of the Communist Party, uncovers its causes and proposes measures for combating its further decline. He here analyses the party in a historical, that is dialectical way, the relationships between generations, social strata, groups, factional formations, tradition and the multitude of factors that go to make a revolutionary party. 111 pages, 3/6

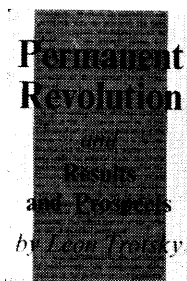


This document is a landmark in the development of 20th century Marxism. It sums up the experience of an entire period of struggle against the Soviet bureaucracy. This Platform also represents the highest point in the fortunes of the Joint Opposition (Trotskyist-Zinovievite) to Stalin. It is the programme of the last of the Bolshevik-Leninists who insisted that they remained communists despite all the persecution, jailings, violence and slander inflicted on them. But this document also represents a watershed—the end of one phase and the beginning of another—in the evolution of Trotskyist politics. 112 pages, 5/-

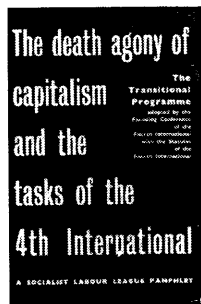
The Draft Programme of the Communist International by Leon Trotsky

This is part of the author's criticism of the draft programme submitted by the Executive Committee of the Third (Communist) International to the 6th Congress of the Comintern which was held in July 1928. The manuscript of that criticism was written by Trotsky during his exile in Alma-Ata (Central Asia). It was sent to the Congress in Moscow together with an appeal for reinstatement into the party from which he had been expelled a few months before by the Stalinist faction in 1927. Stalin and his supporters had invented the theory of 'Socialism in one country', which was made party policy in 1925 and converted into an article of faith to be defended by the world institutions of Stalinism. It is this theory which Trotsky criticises in these pages. 64 pages, 1/-

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