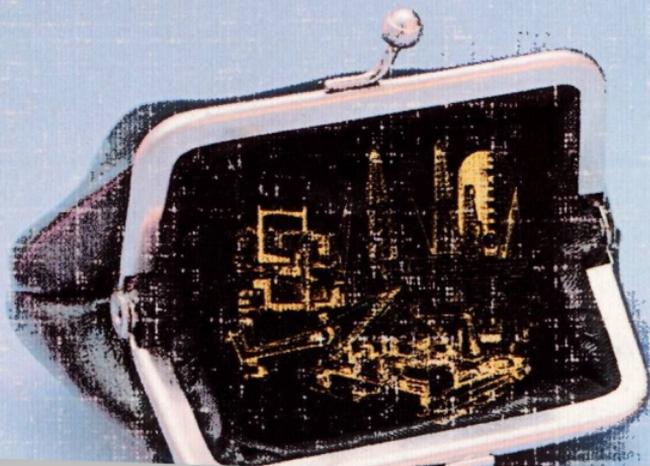


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OF SOCIAL AND
POLITICAL
KNOWLEDGE

WHAT IS
Capitalism?

A. BUZUEV



PROGRESS PUBLISHERS

ABC of Social and Political Knowledge

Alexander Buzuev

WHAT IS
CAPITALISM?



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АБС СОЦИАЛЬНО-ПОЛИТИЧЕСКИХ ЗНАНИЙ

А. Бузуев

ЧТО ТАКОЕ КАПИТАЛИЗМ?

На английском языке

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Foreword

The true face of capitalism is well camouflaged by the flashy neon lights, the glittering show windows, the well-stocked shop shelves, and the sweet talk of "equal opportunities", and that makes it all the harder to sort out many of the questions posed by the realities of the capitalist world.

Who is to blame for the inequality, discrimination, social injustice, hunger, poverty and the threat of wars in the world? Why is the social structure of all capitalist societies so uneven and the class contradictions so sharp and irreconcilable?

Why can the few rich wallow in luxury, while the majority of the population in the capitalist

countries have to carry on a daily struggle for the bare necessities? Why is it that some can move from pleasure to pleasure, have personal collections of old masters that are the envy of public museums, and have hundreds of acres as their private hunting grounds, while others have to queue up for a bowl of charity soup and sleep on the sidewalk with newspapers for a blanket? Why are there expensive mansions a stone's throw away from slums without lighting, drains or running water? Why is it that many people in the capitalist world cannot afford to have an education or go to a doctor? Why are millions of able-bodied men and women left outside the factory gates as fully or partially unemployed, while the vast amounts of money that could more than pay to feed, clothe and shelter all the needy are allowed to go down the drain of the arms race?

These internal contradictions of the capitalist system generate its most acute and constantly worsening economic and social disorders. Among them are mass unemployment, inflation, spreading crime, devastating crises, recurrent bouts of economic fever and the people's growing fear of the future. Hardly anyone now risks predicting fair skies for capitalism, because regardless of who is at the helm of government in the capitalist countries and which bourgeois party makes the political running in

parliament, no one is capable of curing the "sick" society.

Capitalism has not always been sick. In its youth, when it took over from feudalism, it was full of vigour and creative energy, and it looked as though it would bring mankind freedom and prosperity. But these illusions were soon dispelled, and as capitalism reached the highest point of its progressive ascent, it began increasingly to exert a drag on mankind's progress and turned into a decaying and moribund society inexorably moving to its demise.

Today, many peoples are building a new, socialist society, and many developing countries have opted for the way of socialist transformations. However, capitalism continues to inflict suffering on hundreds of millions of people in Europe, America, Asia, Africa and Australia. Every working person must know what capitalism is and why, after having developed production to vast proportions, it has become an impediment to social progress.

What is capitalism? How and when did it arise? Which way is it developing? What has it in store for the working people and the rest of mankind? What are the characteristic features of capitalism at the present stage of its development? Those are the questions being answered in this book.

Chapter 1. THE FORMATION AND SUBSTANCE OF CAPITALISM

Mankind has traversed a long way in its historical development, from the primitive society in which men used arrow and spear to hunt wild animals, to our day, when men use space satellites, robots and electronic computers.

Human beings have always wondered what the future has in store for them. They have also wondered whether it can be divined at all. When mankind was in its infancy, attempts to predict the future were made from the positions of the stars and planets in the firmament, and by means of other similarly naive methods, which, of course, could not be too reliable.

Men subsequently came to realise that the human society devel-

ops in accordance with definite laws, a knowledge of which helps correctly to understand the past, to assess the present and to some extent to anticipate the future as well. The best minds strove to gain an insight into these laws, and many philosophers, economists, political analysts and religious leaders pondered on the course of history. Over the past several centuries, some of them assumed that the capitalist society was the acme of human civilisation and the ultimate point of its development. Others subjected capitalism to sharp criticism and predicted its downfall. But no one was able to set forth scientifically grounded arguments for any particular view. It was Karl Marx (1818-1883), the great German thinker and revolutionary, who first provided the comprehensive and profoundly scientific answer to this question: What is capitalism?

1. Marx's *Capital*

Marx spent the whole of his adult life studying the capitalist society. His economic views are set forth in his main work, *Capital*, which it took him forty years to write.

The writing of *Capital* was a real scientific exploit, because Marx had to work in intolerable conditions. He and his family were faced with constant need, were always badly in arrears

with their rent and short of money to buy the bare essentials. In a letter which Marx wrote at the close of his life, he said that in order to write his *Capital* he had to sacrifice health, happiness in life, and family. But he had no compunctions: "I laugh at the so-called 'practical' men with their wisdom. If one chose to be an ox, one could of course turn one's back on the sufferings of mankind and look after one's own skin. But I should have really regarded myself as *impractical* if I had pegged out without completely finishing my book, at least in manuscript."¹

Unfortunately, Marx was unable to complete his work on all the volumes of *Capital* in his lifetime, and Frederick Engels (1820-1895), his true friend, associate and fellow-fighter, did a great deal to present them to the world.

Marx carried out a revolution in the science of society: his profound studies of economics, politics, ideology, law and family relations in the capitalist society showed capitalism in all its diversity as a living social organism, which is born, develops, and is ultimately doomed to go down under the weight of its own contradictions.

Marx applied a new scientific method of anal-

¹ "Marx to Siegfried Meyer in New York, April 30, 1867", Marx/Engels, *Selected Correspondence*, Progress Publishers, Moscow, 1975, p. 173.

ysis in his study of the capitalist society, a method which he worked out together with Engels, and which has come to be known as *dialectical* and *historical materialism*. It helped to prove that the development of the human society runs from simpler to higher forms, along a spiral whose every twist leads to a higher stage.

The gist of the new method is recognition of the fact that men make their own history as they go about their daily pursuits, with their labour activity in production ultimately playing the crucial role in their life.

Definite relations between people concerning the production, exchange, distribution and consumption of material goods (the *relations of production*) correspond to each major stage in mankind's development. These relations are at root determined by the development level of the means of production (the implements, instruments and objects of labour), and by the stature of the actual producer—the working person (the *productive forces*). The productive forces and the relations of production, as a unity, make up *the mode of production*, i. e., a historically conditioned mode of creation and appropriation of the material goods that human beings require for their life. The relations of production constitute the *economic basis of the society*, over which rises the *political superstructure* that it determines, including ideas and the corresponding institu-

tions, such as the state, the courts, the church, and so on.

With its superstructure, the mode of production makes up the *socio-economic formation*.

There have been five socio-economic formations in the course of history: the primitive communal, the slave-holding, the feudal, the capitalist, and the communist (with socialism as its first phase). These formations succeed one another in an objective process which does not depend on human will or consciousness, being dictated by the development of the productive forces. Whenever the productive forces run into contradiction with the relations of production, which fetter the former, the revolutionary change from one formation to the next becomes inevitable. That is precisely what has happened to capitalism. The crucial blow at the feudal order was dealt by the bourgeois revolutions in Holland in the late 16th century, in England in the 17th century, and in France in the 18th century, which heralded the victory of the bourgeoisie in those countries. Capitalism was subsequently established in Germany, Russia and other countries.

Marx's *Capital* contains a comprehensive analysis of capitalism as a socio-economic formation, showing its author to be a man of amazing intellectual powers and vast, encyclopaedic knowledge. For all that, this formidable work is

never dull, and is written in a lucid style that makes its matter readily understandable to the average reader.

Marx's *Capital* analyses the origination and the basic structures of the social system which is still predominant in all the capitalist countries. That alone helps to see through to the substance of modern capitalism together with all its new features.

2. The Birth of Capitalism

Capitalism sprang from the ruins of the feudal society, after germinating within the entrails of the feudal system. As it developed, it eroded the feudal system from within and upturned the soil for the development of new, capitalist social relations. It was no accident at all that the elements of capitalism first appeared within feudalism, because feudalism and capitalism are akin to each other in that both are based on private property in the means of production and man's exploitation of man.

The feudal society mainly rested on feudal landed estates, where virtually all that was produced was consumed on the spot. The serfs, bondmen of the feudal lord, had a variety of duties to perform. These were picturesquely described by the Russian poet, Nikolai Nekrasov, in one of his poems. It tells of a male serf

who, like a dog or a horse, answered to the name of "Savka". This Savka was a jack of all trades: on Monday, he ground flour, on Tuesday, he was a harness-maker, on Wednesday and Thursday, he performed various chores in his master's spacious halls, and he spent the rest of the week baking bread, hewing wood, drawing water, and performing diverse other useful jobs. Yet Savka and his ilk, for all their amazingly wide range of skills, soon ceased to satisfy the ever more sophisticated requirements of the society, which developed the need for specialists in every particular field. Accordingly, there was a gradual growth within the feudal system of arts and crafts, of towns, burgeoning trade and monetary operations, i. e., of all the elements of social life that gradually cut the ground from under the subsistence (natural) feudal economy.

The subsistence economy gradually gave way to the production of goods for sale on the market, i. e., to commodity production, with the producers pitted against each other in sharp competition, which led to the ruin of some and the enrichment of others, so stratifying the commodity producers into rich and poor.

Merchant's (commercial) capital was an active factor in undermining the foundations of feudalism, and not only because it expanded the sphere of commodity-money relations. At first, merchants acted only as middlemen in the ex-

change of goods, but soon they began to buy up goods from craftsmen and to supply them with raw materials and cash credits. It was not long before many of the craftsmen found themselves steeped in debt to the merchants, and from there it was only a short way to the point at which merchant's capital started to herd the once-independent handicraftsmen into one hall where they no longer worked for themselves but for the owner of the workshop. In this way, some of the merchants, together with the richer craftsmen, began to set up as owners of industrial enterprises.

An impetus to the rapid expansion of foreign trade and the formation of a world market came from the great geographical discoveries, such as the discovery of America by Columbus and Vasco da Gama's voyage across the high seas from Europe to India (mid-15th-mid-17th centuries). The result was a sharp increase in demand for manufactured goods, a demand that could not be met by the small and isolated handicraft guilds, whose production was stereotyped and based on manual labour.

Feudal relations were increasingly an impediment to the society's continued economic progress, and so the replacement of feudalism by a new socio-economic formation became inevitable.

Capitalism marked a major advance over

feudalism in mankind's development, for it released the productive forces from their feudal fetters and opened the way for the rapid development of science, technology and production. When it was young, capitalism looked like a sorcerer who had revealed many of his well-kept secrets. By the mid-19th century, within less than a century of its arrival, it had created much more numerous productive forces that were on a grander scale than mankind's development had created over all the preceding generations. No earlier age had even an inkling of the wealth that lay dormant within the human society, and that was now transformed into machine production, farm chemicals, railway transport, shipping lines and the electric telegraph.

The old, feudal relations were relentlessly destroyed by the bourgeoisie, which ruthlessly ruptured the bonds tying the common man to his feudal lord, leaving no other bond between men but the sheer cash interest.

The bourgeoisie advanced to power with the slogans of Liberty, Equality and Fraternity inscribed on its banners. It abolished the distinctions of estate on the plea that all men were equal and that no one had the right to set himself up above the others. But it soon became clear that the "equality" was no more than a catchword, while "liberty" and "fraternity" remained a dead letter, because with the continued

existence of private property and man's exploitation of man there was a change only in the form of exploitation: the erstwhile peasant serfs were turned into wage-slaves. The bourgeoisie stripped of its aura every activity that had once been regarded as sacrosanct, and turned physician, clergyman, poet and scholar into its servitors who worked for a wage. Even family relations were covered with the rust of the cash nexus.

In its drive against feudalism, capitalism passed through several stages, of which the first was *simple cooperation*. It simply meant the bringing together in the labour process of a number of wage-workers to perform the same work they had earlier done independently of each other, but there was already an improvement in the results of their labour. It soon gave way to *manufacture*, a higher stage in the development of capitalist production, signifying a capitalist-run enterprise similarly based on manual labour, but with every worker specialising in the performance of one or several operations, instead of turning out the finished product. These manufactures paved the way for technical inventions which led to the development and use of machines and of a much wider range of tools in production.

Machine production is the third stage in the development of capitalist industry. The advance

to it from manufacture has come to be known as the *industrial revolution*, which first began in England (the latter half of the 18th century – the first quarter of the 19th century), and then spread to many other countries. The switch from manual labour to machine production signified that capitalism had scored a definitive victory over feudalism.

As capitalism took shape, the working people were subjected to brutal violence, which assumed the most barbarous forms in the period of what is known as the primitive accumulation of capital.

3. Primitive Accumulation of Capital

The primitive accumulation of capital is the historical process in the course of which the small producers (peasants and handicraftsmen) were converted into wage-workers, and the means of production and monetary wealth, into capital. It is a process that was marked by the grossest and most savage coercion against the working people, plunder, fraud and swindling, colonial occupations and the buying and selling of slaves. Newborn capital, says Marx in a remarkable simile, “comes dripping from head to foot, from every pore, with blood and dirt”.¹

¹ Karl Marx, *Capital*, Vol. I, Progress Publishers, Moscow, 1984, p. 712.

Primitive accumulation first began in England, Holland and France from the 16th to the 18th centuries and there assumed especially violent forms. In England, for instance, it led to the conversion of peasant lands into sheep runs under the Enclosures Act, which deprived the peasants of their land and so also of their livelihood: the people were devoured by the sheep, was a popular saying in those days. "Bloody" laws were enacted by the English government against the vagabond peasants, who were driven into the capitalist factories and habituated to wage-slavery by the threat of flogging and hanging.

In the early days of capitalism, the working day was very long indeed: the wage-workers—adults and children alike—had to do something like hard labour over a period of 12, 14 and more hours. Marx and Engels made a special study of this question, and many data in their works testify to the dire plight of the wage-workers, who were packed into dirty barrack-rooms, eating much less than their fill and getting a pittance for their toil. The children of the poor had the hardest lot of all. In Lancashire, England, children (from 7 to 14 years old) were forced to work at the factories and subjected to the vilest torments: they were overworked beyond all measure, flogged and even chained to their workplaces. Emaciated beyond endurance, some of them committed suicide.

The Vandals would have envied the ruthless plunder of the colonies and the overseas territories. The native population of America was exterminated root and branch. All the valuables, gold and silver in particular, were shipped to Europe. The colonialists' greed knew no bounds, and it led to the demise of the ancient civilisations of America. Africa was turned into a private hunting ground for Blacks, who were sold off into slavery to plantation owners in America, there to be treated worse than cattle by their masters: for the slightest misdemeanour, they were whipped to within an inch of their life and some simply killed; their whole life passed in fear of the slave-driver's whip.

Brutal and barbarous treatment on a par with that practised during the primitive accumulation of capital in Europe is being meted out in our own day by local and foreign capitalists to workers in some developing countries which are still at the early stages of capitalism.

The primitive accumulation of capital signified simultaneously the massive ruin of the working people and their conversion into a "free" labour force, on the one hand, and the accumulation of plundered wealth in the hands of a few and the conversion of large fortunes into capital, on the other.

The formation of capitalism in effect meant complete replacement of the subsistence economy

by the commodity economy. The absolute domination of commodity production is one of the most characteristic features of capitalism. That is why if one is to go to the heart of capitalism as a social system, one has to start by clarifying the principles of its economic system, which is capitalist commodity production. In the capitalist world, everything—houses and land, plants and factories, honours and ranks, pleasures, conscience and honour, human bodies and human souls—can be bought and sold.

What then is commodity production? What are its characteristic features?

4. Simple and Capitalist Commodity Production

Commodity production is the production of goods for exchange through their purchase and sale, instead of for one's own consumption. The seller brings to the marketplace a product of his labour in order to buy what he needs with the proceeds of his sale.

Goods have been produced for exchange for thousands of years. The practice first emerged during the disintegration of the primitive communal system, and continued under the slaveholding system and under the feudal system. At that time, however, commodity production was no more than a sideline, for the subsistence eco-

nomy was the dominant form, i. e., the society consisted mainly of a mass of similar economic units, each of which produced all the basic products for its own consumption. Commodity production became the universal and prevalent economic form only under capitalism.

Commodity production emerged once two basic conditions were on hand. First, the social division of labour had risen to an adequate level of development, so that individuals or groups were engaged in the making of various products (for instance, one group was engaged in cropping, another in cattle-breeding, a third in the handicrafts, turning out cloth, footwear, tools, etc.). Second, the producers had become economically separated as owners of the products they turned out on the basis of private property in the means of production. In these conditions, producers and consumers could keep in touch only in the marketplace, where they exchanged their products by buying and selling them.

There are two major types of commodity production based on private property in the means of production: simple and capitalist commodity production.

Simple commodity production is carried on by small private commodity producers through their own labour, while *capitalist commodity production* involves the exploitation of the labour of wage-work-

ers. Simple commodity production is of the same type as capitalist commodity production, because both have private property for their economic basis. Both simple and capitalist commodity production tend to develop spontaneously and haphazardly in the process of competition.

But there are also essential distinctions between the two. Under simple commodity production, the means of production belong to the actual producer, and under capitalist commodity production, to the capitalist; the former involves the personal labour of the commodity producer and members of his family, and the latter, the exploitation of wage-labour; the ultimate objective of the former is satisfaction of the commodity producer's personal needs, and that of the latter is the making of profit for the capitalist.

Because of the similarities and distinctions between simple and capitalist commodity production, the small commodity producer – peasant, artisan and craftsman – has a two-fold nature: he is a toiler, on the one hand, and an owner, on the other. In his capacity as owner under capitalism, he seeks to “make it” and to get rich, which is why he is not loath to profit at the expense of others. But in the capitalist society his condition as toiler is an unenviable one: most of the small commodity producers sooner or later go to the wall, being ground

down by competition with the giant farms or industrial enterprises.

If the social conditions are right, simple commodity production tends to generate capitalist production. Among these conditions are concentration of the means of production and large funds in the hands of a few property owners, and the conversion of labour-power into a commodity, i. e., into workers who are personally free but have no means of production, and so are forced to sell their capacity for work merely to survive.

But before going on, one has to be clear about what a commodity is. Marx held that the capitalist exploitation of wage-workers could not be understood without clarifying the substance of commodity, and that is why he begins his analysis of capitalist production in *Capital* with an analysis of the commodity.

5. The Commodity and Its Properties

The commodity is the basic unit of capitalist commodity production. Lenin says that the exchange of commodities is “the simplest, most ordinary and fundamental, most common and everyday *relation* of bourgeois (commodity) society, a relation encountered billions of times”.¹

¹ V. I. Lenin, “On the Question of Dialectics”, *Collected Works*, Vol. 38, Progress Publishers, Moscow, 1980, p. 358.

The commodity is a thing produced for exchange. Every commodity has two properties: it goes to satisfy some human want, and it is exchanged for other commodities.

The commodity's capacity to satisfy some human want presents itself as its *use-value*. A commodity may go to satisfy some individual human need or may serve as a means for producing some vital necessity, such as bread, butter or meat to satisfy human requirements in food; dresses, coats or suits to satisfy human requirements in clothing; gas or firewood to satisfy human requirements in fuel, and so on. Machines, raw materials and other means of production (producer goods) are used for the making of material goods. A thing can never become a commodity unless it has some use-value, as otherwise no one will be in need of it.

The commodity's use-value mostly springs from the natural properties of things and is the material content of wealth in any society. Under commodity production, however, use-value becomes the vehicle of exchange-value.

Exchange-value is the capacity of one commodity to be exchanged for other commodities in definite quantitative proportions. The equation of different commodities with each other in the act of exchange implies the existence within them of something that is common to them all, and that makes them commensurate with each

other. As commodities, use-values are qualitatively diverse, and their common element is that they are the products of labour, so that human labour is their common yardstick. The labour expended on the production of commodities makes up their *value*, and it is as values that commodities are comparable with each other.

The greater the amount of labour expended on the making of a commodity, the greater is its value. But there is nothing inscribed on the commodity itself to say how much labour has been expended on it, for the value of a commodity is brought out only in the act of exchange, through exchange-value. Every act of exchange of one commodity for another involves the equation of the labour expended on these commodities, i. e., the equation of commodities as values.

We find, therefore, that the commodity is a unity of use-value and value, and this two-fold nature of the commodity is determined by the two-fold nature of the commodity producer's labour. It was Marx who first discovered the two-fold nature of labour, and so unravelled the mystery of capitalist exploitation.

The labour of every commodity producer presents itself, on the one hand, as *concrete* labour, i. e., the labour of a person in some definite field of endeavour or occupation, and as such it creates a definite use-value. So, the tool-

maker fabricates tools, the baker bakes bread, and the tailor makes suits. There are thousands of concrete types of labour, but they all have something in common, namely, that each of them is an expenditure of human energy, muscle-power, nervous tension, and brainwork, i. e., the expenditure of human labour-power in general, and as such each represents labour that is *abstract*. In the act of exchange in the marketplace, there is an abstraction from the specific form in which commodities are clothed by each of the numerous types of concrete labour. Commodities are equated with each other as clots or crystals of qualitatively similar abstract labour.

As in simple commodity production, so in capitalist commodity production, too, the commodity producer's labour is directly private labour, because it is based on private property. At the same time, it is labour that is a particle of the aggregate social labour, because it is performed under the social division of labour. There is a profound internal contradiction between private and social labour, and between concrete and abstract labour, and it is a manifestation of the contradiction between use-value and value: the commodity is designed for consumption, but is produced for sale. In everyday life, this contradiction makes itself known in that a given commodity may fail to reach the

consumer as a use-value, may not be consumed unless it is realised as a value, i. e., unless it is sold. Under capitalism, it is a contradiction that is most sharply manifested in the crises of over-production.

6. The Magnitude of Commodity-Value

Since commodity-value is created by labour, its magnitude is measured by the quantity of labour contained in the commodity. *Labour-time* (hour, day or week) is a natural measure of labour. Producers may take different quantities of time to make not only different commodities, but also commodities of one and the same type, and that depends on their tools, their skills, efficiency and many other things.

The time an individual worker expends on the production of a commodity is his individual labour-time, but the magnitude of commodity-value is not determined by the individual expenditures of labour, which may differ considerably. Value is the embodiment of social labour, and that is why the magnitude of commodity-value is determined by the socially necessary labour, or by the socially necessary labour-time, which is an expression of the labour-time required for the making of a commodity under average, i. e., normal conditions of production and with a skill and intensity of

labour that are average for the given period. Socially necessary labour-time is not a constant: with technical development and the growth of labour productivity, it tends to change, following a generally downward trend. It is an objective process which runs apart from the producer's will and consciousness.

The magnitude of commodity-value is, therefore, measured by the quantity of the social labour expended on its production, while value itself is an expression of the social relation between men through commodities. The exchange of one commodity for another in the marketplace occurs in accordance with the magnitude of their social value, and the principle underlying the act of exchange is: equal value for equal value. That is the substance of the *law of value*, one of the key laws of commodity production.

Let us bear in mind that commodity-value defies perception by the human senses, and is revealed only when commodities are equated with each other in the marketplace, when they are equated with each other through the medium of *money*, itself a specific commodity.

7. The Substance of Money and Its Functions

In the capitalist society, money has a special place. The roots of its history go down to hoary antiquity. Money first appeared centuries

ago, long before capitalism came on the scene, but under capitalist commodity production the role of money has been multiplied. For the bourgeoisie, money is king and god, reigning supreme over blood and tears, and being worshipped for its boundless power, in oblivion of the mere pangs of human conscience. The "social duties", i. e., the functions of money show just what money is. It is the measure of the value of all the other commodities, and the monetary expression of the value of a commodity is its *price*. It is through their prices that we perceive the world of commodities, as we mentally equate commodities and money.

Money is the medium through which commodities circulate, and as such money passes from one act of exchange to another, so performing a fleeting function, a fact which has made it possible to substitute paper-money (with a nominal, i. e., government-fixed value) for solid gold coin in the domestic circulation of money.

Money, the universal representative of wealth in the capitalist society, acts as the means of hoarding, i. e., money is accumulated and held for a long time.

Money springs from commodity production and exchange, and develops together with them. In commodity exchange, money acts as the universal equivalent, i. e., as the generally re-

cognised commodity in exchange for which it is possible to acquire any other commodity. In the course of history, gold and silver were spontaneously assigned the role of the money-commodity, for they are metals that contain a considerable value in a small volume and mass, are easily divisible, and can be reliably stored. In short, their natural properties make them convenient for the performance of the function of universal equivalent. The emergence and development of money produced a mighty force whose possession meant wealth and power. Money is a magic means, which under capitalism can transform itself into any desired or tantalising thing.

Money acts as the means of payment when a commodity is purchased with payment by instalments, and it is a function that caters for credit operations, for the payment of taxes, and in certain other cases. Cheques and promissory notes are widely used as a means of payment in the capitalist countries.

In the world commodity turnover, money functions as an international means of purchase and payment. Now and again, it sheds its "national uniforms" and appears in the form of bars of precious metals.

Why is money so powerful in the capitalist society? Why is it the epitome of power over other men? Why does it enable some to live

by exploiting others? There is one answer to all these questions: because under capitalism money can be converted into *capital*.

8. The Conversion of Money Into Capital

Money is the last product in the development of simple commodity production, while being the first form in which capital makes its appearance. However, money is not in itself capital, and only becomes such in definite historical conditions, as described above.

The circulation of commodities under simple commodity production is expressed in the following formula: Commodity-Money-Commodity (*C-M-C*). Money (*M*) is required in that act of circulation as the medium through which the commodities are exchanged. Here, the purpose of the exchange of commodities is perfectly clear: say, a peasant sells his grain in order to buy some cloth with the proceeds. The money here is spent on the purchase of another commodity, which means that it is not capital.

The movement of money as capital is expressed in another formula: Money-Commodity-Money (*M-C-M*), where the money is not spent by the capitalist but is merely advanced. He lets go of his money for the sole purpose of getting it back again.

The ultimate of the movement of money as

capital is money itself. In his novel *The Genius*, Theodore Dreiser tells of the capitalist Summerfield who was not content to have gold and silver coined for him on any single day: on the morrow he craved for more, and in even greater quantities, for his greed knew no bounds.

The currency of money in accordance with the M-C-M formula will be meaningless and pointless if the owner of the money receives as much money at the end of it as he laid out in the first place. The operation will be meaningful only if he gets a larger amount of money than he advanced. Indeed, the actual formula for the currency of money as capital is "Money-Commodity-Money plus a certain increment of money" (M-C-M); this increment of money Marx called *surplus-value*.

There is a self-expansion of money when it moves as capital, for then it acquires the capacity of "laying golden eggs" and bringing in surplus-value. Capital is a self-expanding value, or a value which yields surplus-value.

How then does money increase? What is the source of the surplus-value?

Some bourgeois economists say that the increase of value occurs in the process of circulation itself. However, according to the law of value, in the sphere of circulation there is an exchange of equivalents, i. e., an exchange of equivalent values. Some capitalists naturally manage to

cheat others, but what some gain as sellers, others lose as buyers. The fact is, however, that the increase of capital occurs for the whole class of capitalists.

If all the commodities are sold and bought at value, where then does the surplus-value originate? The mystery of surplus-value was disclosed by Marx in his *Capital*.

The whole point is that in the marketplace the capitalist finds a commodity whose use-value has a unique property, namely, the capacity to produce a value that is greater than it has itself. *Labour-power* is that specific commodity.

9. Labour-Power As a Commodity

Labour-power is the sum-total of the physical and spiritual capabilities which a person has and which he uses in the production of material goods. Labour-power is a necessary element of production in any society, but it becomes a commodity only under capitalism, and the first thing this requires is the personal freedom of the owner of the labour-power. But that alone is not enough. If a worker has personal freedom but has a possibility of providing for his family's livelihood in some other ways, he will not go to the capitalist.

Marx gives the following curious example in his *Capital*. An English manufacturer, Robert

Peel decided to set up shop in Australia. Accordingly, he loaded his machines and raw materials on board the ship, and took along with him several thousand men and women, with their children, in the hope that they would work for him, and set out on his voyage in the hope of making a fortune. But in Australia he had a rude awakening: even his servants deserted him, for the workers preferred to engage in cattle-breeding and farming because at that time there was enough unoccupied land in Australia to go round for everyone. And so Peel's greedy plans of making a fortune burst like a soap bubble.

So, if the personally independent worker is to become a proletarian working for a wage, he must be deprived of the means of production, and so also of the means of subsistence.

Like any other commodity, the commodity labour-power has value and use-value. The value of the commodity labour-power is determined by the quantity of labour-time required for its "production". Labour-power is a specific commodity, and its vehicle is the human being, who has to live and work, eat, drink, be clothed, and rest after his labours. In order to "produce" this commodity, the worker must be supplied with the necessities of life, and if he is to acquire these he must have a definite amount of money. So, for the labour-power he sells to

the capitalist, the worker must obtain an amount of money that will suffice for the purchase of the goods he needs for his existence.

What is more, the value of the commodity labour-power must include the value of the consumer goods required by the worker's family, because capitalist production is a process that is in need of a constant influx of new labour-power. Indeed, the children of working-class families are regarded by the capitalists as potential objects of exploitation in the near future. The capitalists regard the children of workers in much the same way as the hawk regards its prey. One ancient legend has the hawk praising the partridge for rearing a large brood upon whom he pounced one by one and carried them off to his own nest. Similarly, the capitalist pounces on the young worker as soon as he is old enough, expecting him to run a machine and increase his fortune.

The value of labour-power also includes the cost of education and training, because the worker must have some knowledge and a set of requisite skills in a given field. The higher the worker's skill, the greater the value of his labour-power. But then the worker also needs to satisfy his spiritual requirements by going to the cinema, reading periodicals, and so on, and the cost of these is also included in the value of labour-power.

The value of labour-power expressed in terms of money is the *price of labour-power*, which under capitalism assumes the form of *wages*. The capitalists usually buy labour-power at a price that is below its value, thereby increasing their profits.

As a commodity, labour-power also has use-value, which consists in the wage-worker's capacity to create a new value that is larger than the value of the labour-power itself, which is precisely why capitalists employ workers.

Surplus-value springs from the worker's unpaid labour that is gratuitously appropriated by the capitalists buying the labour-power. Such is the characteristic arrangement under capitalism, and it exposes capitalism's intrinsically exploitative substance.

Chapter 2. **A VAMPIRE SUCKING
THE WORKERS' BLOOD**

The capitalists grow rich on the exploitation of the working masses, i. e., on the production and appropriation of surplus-value. Marx compared capital with a vampire that "only lives by sucking living labour, and lives the more, the more labour it sucks".¹ Lenin says that Marx's theory of surplus-value is the cornerstone of his economic theory, and it exposes the working of capitalist exploitation.

**1. The Basic Economic Law
of Capitalism**

Capitalist production is geared to the bourgeoisie's constant and boundless enrichment, its sole and

¹ Karl Marx, *Capital*, Vol. I, p. 224.

paramount objective. In his *Capital*, Marx lays bare the way in which that objective is attained, removing the camouflage from the mechanism by means of which surplus-value is produced and appropriated.

The capitalist uses his money to have a factory building erected, equipped with machine-tools and other technical facilities, stocked with raw materials and fuel, and supplied with electric-power, and simultaneously to buy on the market the commodity labour-power, which is capable of creating value.

Once the capitalist has bought the labour-power, i. e., the workers, he puts them to running the machines, and so gets the whole process going. It is colourfully described by Marx: "He, who before was the money-owner, now strides in front as capitalist; the possessor of labour-power follows as his labourer. The one with an air of importance, smirking, intent on business; the other, timid and holding back, like one who is bringing his own hide to market and has nothing to expect but—a hiding."¹

The process of labour at a capitalist enterprise has two specific features: the worker labours under the control of the capitalist, and the commodity turned out in the process of production belongs to the capitalist, who also de-

¹ *Ibid.*, p. 172.

cides what is to be produced, in what quantity and in what way. It is these specific aspects of the process of labour under capitalism that turn the wage-worker's labour into a bondman's coercive labour.

Capitalist production itself is likewise two-fold: on the one hand, it is a process in which use-values are created, and on the other, a process in which value is increased, and that is ultimately determined by the two-fold nature of the wage-worker's labour. The workers' concrete labour creates new use-values to which the value of the means of production is transferred. Simultaneously, their abstract labour creates a new value which includes the equivalent of the value of labour-power and a definite increment – surplus-value – which the capitalist simply pockets. Marx says that the property which labour-power in action possesses of preserving value, while adding to it, "is a gift of Nature which costs the labourer nothing, but which is very advantageous to the capitalist"¹.

So, surplus-value is a value that is created by the wage-workers' labour and that the capitalist simply takes over. Even if the capitalists purchase the means of production and the labour-power at value and sell the products so created at value as well, they still extract sur-

¹ Karl Marx, *op. cit.*, p. 200.

plus-value from the labour of the wage-workers.

How does that happen?

The whole labour of the workers in capitalist production falls into two parts. In the course of one part of the working day, the worker creates a value equal to the value of his labour-power. It is a part of the working day that is necessary for reproducing his labour-power, and so ensuring the survival of the worker and his family, which is why it is known as *necessary labour-time*. The labour expended in the course of the necessary labour-time is *necessary labour*. However, the capitalist makes the worker go on working beyond the necessary labour-time: that is why he had hired him. The worker is paid nothing for carrying on his work over and above the necessary labour-time in the course of which he creates a value that is over and above the value of his labour-power, i. e., he creates *surplus-value*, the source of the profits and of the wealth of the capitalist class. The latter part of the working-day is known as *surplus labour-time*, and the labour expended in the course of it as *surplus-labour*. When the capitalists appropriate surplus-value they effectively appropriate the unpaid surplus-labour of the wage-workers, which means, in effect, that the capitalists exploit the workers.

Capitalist production functions through the production and appropriation of the largest

possible volume of surplus-value, and that is its principal and absolute economic law, which not only determines the main objective of capitalist production – profit – but simultaneously shows the main way in which it is extracted, namely, through the exploitation of the wage-workers. “The directing motive, the end and aim of capitalist production, is to extract the greatest possible amount of surplus-value, and consequently to exploit labour-power to the greatest possible extent,” says Marx.¹

The principal economic law of the capitalist mode of production lays bare the secret of capitalist exploitation and provides a profound and scientific explanation of the processes and phenomena under way in the capitalist society. The law of surplus-value expresses the relations of exploitation of wage-workers by capitalists, the relations between labour and capital, between the workers and the bourgeoisie, which are the basic class relations under capitalism. All the contradictions of capitalism are ultimately accelerated and sharpened under the effect of the operation of that law.

¹ Karl Marx, *op. cit.* p. 313.

2. Capital and Its Component Parts

Surplus-value is the principal and paramount objective for which capital functions.

What is capital?

In the most general terms, capital is value (in the form of money and producer goods) which yields surplus-value for its owner, i. e., expands itself, as a result of the exploitation of wage-workers. It is important to bear in mind that the concept of capital necessarily incorporates the social relations of production between the chief classes of the capitalist society: the capitalists, who own the means of production, and the wage-workers, who have only their labour-power and who live by selling it.

How did capital originate?

One bedtime story for naive people still current in the West is about capital having first originated from the industriousness of its owners: the thrifty got rich, while the idlers and the wasters had to become wage-workers.

There was a lot of noise in the United States in the early 1980s over *Wealth and Poverty*, a book by the US economist George Hilder, who claims that wealth comes from trying harder and has to be encouraged, while poverty comes from sloth and unwillingness to get on. He gives this hypocritical advice to those who are ground down by poverty: get up at the

crack of dawn, work hard all day, and keep burning the midnight oil. It is not surprising that he is a staunch champion of the capitalists. If more is taken from the rich to give to the poor, he argues, it would merely reduce the former's investment in industry and consequently production, increase unemployment and create even more poverty. Such are the ideas which now make up the economic Bible of the governments of the United States, Great Britain and other capitalist countries.

However, wealth is not, of course, the product of the capitalists' excessive thrift and industry. Indeed, even if some capitals have resulted from hard work, it does not change the overall picture, because these capitalists would have soon spent the whole of their initial capital but for the exploitation of the wage-workers, who create surplus-value.

It is common knowledge that the bourgeoisie has been increasing its capitals from year to year. US billionaires like Du Pont, Rockefeller, Ford and Mellon, among others, possess fabulous fortunes. The New York magnate Daniel K. Ludwig, for instance, has a personal fortune of \$2 billion.

In order to shed more light on the mechanism of capitalist exploitation, Marx analysed the division of capital into its component parts, and this helped to gain a deeper understanding of

capital and of the mechanism of capitalist exploitation.

Marx says that capital falls into two parts: *constant capital*, which is embodied in the means of production, and *variable capital*, which is expended on the purchase of labour-power. Surplus-value is yielded only by variable capital, i. e., by the exploitation of wage-workers. The more surplus-value the worker produces for the capitalist, the faster is the growth of the whole of capital, and the richer the capitalist.

Marx introduced two indicators in order to determine the degree of the workers' exploitation by capital: the *mass* of surplus-value (or its absolute magnitude) and the *rate* of surplus-value (or its magnitude relative to the magnitude of the variable capital).

The mass and rate of surplus-value keep growing with the development of capitalism. In the early 20th century, for instance, the rate of surplus-value in US industry came to just over 100 per cent, and in the early 1980s, the rate of surplus-value at giant industrial enterprises in many industries was 300 per cent and over. In New York's industry, for example, for every \$1.00 of wages, workers produce by their labour \$4.25 worth of value.

The higher the rate of surplus-value (or the degree of the workers' exploitation, which is the same thing), and the greater the number

of workers employed at a capitalist enterprise, the larger is the mass of surplus-value appropriated by the capitalist, and the higher are his earnings.

How do capitalists get the mass and rate of surplus-value to go up?

3. Two Ways of Increasing the Working People's Exploitation

The capitalists use two main ways for raising the degree of the workers' exploitation.

The first is a direct increase in the duration of the working-day, so that with the same necessary labour-time the surplus labour-time is increased, and the exploitation of the worker is intensified. Thus, if a capitalist increases the working-day from 8 hours (4 hours of necessary and 4 hours of surplus labour-time) to 10 hours, the surplus labour-time is increased from 4 to 6 hours, while the rate of surplus-value goes up by 50 per cent, and its mass is increased accordingly.

The surplus-value obtained through a prolongation of the working-day over and above the necessary labour-time is known as *absolute surplus-value*. Since the capitalists' craving for surplus-value is boundless, the record shows that they always seek to extend the working-day to the limit, and if they could, the exploiters would

have made the workers toil round the clock. Since that is impossible (for the human being has to spend a part of the day eating, sleeping and resting), the *working-day has its physical limits*. It also has its *moral limits*, because the worker needs time to satisfy his cultural and social requirements. The long and persevering struggle of the working class has led to the legislative limitation of the working-day in most capitalist countries: the average duration of the working-week in the leading capitalist countries now comes to 40-46 hours.

But even in modern conditions the capitalists find ways of prolonging the working-week. Thus, in Great Britain and France, from 25 to 30 per cent of the workers have a working-week longer than 45 hours. In the United States, more than 20 million men and women actually work longer than the standard working time, and 6 million of them have to keep working for up to 60 hours and more a week, with far from everyone being paid for overtime. Immigrant workers have an especially hard lot. In Italy, for instance, almost 80 per cent of immigrant workers toil 10 and more hours a day, and for less pay than Italian workers.

The capitalists increase the production of absolute surplus-value in a working-day of the same duration by intensifying labour.

How is it done?

Intensification of labour means that within the same span of working-time, the worker has to expend more vital energy and so creates a greater value and, accordingly, a greater amount of surplus-value. The capitalists make wide use of scientific and technical progress to force the workers to work with maximum effort and intensity. Thus, automatic telecontrol systems are installed at the plants of General Motors, General Electric and many other corporations in the USA to keep watch over the operations of a large number of workers, with the results relayed to the management by means of light and sound signals every 36 seconds. The Chrysler corporation, a US automaker, uses computers at its plants in Detroit to increase the intensity of each worker's labour: out of hundreds of ways of placing workers along the assembly line, the computer instantly selects ten of the best to make the workers operate with the utmost intensity, whereupon the engineer decides on the use of one of these patterns for all. The placing of workers in production in accordance with the new "scientific" principles helps to extract from them 20-25 per cent more vital force than before.

The second way of increasing the production of surplus-value is to reduce the necessary labour-time, while the duration of the working-day remains unchanged, so that there is a cor-

responding increase in surplus labour-time.

Let us assume that the necessary labour-time is reduced from 4 hours to 3 hours in an 8-hour working-day. The surplus labour-time is then increased to 5 hours, while the rate of surplus-value goes up from 100 per cent ($\frac{4 \text{ hours}}{4 \text{ hours}} \times 100\%$) to 167 per cent ($\frac{5 \text{ hours}}{3 \text{ hours}} \times 100\%$). The surplus-value obtained in that way is known as *relative surplus-value*.

How do the capitalists manage to reduce the necessary labour-time?

Let us recall that the necessary labour-time is determined by the value of the labour-power, the latter depending on the value of the means of subsistence (the cost of foodstuffs, clothing, footwear, rent, etc.). A lowering of the value of the means of subsistence implies that the worker has to work less time for himself and more for the capitalist. That is achieved by raising labour productivity above all in industries turning out consumer goods for the broad masses of the population.

The extensive use of female and child labour is also a factor which tends to depress the value of labour-power, because they now provide for themselves, but are paid wages that are much lower than those of male workers.

The exploitation of female and child labour is a widespread practice in many capitalist

countries even today: hundreds of thousands of children are exploited in the FRG, Italy, Spain and Britain; children make up 20 per cent of the farm labourers in the United States; according to official data, nearly 1 million children receive wages in Turkey; almost 10 million children are employed in various industries in Brazil, with many of them starting to work from as early as 6 or 7 years.

The extensive use of female and child labour tends naturally to depress the value of adult male labour, thereby operating as a factor in increasing relative surplus-value.

Excess (or extra) *surplus-value* is a form of relative surplus-value extracted by capitalists who lower the individual value of their products below the level of their social value by installing new technology or improving labour organisation. Since market prices are regulated by social value, these capitalists obtain not only the ordinary surplus-value, but also additional surplus-value, which they keep getting until the other capitalists reduce the value of their own commodities.

Excess surplus-value goes to capitalists who use more perfect methods of labour organisation and the latest technical innovations before they are in general use. That is why capitalists are so zealous about keeping their production "secrets", for they have to prevent their rivals from

getting wind of these and so taking over some of the extra surplus-value.

Whatever the way in which surplus-value is produced, it is designed for the ultimate objective of intensifying the workers' exploitation.

Apart from everything else, the capitalists make additional profits at the workers' expense by not paying them the full equivalent of the value of their labour-power, using wages—the specific form of the price of the commodity labour-power—as a means of intensifying the workers' exploitation and simultaneously of covering up that exploitation. François Michelin, one of the owners of the giant French company of that name, goes on his inspection tours of the plants in a cheap mini-car, and in the shops he now and again stops to chat with this or that worker and to shake hands—for everyone to see. He works hard to prove that he is just another common man, very much like his workers. But the truth is that the Michelin family is one of the richest in France, with an annual income of tens of millions of francs. Meanwhile, men who have toiled long years at Michelin plants are paid wages which barely reach the official cost-of-living minimum. While paying them such wages, the Michelins and their ilk try to convince the workers that they are paid as much as they have earned, so that there is no conceivable exploitation.

4. Wages under Capitalism

In the capitalist society, wages appear to be the price of labour, a definite amount of money paid for a definite quantity of labour. But wages are not quite what they seem, and that for a number of reasons.

When purchasing the commodity labour-power, the capitalist expects to extract as much labour out of it as he can. For his part, the worker expects to receive a certain sum of money for his labour. The subjective approach on the part of the capitalist and the worker leaves the impression that what is being bought and sold is labour and not labour-power.

Furthermore, the forms of wages and the pay days are so arranged that the wages are paid to the worker after he has done the work, so that his wages appear to be payment for the whole of his labour: the worker keeps working for one or two weeks or a month, and then he is paid wages ostensibly for the whole of his labour. Wages conceal the division of labour into necessary and surplus-labour, and so cover up the relations of exploitation. Bourgeois theorists keep claiming that the semblance is the substance, i. e., that the worker's wages are full remuneration for his labour, that there is no and cannot be

any exploitation.

In actual fact, as we have seen, the capitalists do not buy the workers' labour, but their capacity for labour, i. e., their labour-power.

Why is it impossible to buy a worker's labour?

First, when the capitalist hires the worker, labour does not yet exist, because it is a process in which labour-power is productively used up in the sphere of production, and this naturally takes place after the worker has sold his labour-power. The process of labour, whose results belong to the capitalist instead of the worker, is performed only when the labour-power is connected with the means of production.

Second, labour creates value, but it itself has no value. Value is the labour embodied in commodities, so that if labour itself had value, it would turn out that labour was created by labour.

Third, if the capitalist paid for the worker's labour in full, he would be unable to appropriate surplus-value, and the transaction of purchase and sale between the capitalist and the workers would have become meaningless for the capitalist.

The substance of wages under capitalism is that they are the converted (i. e., camouflaged)

form of the value and price of labour-power. Marx says: "Wages are not what they *appear* to be, namely, *the value, or price, of labour*, but only a masked form for the *value, or price, of labour-power*."¹

The substance of wages under capitalism is directly manifested in their forms, the main one being time-wages, under which what the worker gets for his labour depends on the actual time worked (hour, day, week, month), and piece-wages, a modified form of time-wages, which are determined by the quantity of products turned out in a unit of time.

A number of sweatshop wage schemes emerged in the early 20th century on the basis of time and piece-wages, and all were designed to intensify the exploitation and to cover it up to an even greater extent. These systems are based on the wage system invented by the US engineer Frederick Taylor, in which operations are timed to set a high rate of output. Somewhat higher wage-rates are allowed for the fulfilment and overfulfilment of the output rates, and lower "punitive" wage rates for non-fulfilment. The output rates are such that most workers can never hope

¹ Karl Marx, "Critique of the Gotha Programme", in: Karl Marx and Frederick Engels, *Selected Works* in three volumes, Vol. 3, Progress Publishers, Moscow, 1977, p. 23.

to fulfil them. Lenin said that the Taylor system "is a combination of the refined brutality of bourgeois exploitation and a number of the greatest scientific achievements"¹.

Henry Ford, once a US engineer and later a well-known industrialist, also tried to extract the largest quantity of labour out of the worker through his own sweatshop wage scheme, under which the workers' exploitation is intensified by the faster movement of the assembly-line, whose speed is increased from 2 metres to 3 and then to 4 metres a minute, forcing the worker to toil ever more intensely and so expend more of his energies, while wages are raised very little, if at all. It is a system that soon turns many workers into empty shells; by the time they are 40 or 50 years old, they can no longer work and are sacked.

"Profit-sharing", "bonus" systems and similar other wage schemes are in wide use today. The "profit-sharing" system implies that in addition to the basic wage the worker is to receive an additional wage to be determined at year's end as a "share" of the profits of the enterprise. There again, the workers' wages do not, in effect, exceed the value of their labour-power, because the basic wage

¹ V. I. Lenin, "The Immediate Tasks of the Soviet Government", *Collected Works*, Vol. 27, 1977, p. 259.

rates are set at a lower level. Besides, the "shared"-out profit is insignificant, coming to less than 2 per cent of the payroll of corporations applying the "profit-sharing" schemes.

"Bonus" schemes provide for an increment to the basic wage for overfulfilment of output rates, for higher product quality, and so on. All of these schemes induce the workers to work ever more intensely, without fully compensating for the increased expenditure of labour.

The capitalists make wide use of discrimination in paying for the labour of various categories of working people, and that is another important means for increasing their profits. Immigrant workers are now being subjected to the most intensive exploitation on that basis.

In the mid-1980s, the number of foreign workers in Western Europe was mind-boggling, being variously estimated at between 15 and 29 million. There are especially many foreign workers in the Common Market countries, and a large number of them are there illegally. In the United States there are more than 10 million foreign workers who have come to the country without official permits. They are subjected to super-exploitation, because they are, as a rule, not as well organised and so are less capable of resisting the capitalists' excessive demands. Besides, the capitalists select

from among the foreign workers the most able-bodied and capable of the greatest exertion, and exploit them without having to bear the costs of social insurance, sickness payments, old-age and other benefits. The capitalists also economise on safety techniques and the provision of normal working conditions. These workers toil in oppressive, virtually early 19th-century conditions. The owners of small factories, building offices, farms and workshops, which mainly employ these workers, ignore the laws on minimum wages, overtime, and child labour. Foreign women operate sewing machines at garment factories from 7.00 a. m. to 8.00 p. m., and even after the factories close they sometimes go on working at home to deliver the finished garments in the morning. Most of these garment shops are located in attics or the upper floors of decrepit buildings, and the dirty premises are packed with human beings. The women are paid a pittance for toiling hunched up over their sewing machines in the summer heat and the winter cold.

5. Nominal and Real Wages

At the early stages of capitalism, the worker was rarely paid his full wage in cash. The capitalist usually ran a factory store where

the workers shopped for their food and other consumer goods, which were usually more expensive and of a lower quality than elsewhere. By the end of the month or season, the factory owner settled accounts, withholding the cost of the goods from the wages due. It often happened that the worker had very little to collect or even nothing at all (now and again, he even turned out to be in debt). Today, such forms of payment remain only in some developing countries. In the developed capitalist countries, wages are paid in cash.

The wages expressed in cash are known as *nominal wages*; their size alone gives no idea of the worker's living standards, which also depend on the level of prices for consumer goods and services. That is why *real wages* give a more correct idea of the worker's condition, for they are the quantity of goods and services that the worker can actually buy for his wages after the payment of taxes and other deductions.

Since the Second World War, the real wages of workers in the developed capitalist countries have somewhat increased. That is due to a number of factors: the intensity of labour has markedly grown, and the class struggle has sharpened. The very existence of the socialist countries and their successes in the economic

and social fields have forced the capitalists to make some concessions to the workers. But the capitalists took care of themselves by sharply stepping up the workers' exploitation. Thus, in the United States they managed to increase output per worker in real terms by more than 100 per cent, while raising real wages by only 15 per cent, which is as neat a trick as "squeezing red juice out of a white beet", as the saying goes.

The tendency of real wages to decline, too, continued to operate in the postwar period. Inflation, or the depreciation of money and the decline in its purchasing power have had an especially negative impact on the condition of broad masses of working people. In everyday life, inflation means a steady rise in the cost of living and soaring prices for consumer goods and services.

The war period and the early postwar years apart, the growth of prices in the developed capitalist countries was more or less moderate up until the early 1970s, when there were sharp leaps in the prices of goods and services. "Creeping" inflation everywhere turned into "galloping" inflation, and that for many reasons: the vast outlays for non-productive purposes, such as the funding of the arms race, the runaway and poorly controlled spread of diverse credit operations, arbitrary pricing

by the leading industrial corporations, and here and there also avowed resort to the printing press to increase the money supply.

Wages failed to keep pace with the growth of prices, so that wage and salary earners and pensioners suffer from inflation most and in the first place, while the bourgeoisie manages to shift the burden of inflation onto the broad masses of working people. Many capitalists use inflation to redistribute incomes in the society in their own favour.

We find, therefore, that the capitalists make use of all the legal and frequently also illegal ways and means to extract the maximum of surplus-value from the workers. The main objective of the bourgeoisie is to produce and appropriate surplus-value, and life in the capitalist society as a whole is geared to that objective.

Chapter 3. THE EXPLOITERS'
"HOLY ALLIANCE"

An ancient Armenian legend tells of an argument a stallion and an ox once had to decide who was more important. The thoroughbred stallion looked down on the ox because he was ornamented with precious stones and fed with the best grade of wheat by kings, princes and other noblemen. The ox simply said: "I am my country's wellbeing. I toil, suffer and tire so that you and your masters can eat what I produce. If I stop working, your kings, your princes and you yourself will die of hunger."

Since time immemorial there have always been many who lived off the labours of others: slave -owners, feudal lords, traders,

and usurers. They were all oppressors, and many like them are still around. Nowadays they are primarily the capitalists, who appropriate the surplus-value created by the wage-workers' labour without giving anything in return.

Surplus-value is created by the wage-workers' labour employed in the production of material goods, above all in industry, agriculture and building. It is appropriated by the capitalists who invest their capital in these sectors. However, there are groups of exploiters in the capitalist society who invest their capitals in commerce, finance and credit operations, among them the commercial bourgeoisie and the bankers; the owners of large landed estates have a place apart. All these groups lay claim to (and receive) their share of the total incomes of the capitalist class, so making up a "holy alliance" or a brotherhood of exploiters. Let us now consider how and why the aggregate surplus-value created by the working class is shared out among the industrialists and merchants, the bankers and the landowners.

1. Average Profit and the Price of Production

The redistribution of surplus-value between the various capitalists starts in the sphere of material production.

Profit is the main motive force of capitalist production, and profit is nothing but surplus-value. However, the capitalist pretends that profit is generated by the whole of his advanced capital, i. e., by all his outlays on constant and variable capital, which are known as the *costs of production*. For the capitalist, profit is the excess of the selling price of a commodity over and above its costs of production, and that is why Marx called profit the converted form of surplus-value. In the form of profit, surplus-value loses all its visible connections with the wage-worker's unpaid labour, which is its actual source.

The capitalist sees the rate of profit as an indication of how profitable his enterprise is. The *rate of profit* is the ratio of surplus-value to the whole of expended capital expressed as a percentage. Thus, if the advanced capital comes to \$400,000, of which \$320,000 has gone into constant capital, and \$80,000 into variable capital, and the surplus-value for the year comes to \$80,000 (which means that the rate of surplus-value is 100 per cent), the rate of profit will be 20 per cent.

We find, therefore, that the rate of profit throws a veil on the true source of surplus-value, that is, on the exploitation of the workers.

What does the rate of profit depend on?

It depends primarily on the rate of surplus-value, that is, on the degree of exploitation: the greater the degree of exploitation, the higher is the rate of profit. It is also influenced by the ratio of constant to variable capital, and by the velocity of the capital turnover. The capitalists have to engage in keen competition with each other in their drive for the maximum rate of profit. Competition means private entrepreneurs vying with each other for the highest profit and for the best conditions for the investment of their capital. This competition between the capitalists is ceaseless, and it is truly a snakepit situation: the bigger ones can hope to survive only by gobbling up the smaller fry. Engels said that competition is the most complete expression of "the battle of all against all", which rules in the capitalist society.¹

A distinction is drawn between intra-sectoral and inter-sectoral competition.

Intra-sectoral competition is the fight between capitalists in one and the same sector (industry) turning out similar goods. Those with better conditions of production receive additional

¹ Frederick Engels, "The Condition of the Working-Class in England", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 4, Progress Publishers, Moscow, 1975, p. 375.

profit, and those with worse conditions of production suffer losses and even go bankrupt. Competition within the same sector tends to even out the individual rates of profit of the capitalists in the given sector.

Inter-sectoral competition is the fight between capitalists from different sectors (industries) and it tends to even out the rate of profit in the various sectors. As capitals spontaneously flow from one sector into another in order to maximise profits, the different rates of profit in the various sectors are averaged out into the *average rate of profit*. The flow of capitals into the sectors with a higher rate of profit causes production in these sectors to expand, and so to increase the supply of goods, to lower their prices, and—as a result—to depress the rate of profit. Thereupon, capitals start flowing away from that sector into others where the rate of profit is higher, and the process goes on until roughly the same, average rate of profit is established.

All the surplus-value produced in the capitalist society is turned into the general stock of profit of the capitalist class, out of which each capitalist receives his share in proportion to his invested capital. The average rate of profit is determined by the ratio of all the surplus-value created in the society to the whole of advanced capital, and the mechanism

by means of which the average rate of profit is formed shows why the capitalists present a common front to the proletariat, for it turns out that the capitalists have a common class interest in intensifying the exploitation of the working class.

The averaging out of the rate of profit results in commodities under capitalism being sold not at their true value, but at the *price of production* which is made up of the costs of capitalist production (advanced constant and variable capital) plus the average profit on capital. But that does not mean that the law of value is violated, for on the scale of the society as a whole the sum-total of the prices of production remains equal to the sum-total of the values of the commodities, while the profit of the whole capitalist class is equal to the whole mass of surplus-value produced in the society. So, under capitalist commodity production, the law of value operates through the prices of production.

2. Commercial Capital and Commercial Profit

Industrial capitalists share out the aggregate profit in accordance with this principle: an equal profit on an equal capital, with a part of it going to other groups of capitalists, no-

tably, to the commercial bourgeoisie. Let us see why that has to be done.

Surplus-value is created only when capital is in constant movement, when the means of production and the labour-power are joined together and are in constant operation. If the movement is halted, if the process of labour at the capitalist enterprise is stopped, neither new value, nor surplus-value will be produced. Marx says: "Capital ... can be understood only as motion, not as a thing at rest."¹

How is the motion of capital effected?

The motion of capital begins with the capitalist expending a definite amount of money for the purchase of the required means of production and labour-power. Capital effects the first stage of its motion in the sphere of the circulation of commodities: its money form is converted into its productive form. The goods are produced at the second stage, and their value is greater than the value of the purchased means of production and labour-power by the magnitude of the surplus-value created. At the third stage, capital returns to the sphere of circulation: the manufactured commodities are sold and the produced surplus-value is also realised. From its commodity

¹ Karl Marx, *Capital*, Vol. II, Progress Publishers, Moscow, 1978, p. 108.

form capital once again passes into its money form.

With the proceeds of his sale, the capitalist once again buys means of production and labour-power, and the motion of capital is repeated. This successive transformation of capital from one form into another and its passage through all the three stages is known as the *circuit of capital*, in the course of which capital twice passes through the stage of circulation, and once through the stage of production. The stage of production is naturally crucial, because that is where surplus-value is created.

The motion of capital is not confined to one circuit, for these follow one upon the other in ceaseless resumption. The circuit of capital seen not as a separate act but as a periodically recurrent process is known as the *turnover of capital*. The capitalists are very keen to see the turnover of capital accelerated, because the annual rate of surplus-value is measured as the ratio of the sum-total of surplus-value obtained in the course of the year to the advanced variable capital. A faster turnover of capital makes it possible to hire and exploit in the course of a year more workers with the same variable capital, and so to receive a correspondingly larger mass of surplus-value.

To meet the requirements of faster capital turnover, the part of capital that exists in the commodity and money form tends to be separated in the course of capitalist development and to operate as commercial and loan capital in their own right. These types of capital are handled by various groups of the bourgeoisie, such as merchants, bankers and other lending capitalists.

Commercial capital functions in the sphere of circulation as a part of industrial capital which has been set apart to fulfil the function of its commodity form. Industrial capitalists sell their products to merchants who see to it that the goods reach the consumers. The function of commercial capital consists in extracting surplus-value by acting as a go-between in the exchange of commodities. The form of the motion of commercial capital is purchase of commodities for the purpose of selling them at a profit.

Commercial profit is the part of the surplus-value which the industrialist allows the merchant for his merchandising services. Commercial capital yields for its owner the same average profit that goes to the industrial capitalist, because as capitals spontaneously move from the sphere of production to the sphere of circulation and back again, they tend to equalise the rate of profit on the principle

of equal profit for equal capital.

The form of commercial profit further obscures the relations of exploitation, for the merchandiser is not directly connected with the process of production, and one is left with the false impression that commercial profit originates in merchandising itself, although in actual fact it is a part of the surplus-value created by wage-workers in production and appropriated by the capitalists. Like the industrial capitalists, the merchandisers get rich on the exploitation of the working masses, and apart from that many of them make fortunes by cheating their customers.

Merchandisers will now and again palm off shoddy goods or cheap imitations instead of the real thing, but such shady practices can be overdone, so merchandisers have to employ subtler forms in swindling their customers. Thus, they will engage in price-fixing with makers of, say, shavers, which are sold at lower prices, and blades at higher prices, dolls at lower prices and suits of dresses for them at higher prices, etc. Managers of shopping centres are past masters at playing the price game: following an announcement of cut prices for, say, meat on some day of the week, the prices of other foods are raised without any announcement, so that customers attracted by the bargain prices for one item paying

more for other items will on the whole leave more money at the shop. .

Merchandisers will go to great lengths to attract customers: large shopping centres offer a special atmosphere, with soft music, playing fountains, potted palms, bars, etc., all designed to soften up the customer and make him more tractable. Small shops use the services of street hawkers or vendors, trundling along the central streets carts piled high with Brazilian leather bags, Italian shoes, Indian blouses, etc. And there is of course the strident and ceaseless flash of advertisements to induce people to buy, buy, buy! It all goes to create a cult of consumerism, its ultimate purpose being to infect human beings with the germs of self-enrichment, to spread the spirit of hoarding and of buying ever new and "prestigious" goods. It matters not whether a thing does a human being any good: the important point is to have it sold, be it toothpaste, detergent, handgun, or military aircraft. The merchandisers' advertisements speculate on the finest human emotions, on youth and beauty, and also on the vilest instincts, like brutality, boundless vanity and sex. Advertisements make tiny tots beg their parents for some toy by showing on television a whole crowd of children each one of whom already has such a toy, and asking the question:

“Why haven’t you got one?”. The teenager is made to crave the potentially dangerous blade with descriptions of the adventures of the cowboy who has made short shrift of a dozen of his enemies with just such a glittering blade. Advertisements frequently give a false impression of the quality and properties of the product, and this is a great hazard to health when the products happen to be drugs or medicinal preparations.

3. Loan Capital and Interest

As capitalism develops, it is not only commercial but also money capital that hives off from industrial capital. *Loan capital* is money capital lent out at interest for a certain term. Interest is a part of the profit which the industrial or the commercial capitalist allows the money capitalist for the loan made available to them.

The movement of loan capital is expressed in the following formula: “Money—Money plus a definite monetary increment.” Outwardly it does not include either production or circulation of commodities, and boils down to the movement of money: money is given out on loan to be returned after a stated period to its owner with an increment. The movement of loan capital throws yet another veil on the

working people's exploitation, totally covering up the fact that the loaning capitalist receives his share of the surplus-value created by the workers in the sphere of material production. Loan capital is the most parasitic form of capital.

The source of loan interest is surplus-value. Loan capital is used by industrial and commercial capitalists to exploit the workers and extract profit, and that is why they cede a part of it in payment for the loan. The profit of the capitalist functioning in production, for instance, falls into two parts: the loan interest, which is appropriated by the loaning capitalist, and the entrepreneurial income received by the industrial capitalist.

Interest is, therefore, a part of the profit, but just how the profit is shared out between the loaning capitalist and the industrial capitalist is determined entirely by the competition, i. e., by the balance between the supply of loan capital and the demand for it. The interest rate is the ratio of the amount of the interest to the volume of the loan capital. The average rate of profit may be regarded as the ceiling of the interest rate, but then it is not worth the industrial capitalist's while to borrow money. Just how low interest rates can fall is likewise a matter for conjecture. If it falls almost to zero, the loan ope-

ration makes no sense for the loaning capitalist.

The movement of loan capital occurs mainly in the form of credit, of which there are two main types: *commercial credit* and *banking credit*.

Commercial credit is extended by industrial and commercial capitalists to each other; while the manufacturer obtains raw materials and machinery on credit, he allows his finished goods to be delivered to the wholesaler on credit, and the latter—to the retailer. This credit does not assume the form of money loans, but the form of commodity loans. The capitalists do not let each other have their goods without a security, such as a promissory note, which is a written obligation by one party to pay a stated amount of money to another party upon the expiry of a fixed term.

Banking credit is used by loaning capitalists to make available large amounts of money to industrialists and merchants. Banks and other financial institutions in the capitalist countries also make loans available with real estate, buildings and other facilities as collateral (mortgage credit), with goods and chattels as collateral, and also for the hire-purchase of consumer goods on instalment (consumer credit). Nowadays, the expansion of consumer credit frequently tends to worsen the

condition of the working people, because a fairly high interest rate is charged for such credit. Besides, the goods which are sold on hire-purchase usually carry a higher price, and in the event of failure to pay the regular instalments, the goods are subject to repossession by the seller.

Banks act as middlemen in operations involving monetary credit and payments. At the entrance of the world's largest private bank—Bank of America—stands an unusual sculpture: a stone heart. It symbolises the banker's heart, because that has to be as hard as stone so as to remain unmollified by anything. It is a common occurrence in the capitalist world for family farmers and small businessmen to be ruined because the bank forecloses (refuses to extend or prolong) a loan. The banker's heart knows no other emotion save the pull of money.

Banks accumulate uncommitted cash and give it out as loans. The bank makes a sizable profit on such operations, which is the difference between the interest which the bank collects on the loan and the interest which it pays to its depositors. Banking profit is a converted form of surplus-value created by the labour of the wage-workers.

Alongside the banks and other financial institutions there is yet another important form

in which uncommitted funds are "self-organised" in the capitalist society today. These are joint-stock companies, i. e., enterprises in which investments are made by more than one person. The total capital of a joint-stock company consists of the money contributions made by its shareholders through the purchase of a given amount of stocks and shares.

A *share* is a security testifying to the investment of a given amount in the capital of a joint-stock company. Its owner has the right to obtain a profit in the form of *dividend*, in proportion to the amount of his invested capital. Every shareholder is nominally a co-owner of the enterprise and has a vote at the general meeting of shareholders, the top body administering the joint-stock company.

However, it is the major shareholders, the capitalists owning the bulk of the stock, that in effect run these joint-stock companies. Large holders of stock engage in speculation in securities on special markets known as *stock-exchanges*, where they keep playing the rise and fall in the stock-market quotations. These stock-exchanges are the hunting grounds of the major speculators who are out to make a killing and who take over the stock of the small fry.

The joint-stock companies are run by those who have the *controlling interest*, or the amount of stock which gives its holder or group of

holders actual domination of the joint-stock company. Although such a controlling interest nominally has to add up to over 50 per cent, in actual fact it nowadays suffices to own no more than 20 to 30 per cent of the total stock to be full master of the joint-stock company. These are the people who decide all the important matters, appoint their men to the board, as directors of the enterprises, etc.

4. Capitalist Ground-Rent

Apart from the class of capitalists (industrial, commercial, and loaning capitalists), the chief class of exploiters, there is yet another class of exploiters in the capitalist society which has survived since the period of feudalism: it consists of the large landed proprietors, above all those who own the farmland. Why do they also appropriate a part of the surplus-value created by the wage-workers' labour, and how is it done?

The relations of production in the agriculture of the capitalist countries are a maze of relations between various classes and social groups, among them landowners, capitalist farmers, agricultural wage-workers, and petty private producers who are peasants. That is largely the specific outcome of the fact that

bourgeois revolutions have failed to eliminate entirely the large landed estates as the capitalist mode of production takes shape, merely transforming feudal property in land into private capitalist property, so that land is freely bought and sold. The large landed estates are the basis for the existence of the landed proprietors, a special class of exploiters.

Why does private property in land allow them to appropriate a part of the surplus-value?

Agricultural production is not, as a rule, carried on by the landowner himself, but by a capitalist farmer, a tenant who purchases farming implements and hires workers for the purpose of extracting surplus-value. The landowner leases the land to the agrarian capitalist, extracting, in return, a definite payment in the form of *ground-rent*, whose amount and deadlines of payment are fixed in the contract of lease.

Both the capitalist farmers and the landowners obtain their income from the labour of the agricultural wage-workers, who are subjected to ruthless exploitation. Here is, for instance, how the farm labourers of the California-based Del Monte Properties Co. live. They are housed in shacks surrounded by barbed-wire; in summer the heat and stench are just short of unbearable, because of the low ceilings and small apertures which serve as

windows; they sleep on wire nettings covered with tattered mattresses; there are no heating or blankets, although the temperature in winter falls to as low as -7° and -8° Centigrade; no medical care is provided; meanwhile, the ducks they breed are in the care of high-class veterinary surgeons, and the cattle is housed in well-heated and comfortable premises. The workers start work at 4.00 a.m. and stop at night; the pay for this back-breaking toil is so low that many workers toil for years just to pay off their debts to the company for the bedding, food, and transportation across the fields, among other "amenities".

As the capitalist farmer extracts surplus-value from the agricultural wage-workers, he keeps that part of it which amounts to the average profit, and everything that is over and above the average profit goes to the landowner in the form of ground-rent.

Under capitalism, ground-rent has two main forms: *differential* ground-rent, and *absolute* ground-rent.

The fact that the landed proprietors keep getting their rent means that a stable excess of surplus-value over average profit takes shape in agriculture, and that excess alone serves as the source of the rent.

How then is this constant excess super-profit formed? What is its origin in agriculture?

This profit which is in excess of average profit arises for the capitalist farmer in consequence of the limited area of land and the existence of a so-called monopoly on land as an object of the private economy, a monopoly which makes for the peculiar price-formation of farm produce and which causes the origination of differential rent. We have already seen that commodity prices in industry are determined by the average conditions of production, but in agriculture they are determined by the conditions of production on the worst lands. The fact is that there is a limited area of naturally good and average land tracts, which cannot be increased at random, while the demand for agricultural produce for the society is so great that even the worst tracts of land are also involved in cultivation. Since the produce grown on the best and average lands alone does not suffice to meet the demand, the price of production of farm produce is determined by the conditions of production on the worst lands, for otherwise these tracts would simply not be involved in cultivation. On the best and average lands, the costs of production are lower than they are on the worst lands, and that is why the individual price of production on these lands is also lower than the social price of production. That is the difference from which the

capitalist farmer pays differential ground-rent to the landowner off the best and average lands.

But the landowners want their rent to come not only from the best and average lands, but also from the very worst ones as well, and they do get it. How is one to explain the nature of this rent without running into a contradiction with the labour theory of value? Is it at all possible? Yes, it is. The point is that alongside the monopoly on land as an object of the private economy (the basis on which differential rent originates), there is also another kind of monopoly in capitalist agriculture, and it is the monopoly of private property in land, which means that the land as an object of private property is monopolised by the landowners, each of whom has possession of his land tract and makes disposal of it as he sees fit. On him depends whether he allows the capitalist farmer the opportunity of investing his capital in a given tract of land.

Because of the monopoly of private property in land, payment for the use of land is collected from any land tract, including all the worst lands, and that is what produces the rent which is paid for the use of any tract of land, whatever its quality. The monopoly of private property in land rules out

the possibility of anyone, except the owner, using a piece of land free of charge for any productive purposes whatsoever.

How is it that the capitalist farmer is able to obtain an income that is over and above average profit even on the worst tracts?

That is made possible only when farm produce is realised not at the price of production on the worst tracts, but at prices which are higher than the social price of production so as to ensure that the worst tracts should also yield an income to its owner. The market price of farm produce must, therefore, also include an absolute rent—apart from the costs of production on the worst lands and the average profit.

That is precisely how the prices of farm produce take shape, something that occurs because the monopoly of private property in land prevents the free flow of capital from industry to agriculture, which means that it also prevents the redistribution of the whole of surplus-value produced in the society among the various groups of capitalists. More surplus-value is produced on equal capital in agriculture than is produced in industry, because in agriculture the level of technical facilities available per worker is lower, while the outlays on variable capital per 100 units of capital are higher than they are in industry, which means

that in agriculture the ratio of constant capital to variable capital is always lower. Agricultural commodities are not sold at their prices of production, but at value, and the capitalist tenant realises all the surplus-value produced by the workers in agriculture. Its magnitude is equal to the average profit received by all the capitalists wherever their capital may function, plus an excess of surplus-value over and above average profit. It is the whole of this super-profit that the landowners appropriate from all their tracts of land, including the worst ones, in the form of absolute rent.

Let us also note that alongside absolute and differential rent – the most typical capitalist forms – there is what is known as monopoly rent, which originates whenever monopoly prices that are in excess of value are established for a given type of farm product, such as choice grades of grapes, fruit out of season, etc.

The magnitude of ground-rent has a tendency to increase with the development of capitalism.

We have examined the origination of industrial profit, commercial profit, interest and ground-rent, and have established that the labour of the wage-workers who create surplus-value is the sole source of the incomes of

all the groups of the bourgeoisie and the landed proprietors. Just as the Moon receives its light from the Sun, so the bourgeoisie receives all its incomes from the surplus-value created by the workers.

The exploiters – individually and all together – have a stake in getting as much surplus-value produced as possible, and share out the aggregate profit so created. That is why Marx says: “Capitalists form a veritable freemason society vis-à-vis the whole working-class, while there is little love lost between them in competition among themselves.”¹

All the exploiters are at one in sharing out the surplus-value created by wage-labour. Their common objective is to step up the exploitation of the labouring masses to the utmost and to extract as much unpaid labour out of them as they can. That is why the exploiters act in a common front against the working class and all the other exploited strata of the capitalist society.

¹ Karl Marx, *Capital*, Vol. III, Progress Publishers, Moscow, 1974, p. 198.

Chapter 4. ECONOMIC
AND SOCIAL ANTAGONISMS

Let us recall that capitalism took over from feudalism as feudal private property gave way to capitalist private property: one exploitative system was substituted for another. Steam-driven machines worked a revolution in production, and large-scale modern industry run by capitalists supplanted manufacture.

Large-scale industry created a world-wide market, which has brought about the vast development of trade, shipping and overland communications (railways and highways), which, for their part, went further to expand industrial production, leading to a growth in the number and size of enterprises, the numerical

strength of the wage-labour force, the development of hardware and technology, and so on. As the bourgeoisie multiplied its capitals, it pushed into the background all the classes left over from the Middle Ages.

In their drive for profit, the capitalists kept expanding production and the marketing of commodities. New industries were built up to process not just local raw materials, but those brought in from the remotest corners of the globe, and to manufacture goods consumed not only at home, but all over the world. In place of the erstwhile local and national exclusiveness and self-subsistence, there came the all-round connection between nations and states and their all-round dependence on each other.

Through its rapid improvement of the implements of production, technical advance and the development of far-flung facilities for mass communications, the bourgeoisie involved many nations in various parts of the world in its mode of production, so creating a world according to its own image and likeness.

With the development of capitalism, production became increasingly social, being concentrated at ever larger enterprises, with an ever deeper social division of labour and specialisation of production closely interwoven with the processes of its concentration and centralisation. However, the results of production

were appropriated by the capitalists, who owned the means of production, a contradiction between social production and private capitalist appropriation of its results which has been and continues to be the basic contradiction of capitalism determining all the economic and social antagonisms of that social system.

This basic contradiction of capitalism assumes its most acute forms in the *economic crises of over-production* which periodically rock capitalism with ever greater vehemence, so casting doubt on the further existence of capitalism as a social system. Such crises, said Marx and Engels in the Manifesto of the Communist Party, always involve the destruction of a sizable part not only of the finished product, but also of the already created productive forces. Such crises lead to the outbreak of a social epidemic that would have been regarded as absurd in any earlier epoch, for it is an epidemic of over-production.

A number of other antagonisms spring from the basic contradiction of capitalism. There is a sharp contradiction, for instance, between the efficient organisation of production at the individual capitalist enterprises, and the anarchy in the society as a whole. Each enterprise is individually ruled by the will of the capitalist, the man who owns the factory or plant. The drive for profit and the relentless

competition force each capitalist to establish stringent order at his enterprise and to keep the operation of the individual units under strict control. Meanwhile, elemental forces reign throughout the capitalist society as a whole, because it is based on private capitalist property, which means that the whole of social production cannot be arranged in anything like a balanced manner. Each entrepreneur acts according to his own lights—and blindly most of the time. He who has managed to make a correct estimation of market requirements reaps a high profit and develops his production, but he who has failed to make the right projection of demand suffers a loss, is sometimes ruined and has to file for bankruptcy.

Capitalist production tends to develop spontaneously and haphazardly, and this inevitably produces disproportions in the development of the individual spheres and sectors of the economy, so causing tremendous losses, sharply disrupting the course of production, and leading to economic crises. These break out because the proportions between production and consumption have been upset. Let us bear in mind that under capitalism the conditions of production do not coincide with the conditions of realisation: the accumulation of capital resulting from the wild drive for profit

tends to increase the mass of goods produced to such proportions that the market is incapable of absorbing them; the demand for consumer goods among the workers is limited by the magnitude of their real wages; the capitalists strive to reduce the consumption of the popular masses to a minimum, and this makes the working people's paid-up, or effective, demand (that which the workers can actually afford to buy) increase more slowly than does production. Marx says: "The ultimate reason for all real crises always remains the poverty and the restricted consumption of the masses."¹ Crises break out because the goods produced cannot be sold, and not because the population has no need of them, but because the working people cannot afford to buy them. Millions of working people eat less than their fill, because "too much" bread has been produced; people suffer from the cold, because "too much" coal has been mined; large masses of commodities are destroyed in periods of crisis despite the fact that millions of men and women suffer from privation.

Under capitalism, economic crises are inevitable and unavoidable; they are a concomitant of capitalism from its cradle to its grave.

The first industrial crisis broke out in England

¹ Karl Marx, *Capital*, Vol. III, p. 484.

in 1825, while the first world-wide economic crisis was that of 1847-1848, which involved a number of countries in Europe and the United States.

The world economic crisis of 1929-1933, known as the Great Depression, has been the most devastating one this century: in the United States, for instance, almost 100 blast furnaces had to be dismantled in the course of the crisis; over 10 million acres of cotton plantings had to be ploughed under in 1933 alone; wheat was burned in the furnaces of railway engines; more than 20 million bags of coffee were destroyed in Brazil, and over 100,000 head of cattle in Denmark. During that crisis, industrial production in the capitalist world shrank by more than 40 per cent, and was hurled back two decades.

The world economic crisis of 1974-1975 is frequently compared with the Great Depression in its impact on the capitalist economy, for production plummeted almost simultaneously in the United States, Western Europe, and Japan. A totally novel feature was the general spiralling of prices. The economic crisis was interlaced with a most acute flare-up of the energy and raw materials crises, compounded by an unprecedented disruption of the whole system of world economic ties of capitalism. Within a few years, the sinister spectre of

another crisis once again loomed on the horizon. The terrible prospect of over-production was once again becoming a reality. From 1980 to 1982, the capitalist world was shaken by another powerful crisis. In the current decade, capitalism has entered upon a new round of even greater hardships, instead of an easing of the situation that had been expected in the West.

History shows, therefore, that capitalism cannot develop without periodically recurrent crises and depressions. The period between one economic crisis and another is known as the *industrial cycle*, which in its classical form consists of four phases: *crisis*, *depression*, *recovery* and *upswing*.

Crisis is a phase of the industrial cycle at which the contradictions of capitalist reproduction are manifested most sharply and destructively: there is no demand for large masses of commodities; enterprises are ruined and shut down, production is cut back, the number of unemployed grows, wages drop, etc. The storm of the crisis wipes out the weaker and smaller capitals and clears the market for more powerful and better equipped enterprises which have managed to adapt themselves to the changing conditions of the market. The working masses—the working class in the first place—have to suffer the worst effects of the

crisis. Millions of workers find themselves jobless and doomed to destitution; those who continue to work are subjected to more intense exploitation.

The crisis phase gradually gives way to depression, in the course of which there is no further shrinking of production, but the economy continues to be in a state of stagnation; unemployment and wages remain roughly at the same level as in the phase of the crisis; with time, the commodity stocks (inventories) are run down and traders begin to place orders with industry, so creating the prerequisites for moving on to the next phase of the cycle, that of recovery.

In the recovery, enterprises that have managed to survive the crisis begin to modernise their machinery and other production facilities, and gradually to expand output. The volume of output comes close to the level at which it stood before the crisis, and then surpasses it.

As capitalist industry rises above the pre-crisis peak, the economy enters upon the next phase of the cycle, the upswing, in the course of which capitalists once again boost production and flood the market with more and more goods. The growth of production is whipped up by the rising prices, which increasingly tend to outrun the growth of effective de-

mand. That is the phase in which over-production is latently built up as more and more goods are stocked on the shelves without the requisite buyers. The latent disorder develops within the economic system as the capitalist economy once again moves towards a crisis. Thereupon, the whole cycle is repeated.

Capitalist production tends to move along a mounting spiral, but with constantly recurrent breakdowns. Engels gives this graphic description of the movement through the phases of the cycle: In the phase of stagnation, "masses of productive forces and products are wasted and destroyed wholesale, until the accumulated mass of commodities finally filter off, more or less depreciated in value, until production and exchange gradually begin to move again. Little by little the pace quickens. It becomes a trot. The industrial trot breaks into a canter, the canter in turn grows into the headlong gallop of a perfect steeplechase of industry, commercial credit, and speculation, which finally, after break-neck leaps, ends where it began—in the ditch of a crisis. And so over and over again."¹

In the 1950s and especially in the 1960s, promises to rid the capitalist economy of crises

¹ Frederick Engels, *Anti-Dühring*, Progress Publishers, Moscow, 1975, p. 316.

were made by politicians in the developed capitalist countries, who claimed that they were on the threshold of a golden future, with the magic carpet of the capitalist economy, run by electronics, nuclear power and automation, moving to horizons that no one had yet dreamed of. The "magic carpet" did, indeed, carry the capitalist economy to yet unheralded crises and diverse upheavals.

We find, therefore, that capitalist production tends to develop in leaps and bounds, with sharp fluctuations, upswings and downturns, and the economic crises show very well that the productive forces created by capitalism have outgrown the framework of the capitalist relations of production, which have become a drag on social development. Many more goods could be produced and the people's life could be improved with the aid of the existing productive forces, but if that is to be done, the land, the factories, plants, banks and means of transportation will have to be taken over by the working people. The growing basic contradiction of capitalism, the sharpening conflict between the productive forces and the relations of production, makes it imperative for mankind to break the capitalist integument and give the productive forces all the room they need to benefit all the people at large.

1. Accumulation of Capital and the Formation of the Army of Unemployed

Many contradictions of capitalism are built into the mechanism of the reproduction of social capital.

Capitalism is characterised by expanded reproduction, and not by simple reproduction that keeps being resumed on the same scale from year to year. How does expanded reproduction take place? A part of the surplus-value created by the wage-workers' labour is used by the capitalists for their own personal consumption, while the rest is used to purchase additional machinery and raw materials and to recruit more labour-power. In this way, the scale of functioning capital is increased and it is accumulated.

What are the factors that have an influence on the scale of capital accumulation?

First of all, there is the degree of the working people's exploitation: the higher the degree of their exploitation, the larger is the mass of surplus-value created, and the broader the opportunities for capital accumulation. The capitalists also seek to depress wages below the value of labour-power in order to increase the rate of surplus-value.

Growing labour productivity is an important factor that has an influence on the scale of

accumulation. Considering that the growth of labour productivity in industries turning out means of subsistence for the workers tends to lower the value of labour-power, variable capital of the same magnitude can set in motion a greater mass of living labour and so extract a larger amount of surplus-value. Besides, growing labour productivity tends to cheapen the machinery and equipment, which makes it possible to use more equipment and use it more efficiently with constant capital of the same size.

The magnitude of the advanced capital also has a substantial influence on the scale of accumulation, for it stands to reason that, given the same degree of exploitation, the mass of surplus-value depends on the number of workers being exploited simultaneously, and the number of workers, primarily on the magnitude of the functioning capital and its division into constant and variable capital.

As capital is accumulated, the outlays on equipment and materials tend to increase (i. e., there is a growth of constant capital), and also the outlays on additionally recruited labour-power (i. e., there is a growth of variable capital). But when the total amount of capital increases, the share of constant capital tends to grow faster than that of variable capital, as the capitalists install new and more

productive hardware at their enterprises, something that they are induced to do by the drive for additional profits, and their rivalry with the other capitalists. The modernised facilities make it possible to reduce the individual costs of production below the average level, and so to receive additional incomes. Besides, it also helps the capitalists to consolidate their competitive positions. The use of more productive machines helps to turn out the same or a larger quantity of goods with a smaller number of workers, and workers at many enterprises know from their own experience that modernisation means loss of jobs.

The accumulation of capital, therefore, leads to a faster growth of constant capital as compared with that of variable capital, and since the number of persons employed depends on the size of variable capital, a lowering of its share means that many workers are declared to be "redundant". That is made perfectly clear nowadays. The bulk of the new capital investments in the developed capitalist countries goes into the installation of labour-saving technologies, such as robots and flexible production systems, which help to economise above all on labour-power and wages. The capitalists as a rule confine themselves to modernising old enterprises and adapting them to high-technology production, but refrain from

building new enterprises and so creating new jobs.

The faster growth of constant capital as compared with variable capital leads to a relative reduction in the demand for labour-power and to the appearance of "redundant" labour-power, which simply means the unemployed who make up the industrial reserve army. Indeed, the appearance of a "redundant" working-class population is the direct outcome of the accumulation of capital.

Small commodity producers—handicraftsmen and peasants who are ruined in the competition—also join the ranks of the unemployed.

The *industrial reserve labour army*, which takes shape in that way, is not only a product of the capitalist economy but also a condition for its development. Lenin says that "the surplus population, being a necessary concomitant of surplus production, is an indispensable attribute to the capitalist economy, *which could neither exist nor develop without it.*"¹ Once business activity revives, the capitalist draws on it for new labour-power, which he ejects back into the street when a new crisis breaks out.

The existence of the industrial reserve army enables the capitalist to step up the exploi-

¹ V. I. Lenin, "A Characterisation of Economic Romanticism", *Collected Works*, Vol. 2, 1973, p. 181.

tation of the employed workers by lengthening the working day, increasing the intensity of labour, and reducing wages. The capitalist finds it handy to have a reservoir of "redundant" labour-power, for he needs men and women who are prepared to work on the terms he dictates. The capitalist wants the workers to be "trained" in the school of unemployment to make them more pliant and less demanding.

The formation and growth of the industrial reserve labour army is a specific law of the population intrinsic to capitalism. It is a law under which the labouring population works to accumulate capital and thereby produces on a growing scale the means which make it a relatively surplus population.

Relative over-population in the capitalist countries assumes three main forms: *current*, *latent* and *stagnant*.

The current form of over-population includes workers who have temporarily lost their jobs and who are alternatively drawn into production and then discarded once again, as production is either expanded at this or that enterprise, as new factories and plants are opened, or as production is cut back, new machines are installed, plants are shut down and so on. It is the older and foreign workers that join the ranks of the unemployed in the

first place, for the capitalists prefer to select the younger and the stronger workers from among the reserve labour army. However, over the past ten years or so, from 1975 to 1985, unemployment has reached a high level among school-leavers and other young people.

The latent form of over-population is most characteristic of the rural localities, which is why it is often called agrarian over-population. It involves the existence in the countryside of a large number of men and women who lack sufficient means of subsistence. A specific feature of the latent form of over-population is that a peasant may toil on his plot of land for 12 and more hours a day, while receiving very little for his labours. He continues to live in the countryside, and has to keep tightening his belt. However, he cannot go on doing so for long: he is a potential wage-worker. When he cannot stand it much longer, he goes looking for a job in some urban area. In the developing countries, as in Africa, up to 50 and in some countries even 70 per cent of the labouring population in the countryside, make up the surplus labour-power resources. Agrarian overpopulation has assumed tremendous proportions in many countries of Asia and Latin America.

The stagnant over-population includes that part of the working class which has extremely

irregular employment and very long periods of unemployment. These are persons within the working age bracket who have been without a job for a long time and live on charity, and also cripples, sick people and the aged.

The army of unemployed is an inevitable concomitant of capitalism. The number of unemployed in the developing countries moving along the capitalist way comes to hundreds of millions. Unemployment is a social evil even in the most developed capitalist states: in 1960, there were officially about 8 million fully unemployed in the developed capitalist countries, in the mid-1970s—15 million, in 1980—25 million, and in 1985—more than 30 million. A queue of all the jobless in the United States would stretch across the country from the Atlantic to the Pacific seaboard.

Unemployment is a grave social evil, and no amount of statistics can tell the whole story of the sufferings of the jobless. Unemployment is not just poverty or a lack of money. Being unemployed means being doomed to terrible and humiliating privations, because it means being ejected from the economic and political fabric of the society. It means being reduced to a condition of impotence when human dignity itself is trampled. The sufferings of jobless people are horrendous: they live in

constant fear of never finding another job, they have to keep queueing up at the labour exchanges, they are evicted from their homes, their belongings are auctioned off, the things they have bought on hire-purchase are taken away from them, they are deprived of the most vital necessities, and the hunger and lack of shelter often drive them to suicide. Unemployment produces moral dilemmas, various neuroses and mental derangement, it drives people to drink and breaks up families.

2. The General Law of Capitalist Accumulation

The growing wealth, luxury and leisure at the one pole of the capitalist society inevitably produce increasing torments among those who are coerced to work, a growth in the size of the proletariat, a spread of unemployment, and a worsening of the condition of the working people. This general law of capitalist accumulation was discovered and formulated by Marx, who said: "The greater the social wealth, the functioning capital, the extent and energy of its growth, and, therefore, also the absolute mass of the proletariat and the productiveness of its labour, the greater is the industrial reserve army.... But the greater this reserve army in proportion to the active labour-

army, the greater is the mass of a consolidated surplus-population, whose misery is in inverse ratio to its torment of labour. The more extensive, finally, the lazarus-layers of the working-class, and the industrial reserve army, the greater is official pauperism. *This is the absolute general law of capitalist accumulation.*"¹

The general law of capitalist accumulation is closely bound up with and is determined by the basic economic law of capitalism, the law of surplus-value, for it is the drive to increase surplus-value and profit that leads to greater capital accumulation and the growing wealth of the bourgeoisie. The greater the accumulation of wealth among the capitalists, the larger is the army of unemployed, the more intense the exploitation of those employed in production, and the worse the condition of the proletariat.

Tremendous resources are concentrated in the hands of the bourgeoisie: in Britain, for instance, 1 per cent of the inhabitants own 25 per cent of the personal property in the country, and 5 per cent—50 per cent of the property; in the United States, the top 1 per cent of the richest people own one-third of the national wealth; one palace owned by the

¹ Karl Marx, *Capital*, Vol. I, p. 603.

US billionaires, the Vanderbilts, consists of 250 rooms and costs \$ 60 million; many capitalists have their own private planes, ocean-going yachts, fleets of luxury limousines, and more than one mansion in the most fashionable resort areas.

At the other pole of the capitalist society is the proletariat, whose condition tends relatively and absolutely to worsen with the development of capitalism.

The proletariat's condition tends relatively to worsen as compared with that of the bourgeoisie. Marx said: "The condition of the workers ... *worsens* relatively in the same ratio as the general wealth increases, i. e., as capital is accumulated."¹ The workers' shrinking share of the national income, of the aggregate social product and the national wealth is an indicator of the relatively worsening condition of the proletariat, which is also manifested in the changing ratio between wages and profits in favour of the capitalists and against the working class. Thus, from 1975 to 1985, workers' real wages in the United States dropped by almost 20 per cent, while US real corporate after-tax profits went up by 50 per cent.

The general law of capitalist accumulation

¹ Karl Marx, *Theories of Surplus-Value*, Part III, Progress Publishers, Moscow, 1975, p. 335.

also generates a tendency for the absolute worsening of the condition of the working people, and this is expressed in the growth of "physical poverty" and of "poverty in the social sense".

"Physical poverty" means malnutrition and actual hunger for masses of the population, bad housing conditions, extremely limited possibilities for satisfying the elementary requirements in clothing and household goods, and a high mortality rate. In *A Tale of Two Cities*, Charles Dickens wrote more than a century ago that the workers were crushed by destitution and were shivering in their rags; the children had senile faces and the stamp of hunger could be seen on every face, man or child. Even today, many people in the capitalist countries are literally in need of a piece of bread. Over 800 million men and women in the developing countries live in absolute penury, being unable to satisfy the most elementary needs, and their numbers are expected to increase to 1.2 billion by the beginning of the next century. Almost 50 million people, including 15 million children, die of hunger in the Third World every year; 700-800 million adults are totally illiterate and 1.5 billion people are deprived of elementary medical assistance in Asian, African and Latin American countries.

The absolute worsening of the condition of the working class under capitalism is connected with the growth of the industrial reserve labour army, the army of unemployed, and the decline in real wages. It is also manifested in a growth of rents and the cost of medical services. The workers have to labour with excessive exertion, and more and more of them fall victim to industrial accidents and various occupational diseases, all of which causes them to lose non-renewable vital strength. There is a growing number of industrial accidents resulting from the over-exertion of workers in all the capitalist countries. In the United States, for instance, there are about 5 million such cases every year, in the FRG—2 million, and in France and Italy—over 1 million each. Such is the price in blood which the working class has to pay the capitalists to make their profits grow.

Because of the excessively high rents, many working-class families are forced to huddle in premises not fit for human habitation—in cellars, attics and urban slums. Twenty per cent of all the dwelling space in large US cities is in slum areas, which keep spreading like a malignant growth round the business districts; from 25 to 30 per cent of the population in US and British cities are housed in dilapidated premises; homes in Britain are not

usually adapted to low temperatures and most of them are unheated; according to the *Morning Star* about 40,000 men and women (85 per cent of them aged 65 years and over) die in the British Isles every year from hypothermia (exposure to the cold). That tragedy is a blot on 20th-century Britain, one of the richest countries of the capitalist world, whose government has kept cutting back its appropriations for social purposes, including the housing needs of the population. "Poverty in the social sense" means a growing discrepancy between the rising level of wants and the level of the working people's real consumption of the vital necessities.

Even in the richest capitalist countries, the living standards of a vast number of workers are officially lower than the established poverty line; in the United States, this involves 15 per cent of the population, and in the countries of the European Economic Community (Common Market), more than 80 million people live below the official poverty line.

The operation of the general law of capitalist accumulation inevitably tends to polarise the class forces and to make for unavoidably sharp class and social antagonisms in the capitalist society. At the one pole we find the exploiters, who live through the appropriation of surplus-value and are prepared to com-

mit any crime to boost their profits, and at the other, the class of the exploited, on whose unpaid labour, sweat and tears wax the wealth and incomes of the exploiters. The exploiters are a minority, and the workers—a vast majority. Their interests are irreconcilable and the struggle between them is inevitable.

3. Classes and the Class Struggle

The social structure of the society in the capitalist countries is a variegated patchwork. Alongside the chief antagonistic classes—the bourgeoisie and the proletariat—we find landowners, farmers engaged in family farming and other strata of the population. There are also individual groups within these classes. Thus, the bourgeoisie includes the big and the small capitalists, the former consisting of the owners of giant enterprises, the supermarkets and the banks, and the latter—of petty traders, farmers employing a few farm hands, and the owners of repair and other workshops. The intelligentsia, which does not have an even composition either, is a sizable social group. It includes those who are professionally engaged in mental work, among them lawyers, teachers, doctors, engineers, technicians, mechanics, etc. The greater part of the intelligentsia consists of salaried workers of the capitalists, such as are,

above all, engineers and technicians.

As capitalism develops, the numerical strength of the working class keeps growing, while its qualitative composition is modified, and educational skill standards are raised, and its way of life and intellectual pursuits change. The modern wage-worker differs markedly from the late-19th-century proletarian.

Some theories widely accepted in the developed capitalist countries suggest that the working class, as such, is "disappearing", being "dissolved" in the other strata of the society. The main argument is the marked increase in the number of engineers, scientists, workers in the services and managerial personnel, among wage and salaried workers. In actual fact, that does not signify any disappearance of the class of wage-workers, but merely that there is an increase in the number of persons selling their labour-power to the capitalists: "the proletariat" is a concept that has now been broadened.

The modern proletariat includes not only workers on the shop-floor in industry and on the farms but also the mass of rank-and-file salaried engineers and technicians working for the capitalists. They also sell their labour power to the capitalists and produce surplus-value for them. Wage and salaried workers also include the lower and middle strata of office

and commercial personnel. So, the modern working class is a multi-layered social organism whose more complex make-up and broader social base merely testify to its ceaseless development, instead of "disappearance".

The capitalist society is rent by acute social contradictions, because the interests and aspirations of the various classes and social groups differ sharply from each other and are often antithetical. Thus, the capitalists want to keep going a system under which they can make money by exploiting the wage-workers; the proletariat, for its part, wants that kind of system dismantled, and an end to wage slavery. The individual commodity-producers and the petty bourgeoisie suffer from the domination of big capital, as they are being ruined on an ever wider scale and voice their protests against such arbitrariness. The interests of the overwhelming majority of the capitalist society are now in acute contradiction with the interests of the industrial and financial elite of the capitalist class, whose oppression is felt by all the classes and social groups.

The contradiction between the proletariat and the bourgeoisie is the main class antagonism of the capitalist society. Their interests are directly antithetical to each other, which is why their relations tend to assume the form

of sharp struggle. The deprived condition of the working class in the capitalist society and the oppression and humiliation from which the workers suffer impel them to rise up in class struggle. The modern proletariat is a fighting class which has gained considerable experience in combatting capital for its interests. In the capitalist countries, working-class action is ever more persevering and organised. The working class is the chief motive and mobilising force of the revolutionary struggle and of the whole democratic movement.

The bourgeoisie seeks by every means at its disposal to put down any expression of the workers' discontent, calling in the police and the army and resorting to courts and prison cells for that purpose. In the old days, workers protesting or seeking aid were shot or hanged, and that now and again happens in the capitalist countries even today. However, more "humane" methods are more often used nowadays, such as the dispersal of protest demonstrations, mass police violence, heavy fines and prison terms, black-listing and individual terrorism against working-class activists. But that does nothing to change matters. There can be no class reconciliation between the oppressors and the oppressed, and every capitalist country is split up into two countries: in one are those who give, and in the other—those who take.

The proletariat's class struggle against the capitalists ranges over every area of life in the capitalist society.

Economic struggle is one of the most important forms of working-class action. It is carried on for jobs, against dismissals, for better working conditions and for higher wages. Economic strikes are the first stage through which workers are involved in active class struggle. Strikes may affect individual enterprises, whole industries and even the country as a whole in the event of national strikes.

There are one-hour, one-day and many-day strikes. In some countries, such as Japan, "spring" and "autumn" offensives by the working class have become traditional. They include general strikes by the workers of various industries. Within large corporations, strikes are sometimes staged not by all the workers but only by those at the "key enterprise", where the components from the other plants are finally put together. Such strikes largely paralyse the whole corporation and, given material assistance from workers at other enterprises of the corporation, they can last for a long time. Some strikes are "phased", with mounting pressure applied when the strike is started by one set of shops or factories, to be joined by others later on, etc. The workers sometimes stage warning or demonstration strikes. When

strikes are in progress, strikers frequently set up pickets around their enterprises to keep out scabs (strike-breakers).

There has been a new and powerful flare-up of the class struggle between labour and capital following the economic crises of the mid-1970s and early 1980s, which involved all the industrialised capitalist countries, produced a high level of unemployment, inflation and a consequent growth in the cost of living, and stepped up the exploitation of the workers. The edge of the struggle is aimed above all at the plant shutdowns and mass sackings of working personnel.

Mass action against the threat of or in response to dismissals has been taken in virtually all the developed capitalist countries over the past several years, with the struggle for employment broadest in West European countries: Britain, France, Belgium and Italy.

The economic struggle is carried on most vigorously by unionised workers. The trade unions have been doing much to develop the proletariat's class struggle and stand up in defence of its interests.

The proletariat's economic struggle can be successful when the workers are unionised and united in defence of their rights, but opportunist leaderships in some unions have stubbornly dragged their feet under various pre-

texts on the establishment of unity in the trade union movement. This has merely gone to benefit big capital, which wants to "tame" the trade unions, while conducting a policy of curbing trade union rights and freedoms and preventing the growth of trade union ranks in every way.

Alongside the economic struggle, the working class in the capitalist countries is also engaged in active *political struggle*. The two are frequently interwoven. Large-scale economic actions by the working people often assume a political character as a form of opposition to the capitalist system itself.

Working-class organisations, political working-class parties and trade unions in the first place, stage nation-wide political campaigns and rallies, take part in local and other elections, and act ever more vigorously in the fight against the arms race and militarism, for strengthening peace, and for the preservation of the democratic rights and freedoms gained by the working people.

The *ideological struggle* of the working class is a struggle of ideas and views reflecting the proletariat's class interests for the purpose of completely overcoming the ideological influence of the bourgeoisie and releasing the workers from the preconceptions, traditions and habits of the old world.

The communist and workers' parties are the most consistent fighters for the workers' rights. The communist movement has gone a long way since the establishment in the mid-19th century by Marx and Engels of the Communist League, the proletariat's first international organisation.

The *International Working Men's Association*, the First International, which Marx and Engels set up in 1864, and the Communist International, subsequently set up by Lenin in 1918, had a tremendous significance for the emergence and development of the communist movement.

The communist and workers' parties, dedicated to the cause of the working class, are in the front ranks of the fighters against the exploitative system, and for peace, democracy, national independence and socialism. In some states, they are a powerful political force exerting a great influence on internal political processes. Thus, the communist parties of France and Italy have the votes of millions of people in elections and are represented in parliament. More than 40 million people now vote for the Communist parties' candidates in the non-socialist world. Communist and workers' parties are represented in the legislative bodies of 25 capitalist states. Hundreds and thousands of Communists are elected to municipal bodies of every level. The Communists

have an important role to play in the trade unions, young people's and other public bodies.

The Communist parties believe that one of their main tasks now is to extend the front of struggle against the reactionary attempts to break up the progressive and democratic movements, to whip up the militaristic hysteria and to deprive the working class of the rights and freedoms won in its long and persevering fight against the bourgeoisie. The Communist parties seek to unite all those who want peace, democracy and social progress in the fight for the working people's vital interests and against the domination of big capital, and have put forward the society's transformation on socialist lines as the ultimate goal of the working-class struggle.

In the establishment of broad democratic alliances, each Communist party works in the light of the concrete conditions of this or that country, formulating and seeking to solve the most important problem: attainment of unity of action by the working class and involvement in political life of those working strata which for various reasons still remain on the sidelines of the active class struggle. The real possibility of Communists' taking part in government in some countries has arisen, and that is what predetermines their tactical line

in their drive for political alliances.

The Communist parties have put forward a broad programme of action by all the democratic forces. In the political sphere, they want to strengthen the political positions of the working class and its organisations, and to have all the progressive, left-wing forces united in a single front against reaction. In the economic and social sphere, the democratic forces' joint action programme includes coordination of action in defence of the working people's social rights and gains, and in the international sphere, joint struggle to check the arms race and relax international tensions.

The Communist parties of the capitalist countries, with their efforts to preserve and extend the gains won by the proletariat in tireless class struggle, are now standing up for the vital interests of the working class and all the working people and are fighting for peace, progress and socialism throughout the world.

A new society without exploitation or man's oppression by man can be brought closer—and it is mankind's future—only through active struggle by the working class in alliance with all the other exploited strata of the capitalist society.

Chapter 5. IMPERIALISM:
ECONOMICS AND POLITICS

Monopolies, which are powerful industrial and banking associations, emerged in the capitalist world at the turn of the century and introduced important changes in the economic structure of the capitalist society. Together with the substantial changes in economics, major shifts also occurred in the politics of the ruling elite in the capitalist countries. Capitalism entered upon a new stage of its development, which is known as *imperialism*. Among its sanguinary milestones were the Spanish-American and the Anglo-Boer wars, which exposed the aggressive and bestial snarl of imperialism.

1. What Is Imperialism?

Vladimir Ilyich Lenin (1870-1924), who carried on the endeavour of Marx and Engels and developed their theory, gave the answer to the question: "What is imperialism?"

Following a profound study of a vast array of facts and figures, Lenin wrote his work, *Imperialism, the Highest Stage of Capitalism* (1916), in which he showed the qualitative changes in the development of capitalism over the half-century after the publication of Volume One of Marx's *Capital*. Lenin relied on the laws of social development discovered by Marx and Engels, and was the first to give a deep scientific analysis of the economic and political substance of imperialism as a special stage in the capitalist socio-economic formation, its highest and last stage. He proved that imperialism preserves all the basic features of capitalism: the capitalists' private property in the means of production, the relations of exploitation of the wage-workers by the bourgeoisie, and the form of distribution of material goods under which the condition of the working people worsens with the growing wealth and luxury of the capitalists. The economic laws of capitalism continue to operate under imperialism: the law of surplus-value, the basic economic law; the general law of capitalist accumulation; the law

of competition and anarchy of production, and so on. The basic economic contradictions of capitalism also remain. But imperialism has a number of specific features which distinguish it from the earlier stage of capitalist development.

How are these specific features of imperialism manifested? In the economic sphere, imperialism primarily signifies the replacement of "free competition" with monopoly domination. In the political sphere, it marks the turn of bourgeois democracy towards reaction and violence in every sphere of social life. As compared with pre-monopoly capitalism, imperialism is the highest stage of capitalism, while being its last stage and the threshold of the socialist revolution.

2. Concentration of Production and Monopolies

There was a rapid growth of various industries at the end of the last century which led to an increase in the size of enterprises. Large-scale plants and factories gave their owners additional advantages over the other capitalists and helped to consolidate their competitive positions. The growth in the size of functioning capitals proceeded either through the construction of larger enterprises, or through the forcible or voluntary merger of many indi-

vidual capitals, so that the means of production, labour-power and product output were increasingly concentrated at big enterprises, i. e., the *concentration of production* was accelerated. The giant enterprises gobbled up the small fry and expanded their positions in the capitalist economy by using the latest scientific and technical achievements and the advantages of large-scale production. Once they had concentrated a substantial share of production in their hands—which gave them the dominant position in one or several industries—these enterprises began to receive a profit that was above the average. Numerous mergers and takeovers, i. e., accelerated concentration of capital led to the emergence of capitalist *monopolies*.

At a definite stage, the concentration of production in itself leads up to the formation of monopolies. That is because large enterprises find it easier and more advantageous to unite, since they suffer tremendous losses from competition against each other—and this makes competition especially risky. The big capitalists find it more convenient to strike a compromise, to make an advantageous deal that enables them to keep the prices of goods high and so to appropriate maximum profits.

Consequently, the tremendous growth of the concentration of production is the economic basis on which monopolies emerge, and that

is why concentration of production and capital, which attains such a high point of development as to create monopolies that have the crucial role in economic life, is one of the key economic features of imperialism.

In the early 1980s, 100 major US corporations controlled almost 45 per cent of the sales, and nearly 40 per cent of the profits in US manufacturing. Four leading corporations involved in the output of almost two-thirds of US manufacturing account for 25 to 100 per cent of output in their industries. In Japan, the share of four major firms in nearly 100 sub-industries was over 60 per cent, and 80 per cent in nearly 50 sub-industries; the picture is similar in many other developed capitalist countries. This high degree of concentration is the basis on which monopolies rose and continue to exist.

What is monopoly?

Monopoly is a large capitalist company or association of companies which has taken control of such a large share of output in an industry that it is in a position to dominate the market and dictate prices, realising its domination in the form of higher, i. e., monopoly profits.

Monopolies exist in the most diverse forms, among them cartels, syndicates, trusts, concerns and conglomerates. The cartel form of monopoly is marked above all by strict regulation of

price levels, quotas, sales terms and other market elements, while the companies constituting the cartel remain independent producers. Capitalist enterprises forming a trust have lost not only their marketing but also their production independence. The concern is a form of monopoly in which the head company uses financial levers to tie in numerous and often what appear to be juridically independent companies into a single empire. Concerns are now the most widespread form of monopoly.

The formation of monopolies and the establishment of their economic domination in the capitalist countries does not signify an end to competition. Springing from free competition, the monopolies do not eliminate it, but exist above and alongside of it, so making it especially savage, sharp and destructive. Alongside economic methods, monopolies often resort to outright violence, such as arson and explosions at enterprises, the hire of gangsters to murder the toughest rivals, blackmail, and similar other dirty tricks.

The competitive fight is carried on for monopoly profit, which includes average profit received by all the capitalists, additional profit accruing from technical achievements, and specific monopoly super-profit. The latter originates as a result of the establishment of monopoly-high prices for the goods produced by the

monopolies, and monopoly-low prices at which the monopolies buy the goods they need from non-monopolised enterprises. The monopolies are past masters at fixing supply and demand in such a way as to make money and not lose any of their monopoly-high profits.

The surplus-value created by the workers at monopoly enterprises and also a part of the surplus-value created at non-monopolised capitalist enterprises, the exploitation of small commodity producers, and the "public at large", together with the plunder of the developing countries, are the sources of monopoly profits, which means that all the strata of the population suffer from oppression by monopoly capital and pay a tribute to it. Lenin stressed that the monopolies' oppression of broad strata of the population "becomes a hundred times heavier, more burdensome and intolerable."¹

3. Finance Capital and the Financial Oligarchy

The concentration of production and the emergence of monopolies in industry generated similar processes in banking activity. The big

¹ V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", *Collected Works*, Vol. 22, 1974, p. 205.

industrial, commercial, transport and other enterprises refused to deposit their uncommitted funds at small banks, because they were not big enough to guarantee the safety of large deposits. The small banks did not have enough funds to extend credit to the big enterprises, and the latter's need for large loans was among the most important causes behind the growth in the size of banks and the emergence of banking monopolies.

Three giant banks now control nearly 25 per cent of national bank assets in the United States, and three similar giants control more than 30 per cent of bank assets in the FRG and Italy, and from 50 to 60 per cent in Great Britain, France and Canada.

With their vast accumulations of funds, the banking monopolies have moved from purely credit operations to the buying up of industrial stock and participation in new corporate ventures, so extending their control over industrial production and gradually developing from modest middlemen in credit and payments operations into almighty monopolies.

For their part, the big industrial capitalists began to buy up the stock of banking monopolies and to set up their own banks, with the result that their property and the corresponding property rights have been interwoven in an inter-penetration of monopoly banking and in-

dustrial capital. That has led to the emergence of *finance capital*, which has now moved into every sphere of capitalist enterprise and bent all economic life in the capitalist countries to its interests.

Finance capital is concentrated in the hands of the *financial oligarchy*, a small top stratum of the bourgeoisie dominating all the sectors of the economy and having an important role to play both in economics and in politics. The financial oligarchy exercises its domination through a system of "personal union" and "holdings", which enables the financial magnates to control and wield vast amounts of capital. The "holdings" system could be compared to a pyramid at the top of which are the biggest businessmen who have controlling interests not only in the "parent" joint-stock company, but also in its affiliates, which depend on it. The substance of the "personal union" is that the same set of people, and indeed entire families head banking, industrial, commercial and other monopolies, with big bankers becoming directors and members of the boards of industrial enterprises, and the heads of industrial companies becoming chairmen of the boards or members of the councils of banks. All together they run their business for their common benefit and enrichment.

4. Export of Capital

Together with the formation of monopolies and finance capital, the rapidly growing export of capital—instead of commodities—is also a feature of imperialism. The *export of capital* signifies its transfer from one capitalist country to others in order to enable the monopolies to obtain super-profits in those countries, to strengthen their positions on the external markets, to enlarge the sphere of imperialist plunder, and for other unseemly purposes. The export of capital gives the monopolies of the imperialist states control over vast raw-material resources, as well as enabling them to extract tremendous super-profits by exploiting labour-power in other countries.

The export of capital is a highly important element within the system of economic relations of monopoly capitalism, for it helps the big monopolies to step up the spread of capitalist relations of production all over the capitalist world.

Britain, France and Germany led the other capitalist countries in the export of capital in the early 20th century, but in between the two world wars the United States became the chief exporter of capital and the leading financial exploiter of the capitalist world. Germany, Italy and Japan lost the bulk of their investments

abroad as a result of the Second World War, and the positions of Britain and France were markedly weakened; Britain sold 25 per cent of its prewar investments abroad, while French and Dutch investments shrank by roughly 50 per cent. In the postwar period, the United States took a firm lead in the annual export of capital and in total investments abroad, but in the 1970s and early 1980s, the rate of capital export from Japan, the FRG and several other countries outstripped the rate of US capital exports, and the US share of total foreign investments was somewhat reduced.

While the scale of capital exports has been steadily growing, the process has been uneven and has changed its course: in the early years of the 20th century, the bulk of exported capital went to the economically underdeveloped countries, but since the Second World War, the bulk of private investments abroad has been going to the developed capitalist countries.

An unfavourable climate for foreign investments has been produced by the narrowing down of the sphere of capitalism's "possessions" following the formation of the world socialist system and the ever more vigorous struggle by the newly free countries for genuine economic independence, and that is why the main flows of foreign private capital have gone to the developed capitalist countries. Let

us note, however, that the relative reduction in the developing countries' share as spheres of private capital investments in the 1970s was halted and has gradually begun to increase in view of the ever more acute raw-materials and energy problems, the "oversaturation" of some industries in the developed capitalist countries with capital, and a number of other reasons.

5. Economic and Territorial Partition of the World

The economic partition of the world by the international monopolies and the final territorial division of the globe by the major capitalist powers are two other economic features of imperialism closely connected with the export of capital.

What are international monopolies? These are major monopolies functioning on the scale of entire regions or of the whole capitalist economy. A monopoly becomes an international one by taking part in the division and redivision of the capitalist world into spheres of influence, by exporting capital, concluding international cartel agreements, and resorting to other forms of external expansion.

Every national monopoly is potentially an international one, for no national monopoly confines its expansionist aspirations to the do-

mestic market; at a definite stage of development it moves beyond the borders of the country and ceases to be purely national.

The monopoly begins by establishing its domination within the national borders, and subsequently seeks to extend its influence to other countries as well. The concentration of production and capital reaches such a high level that the entire world capitalist economy alone offers an ample sphere for the activity of a large number of monopolies, and this inevitably generates a struggle for the economic partition of the world. Lenin said that "the capitalists divide the world ... because the degree of concentration which has been reached forces them to adopt this method in order to obtain profits. And they divide it 'in proportion to capital', 'in proportion to strength', because there cannot be any other method of division under commodity production and capitalism."¹

The international monopolies effect the economic division of the capitalist part of the world in various ways, the chief among these being agreements on a division of spheres of influence and export of capital. As imperialism develops, there is a substantial change in the relation between the two methods, but even today both remain within the arsenal of the

¹ V. I. Lenin, *op. cit.*, p. 253.

instruments in the inter-monopoly struggle for marketing outlets, sources of raw materials, and spheres of the most profitable investment of capital.

In the first half of this century, agreements on the division of the capitalist world into spheres of influence usually took the form of international cartels, of which there have been a great many in the course of history. The largest international cartels have functioned in the oil, chemical, electro-technical and many other industries, and their main purpose has been to keep the prices of the products turned out by their members at a heightened level so as to ensure monopoly profits. Consumers all over the world have suffered from oppression by the international cartels.

Not so many international cartels now remain in their classical form. Among them is the International Electrical Association, which for more than half a century now has basically maintained the same form in which it was set up. In fact, it includes all the leading monopolies of the electrical engineering industry of the capitalist world, and while the Association has tried, like a chameleon, to change its cartel colours, more and more facts have come to light about its continued "regulation" of the world capitalist market among its members so as to "soak" their customers and make

them pay much higher prices.

Although many of the classical international cartels have fallen apart, it does not mean that the monopolies of the various countries no longer conclude cartel agreements with each other. These agreements are now more thoroughly covered up, include fewer members and are increasingly interlaced with the export of capital as a form of struggle for recarving the spheres of influence. To this day, international cartel agreements are used by the monopolies as a powerful instrument in the fight for markets.

The economic partition of the world between the international monopolies at the turn of the century was paralleled by an intense territorial division of the world between the imperialist powers themselves which hastened to take over the available colonies.

Paeans of praise have been sung to colonial plunder by the heralds of imperialism, among them the British writer Rudyard Kipling, who said that British lighthouses were sending out adventurers all over the world and expecting them to come back with the booty. He sang the praises of a militarily strong Britain which ruled other nations, for he was convinced that the peoples of the colonies loved British tommies and waxed nostalgic for their return. Nor did he try to conceal the violence and plunder practised by the British tommies. In a poem

entitled *Screw-guns* he urged the “stubborn savages” not to resist the British soldiers:

“Just send in your Chief and surrender—it’s worse if you fights or you runs: You may hide in the caves, they’ll be only your graves, but you don’t get away from the guns!”

From 1876 to 1914, the imperialist powers seized almost 25 million square kilometres of foreign lands. In 1881, France occupied Tunisia; in 1882, Britain occupied Egypt; in 1884, Germany occupied Southwest Africa. The occupations followed in quick succession, as the capitalist countries vied with each other to subjugate the peoples that were still free in Asia, Africa and other parts of the world. Most of the lands were occupied by Britain and France. In the early 20th century, the imperialist powers completed their territorial division of the world, and there were no more “unoccupied” lands to go round, so that a territory could only be got by fighting its erstwhile owner and driving him out. The countries of “young capitalism” (which was rapidly gaining in strength in the late 19th century)—the United States, Germany and Japan—got fewer colonial possessions. These countries developed rapidly and sharply increased their share of the capitalist world economy. The changing bal-

ance of forces pushed the capitalists of these countries into a redistribution of the colonial possessions by force.

6. Uneven Economic and Political Development

A world capitalist economy took shape under imperialism. It is an aggregate of the economies of the capitalist states within a system of international economic relations (foreign trade, export of capital, credit and monetary relations, etc.) and an international capitalist division of labour. The development of the world capitalist economy has been marked by anarchy, disproportions, sharp economic contradictions and periodical upheavals. In other words, it has the same characteristic vices as the economies of the individual capitalist countries.

The capitalist countries' uneven economic and political development has been sharply intensified in the epoch of imperialism, for uneven development is organic to capitalism itself. It is determined by the laws of competition and anarchy of capitalist production, which is based on private property in the means of production. But whereas capitalism did develop more or less smoothly in the pre-monopoly epoch, the situation underwent a sharp change under imperialism.

Development began to proceed in leaps and bounds: one group of countries rapidly forged ahead, while others noticeably lagged behind. Until the 1870s, for instance, Britain led the world in industrial production and was followed by France. Within roughly ten years—by the 1880s—the United States outstripped France and within another ten years—by the 1890s—it had left Britain behind and moved ahead to first place in world industrial output. Within that same period, Germany overtook France and advanced to third place after the United States and Britain. By the early 20th century, Germany had also outstripped Britain and had forged ahead to second place in the world, behind the United States, and so on, and so forth.

That kind of development went sharply to intensify the struggle for a repartition of an already partitioned world. As the balance of forces changed, the capitalist world broke up into hostile groupings, and this inevitably led to major armed clashes between the imperialist powers and the outbreak of imperialist wars. Both the First and the Second World War were started by monopoly capital largely out of its urge to consolidate the changes in the balance of forces in its favour by military means.

Since the Second World War, uneven economic development has continued to produce acute contradictions between the imperialist

powers and fierce fights for a redivision of spheres of influence, sales markets and sources of raw materials, so that some countries are defeated and pushed back, while others triumph and outstrip their rivals in the development. In the postwar period, for instance, Japan, the FRG and several other countries have on the whole developed at a faster pace than the United States, and that has reduced the US share in world capitalist output, exports and gold reserves, so providing the basis for sharpening contradictions between them.

The growing uneven economic development of the capitalist powers in the epoch of imperialism has been paralleled by their ever more uneven political development, one outcome of which, in particular, is that sharp internal political crises, sometimes leading to social revolutions, may break out in the various capitalist countries at different periods. Lenin, who discovered the law of the capitalist countries' uneven economic and political development in the epoch of imperialism, drew the conclusion that the socialist revolution could not take place at one and the same time in most or all of the countries (as Marx and Engels had assumed), but that the chain of imperialism could be breached in one of its weak links, i. e., that the socialist revolution could initially win out in several countries or even in one

country. An acute social and political crisis in Russia in 1917 produced a revolutionary situation, which the working class, led by the Bolshevik Party with Lenin at its head, used to carry out the Great October Socialist Revolution, the world's first victorious proletarian revolution.

7. Imperialism: Parasitic, Decaying Capitalism

One of the most important features of imperialism is that it is parasitic and decaying capitalism, a feature resulting from the domination of the economy by a handful of monopolies and financial groups. Lenin says: "Monopolies, oligarchy, the striving for domination and not for freedom, the exploitation of an increasing number of small or weak nations by a handful of the richest or most powerful nations—all these have given birth to those distinctive characteristics of imperialism which compel us to define it as parasitic or decaying capitalism."¹

Monopolies are a serious bar to the development of science and technology. They are perfectly well aware that new hardware and technology are the basis of economic strength,

¹ V. I. Lenin, *op. cit.*, p. 300.

which is why they seek to make them inaccessible to their actual or potential rivals. What is more, they try hard to limit access to technical innovations. Besides, even when none of their rivals actually threatens the monopolies they often deliberately apply new scientific ideas to production at a snail's pace, all of which exerts a grave drag on the development of science and the spread of its practical advances in the society. The slowdown of scientific and technical progress by the monopolies is most evident in our day, when the leading imperialist powers increasingly tend to orient the scientific and technical revolution towards other than constructive purposes, i. e., towards the arms race and the development of weapons for the mass destruction of human beings, so that scientific and technical development is given an ugly, militaristic twist. The monopolies turn the achievements of human reason against mankind itself.

Finance capital uses scientific and technical achievements to boost its profits and to step up the working people's exploitation. Lenin says: "On all sides, at every step, one comes across problems which man is quite capable of solving *immediately*, but capitalism is in the way. It has amassed enormous wealth—and has made men the *slaves* of this wealth. It has solved the most complicated technical problems—and

has blocked the application of technical improvements because of the poverty and ignorance of millions of the population, because of the stupid avarice of a handful of millionaires.”¹

The growing stratum of coupon-clippers – capitalists who are rentiers – is evidence of the decay of capitalism. These capitalists have absolutely nothing to do with production, for their enterprises are run by salaried managerial personnel. Capitalists who own stock, bonds and large bank deposits live off the interest-bearing coupons which they keep clipping from their securities. Indeed, entire imperialist states have developed into rentier-states: Britain, France, the United States and many other developed capitalist countries receive a sizable part of their incomes from the export of capital.

Lenin said that the export of capital is parasitism squared, because after a certain period capital itself becomes appropriated surplus-value, the result of the wage-workers’ unpaid labour. Exported abroad, it yields more profits for its owners, not only serving as an instrument for the plunder of other countries, but also to some extent (often quite tangibly) slowing down the development of the productive forces in the capital-exporting countries.

¹ V. I. Lenin, “Civilised Barbarism”, *Collected Works*, Vol. 19, 1973, p. 389.

The parasitism of imperialism is most manifest in the militarisation of the economy and the appropriation of an ever larger portion of the national income for the production of military hardware. Vast material resources are diverted from productive consumption by the militarisation of the economy in the United States and other NATO countries. Imperialist wars entail the destruction of vast material values and tremendous human losses. The capitalist countries' material losses in the Second World War, for instance, were three times the value of the national wealth of the United States, Britain and France taken together.

The decay of capitalism is also manifested in the incapacity of monopoly capital to use the available productive forces, to provide jobs for millions of unemployed and load the production facilities to full capacity. In the postwar period, for instance, the loading of production capacities in the developed capitalist countries has never reached what is officially known as an "optimal" level, often dropping to 70-80 per cent of total capacity. Chronic unemployment means constant underuse in the capitalist countries of the society's chief productive force, the working people.

The emergence of the opportunist trend within the working-class movement is a peculiar manifestation of the decay and parasitism of

imperialism. The monopoly super-profits provide a source from which a small stratum of the working class can be bribed to create what is known as a "labour aristocracy", which often takes over—with the bourgeois support—the command posts in the trade unions and other working-class organisations. Together with the petty-bourgeois elements, it presents a grave danger to the working-class movement and serves as the social support of the reactionary forces. The labour aristocracy splits the ranks of the working class and so prevents it from uniting its forces for the anti-monopoly struggle.

Imperialism not only increases the parasitism in the economy of the developed capitalist countries, but also produces reaction in their political life.

8. Internal and External Policy of Imperialism

Politics is a sphere of activity involving relations between classes and various social groups whose central purpose is the winning, holding and use of state power. Lenin says that "the most significant thing in politics" is "the organisation of state power".¹ Politics is ultimately

¹ V. I. Lenin, "Liberal and Marxist Conceptions of the Class Struggle", *Collected Works*, Vol. 19, p. 122.

determined by the society's economic system; in the capitalist countries it expresses above all the interests of the bourgeoisie, the ruling class, and is designed for the defence of the bourgeoisie's rights and privileges. The bourgeoisie sets up a huge state machine to conduct a policy aimed at suppressing the working-class movement, safeguarding private property and preserving the capitalist order.

When capitalism entered upon the stage of imperialism, there was also a substantial change in the policies conducted by the ruling circles of the developed capitalist countries. The domination of economic life by the monopolies in these countries sharply intensified the trend towards "political reaction all along the line", and this was expressed in the gigantic growth of repressive institutions (the police, "law and order" troops, the penal system, political surveillance agencies, etc.), in breaches of bourgeois legality and the use of brutal methods to put down the revolutionary movement. It is not surprising, therefore, that fascism, the most savage dictatorship of the most reactionary imperialist circles, a dictatorship not covered up in any way, emerged in some capitalist countries precisely in the epoch of imperialism.

The swing to reaction in politics does not signify total abandonment of the methods and forms of bourgeois government worked

out by the bourgeoisie at earlier periods, for on the whole it prefers to run the country through parliament and other democratic institutions (which camouflage its dictatorship) even at the stage of imperialism.

Lenin said: "A democratic republic is the best possible political shell for capitalism, and, therefore, once capital has gained possession of this very best shell ... it establishes its power so securely, so firmly, that *no* change of persons, institutions or parties in the bourgeois-democratic republic can shake it."¹

The political climate in any imperialist country is created by the big bourgeoisie and its men in the state apparatus, regardless of the form of government (in Britain, Belgium and Sweden, for instance, the state has assumed the form of a constitutional monarchy; and in the United States, France and the FRG, of a bourgeois-democratic republic). Back in 1914, US President Woodrow Wilson said that the masters of the US Administration were the allied US industrialists and capitalists, and that every page of congressional documents and the history of White House conferences made it clear that the economic policy plans in the country sprang from one source, and not from many. Alfred

¹ V. I. Lenin, "The State and Revolution", *Collected Works*, Vol. 25, 1977, p. 398.

Bloomington, a multimillionaire close to the White House, believes that running the United States is like running General Motors, for while the USA may be two or three times bigger, it is ultimately the same as General Motors, and that's where its roots are. He promised to surround Ronald Reagan with experienced men, the same men the capitalists hire for their own business. It is perfectly clear whose interests these men represent.

How does the monopoly bourgeoisie run a country with its democratic institutions? The organisation of an electoral campaign shows just how.

The trappings of elections in the imperialist countries are designed to create the illusion of "free choice": widely and skilfully used are demagoguery and lies, manipulating public opinion through the monopoly-owned mass media, and the atmosphere of a circus is created throughout the electoral campaign. Meanwhile, diverse obstacles are thrown in the way of the progressive, democratic parties and organisations wishing to take part in the elections, and fierce campaigns of slander and libel are launched against them.

What does the voters' "freedom of choice" consist in, say, in the United States, which is seen in the West as a "model" and "specimen" of democracy? In a presidential electo-

ral campaign, the "freedom of choice" essentially boils down to choosing a nominee of one of the two leading bourgeois parties (Republican or Democratic). These nominees differ little from each other, because on the key domestic and foreign-policy issues they voice similar interests: the interests of monopoly capital and the financial oligarchy. For whom does the electorate vote? Does it vote for those it has itself nominated? No, it does not. The voters are given the formal right to cast their vote for one of the candidates selected behind the scenes by a handful of those who wield the real power. In practice, things are arranged as follows: at the Democratic and Republican Party conventions, which are usually held three or four months before the presidential election, entertainment and shows are provided galore with the roar of bands, chorus singing, coloured balloons and similar other paraphernalia. While the delegates are enjoying themselves, a small group of party bosses meet in the "smoke-filled backrooms" to select the presidential candidates on orders from the financial magnates. These are then put before the convention delegates for approval, and then before the electorate. Why cannot anyone else be elected president except a candidate of the Democratic or the Republican Party? That is because it takes hundreds of millions of dollars to start

and successfully run an electoral campaign, and that amount of money can be collected in the United States only by those two parties, which have active financial support from Big Business. Anyone who now wants to be White House chief will have to spend about \$300 million, to be a senator—\$5 million, and a congressman—\$500,000. That is why there is not a single worker in, say, the US Senate: all the senators are placemen of the monopolies, whose electoral campaigns are generously funded by big capital. Everyone has heard of the bribery of politicians in the United States, whether directly or through the funding of their electoral campaigns. US businessmen are the last people one could suspect of altruism: they never throw their dollars to the winds. When they stake their money on their political favourites, they expect them to reciprocate with willing services.

In one of Bernard Shaw's plays, the millionaire Undershaft tells his son: "I am the government in your country; I, and Lazarus. Do you suppose that you and a half a dozen amateurs like you, sitting in a row in that foolish gabble shop, can govern? ... No, my friend: you will do what pays us." That is not a literary exaggeration in any sense; it is a hard fact of daily life in the imperialist countries.

And here is what late multimillionaire Ho-

ward Hughes wrote on the same score to his "friends" during a presidential election: he intended to elect a president to suit himself, one who would be in great debt to his clan and would know it. To achieve that, he was not going to limit himself with respect to the means be spent.

How can one say that the US electoral system is democratic, when the representatives of monopoly capital expressing the interests of that minority—an extremely insignificant part of the country's population—make the running in the national legislative and executive bodies? Elections in the United States, as in most other developed capitalist countries, are a screen for the monopolies behind which they do their dirty political deals. These elections are a simulation of the democratic process covering up the almighty power of big capital. What Lenin said years ago still holds true: "Nowhere ... is the power of capital, the power of a handful of multi-millionaires over the whole of society, so crude and so openly corrupt as in America."¹

The monopoly bourgeoisie uses the slogans of democracy, which the masses highly value, in order to dupe and divert the working people

¹ V. I. Lenin, "The State", *Collected Works*, Vol. 29, 1977, p. 486.

from the struggle for their rights and political freedoms.

The working people in the imperialist countries are deprived of many rights without which no truly democratic society is conceivable. What are these rights? First of all, there is the right to work, to social security, to rest and leisure, to education, to the free use of the achievements of culture, etc. With the mass unemployment and inflation, the rising cost of living, and dwindling social expenditures under capitalism, tens of millions of men and women are deprived of those rights.

The working people's political rights in the imperialist countries are likewise limited and curtailed.

Anyone insisting on freedom to demonstrate will be told by the first police officer: "Go ahead and demonstrate all you want. You have freedom to demonstrate and we have freedom to disperse your demonstration." Thousands of unarmed demonstrators in the capitalist countries are wounded every year in clashes with specially trained police units armed with clubs; thousands are arrested, and tens of thousands are placed under surveillance, so that each step of theirs is recorded in secret files and computer memories. In the United States, for instance, special police units have been formed to fight those who want peace, civil rights and social

justice. Apart from the usual police batons, members of these units carry tear-gas grenade launchers, generators to spread a layer of soap foam over the streets, nets to throw on people from helicopters, automatic rifles to fire dum-dum bullets, and even tanks. In addition, regular army and national guard units are often called out to suppress so-called civil disturbances in the country.

Perhaps, the imperialist countries have a better record when it comes to the freedom of the individual, i.e., the freedom to have one's own opinions? Hardly. Total surveillance, high-handed invasion of private life, and the gross trampling of rights and freedoms have become part and parcel of the present-day reality in the imperialist countries.

In the United States, the federal authorities have 3.5 billion files on US citizens, which frequently contain the most detailed information on incomes, service-record, habits, political sympathies and antipathies, participation in political and trade union activities, and details of family life. The collection and processing of such data is now very much easier with the extensive use of computers, telephone-tapping, the bugging of homes, tiny tape-machines, and concealed cameras. In the United States, there is an especially active surveillance of members of the Communist Party and other democratic

parties and organisations, participants in the movements for an end to the arms race, against racial discrimination, for equal rights for women, and trade union activists.

In the FRG, more than 50 million West German citizens are on computer-memory file. Thus, information on those taking part in demonstrations is stored at the Federal Criminal Investigation Department, which means that any one who simply takes part in a demonstration automatically rates a police record, and it does not take much imagination to realise what sort of consequences that may have. Total surveillance of what people think and do, and the collection of secret files on millions of people is also commonplace in most of the other developed capitalist countries.

How does the imperialist state use the information collected about its citizens?

Occupational bans are overtly or covertly practised in many capitalist countries, and this means that people with "radical views" are simply denied state employment (for instance, as an engine-driver on the railway, a teacher, etc.). Private companies dismiss or refuse to take on those who hold left-wing views, and that includes those who are carrying on a consistent struggle for the working people's rights, for peace, and for cooperation with the socialist countries.

In the FRG, for instance, people are summoned for hearings before special commissions, where they are drilled to find out what they think about various political issues, and once the commission has its "doubts", it is very hard and often altogether impossible to dispel them, no matter what the person may say. The result is denial of employment. Now and again, people are given an idea of what is contained in the file put together by the secret service, and here are only some of the motives for which progressive-minded people in the FRG have been denied jobs: participation in measures sponsored by democratic organisations, spreading leaflets against the arms race, participation in acts of solidarity with the people of Chile, and participation in international solidarity campaigns.

The authorities sometimes resort to "phased terrorism" in order to break down people voicing progressive views, and among these phases are the starting of a personal file, the blocking of promotion, dismissal with blacklisting, intimidation, and arrest on trumped-up charges.

Those who hold progressive views are deprived by the "affluent society" of the possibility of providing themselves and members of their family with the means of subsistence and sometimes of the very possibility of living as free citizens.

Alongside the use of repressive measures, the monopoly bourgeoisie has been perfecting its methods of brainwashing through the mass media: television, radio and the press. In order to exert an influence on mental attitudes, it also makes use of drugs and alcohol, supports various sects, preaches the idea of indiscriminate sex and diverse dubious entertainments. The financial magnates are convinced that the right mix of hard and soft techniques will yield control over the society.

With the growth of economic and social antagonisms, the monopolies are increasingly inclined to use hard methods in political life. Lenin once said that "actually terror and bourgeois dictatorship prevail in the most democratic of republics and are openly displayed every time the exploiters think the power of capital is being shaken".¹

There is now an especially active offensive against the working-class movement and civil rights and freedoms in the United States and some other imperialist countries, providing a backdrop for the flourishing of ultra-rightist and often fascist-type organisations which have

¹ V. I. Lenin, "First Congress of the Communist International. March 2-6, 1919. Theses and Report on Bourgeois Democracy and the Dictatorship of the Proletariat, March 4", *Collected Works*, Vol. 28, 1977, p. 462.

an ever greater influence on the policies of their governments.

The current offensive by the extreme right-wingers in the United States is frequently called "neo-McCarthyism". When the United States sharply swung to the cold war against socialism in the late 1940s and early 1950s, political reaction was established in the country, and Joseph McCarthy, a senator from the state of Wisconsin, tried to prove that the United States was in the web of a gigantic "communist conspiracy". His policy included the witch hunt, loud rallies by avowed fascist groups, savage hounding of liberal congressmen, scientists and journalists, and illegal persecution of progressive public organisations. Today, the movement of the extreme right is proceeding in a similar situation and it has similar objectives. Thus, the Senate has set up a Subcommittee on Security and Terrorism, which has revived some of the functions of government agencies used to fight democratic organisations and "subversives", once vested in the Internal Security Committee and the Subversive Activities Control Board. Officially sanctioned telephone-tapping and surveillance is a spreading practice.

The class interests of Big Business stand out behind the slogans of the ultra right, which are shot through with blatant racism, bellicose nationalism and wild anti-communism and mili-

tarism. The ultra-rightist movement is now a powerful political force in the United States, including the Ku-Klux-Klan, nazi outfits, racist religious sects, organisations like the American Conservative Union, the John Birch Society, diverse think tanks, periodicals and publishing houses.

The domestic and foreign policies of imperialism are saturated with reaction, being based on the stepped-up arms race, nuclear blackmail, suppression of national liberation movements, and the drive for world hegemony.

The imperialist circles have been conducting an aggressive foreign policy, while pretending to be highly concerned about "democracy and freedom" in other countries. Washington's "friends of liberty" say that the brazen aggression against Grenada signifies "restoration of democracy". The high-handed interference in El Salvador, Lebanon and Afghanistan is claimed to be a "struggle for freedom and self-determination". The dictatorships in South Korea, Pakistan, Chile and El Salvador, which they support and arm, have openly resorted to terroristic methods and mass repressions against their peoples. Governmental circles in the imperialist states have displayed full understanding and complete support of the mass shootings of peaceful demonstrations, the concentration camps and the absence of even a semblance of legal-

ity in massacring the opposition. Indeed, Washington has elevated the defence of anti-popular dictatorships to the rank of US foreign policy.

So, the monopolies which emerged at the turn of the century have exerted a substantial influence on the economic and political development of the capitalist countries, helping to step up the exploitation of the working people, the bourgeoisie's further enrichment and—simultaneously—the further growth of its parasitism. The monopolies' domination has signified a growing reaction all along the line in politics, and decay and parasitism in economics.

**Chapter 6. THE TRANSNATIONAL
CORPORATION:
MONOPOLY OCTOPUS**

Since the Second World War, imperialism has become much more reactionary and aggressive, largely owing to the emergence and growing might of the *transnational corporations* (TNCs), a new type of monopoly.

What is the TNC? What effect has TNC activity had for the people of the capitalist world?

1. World-Wide Economic Empires

Bourgeois economists in the West have given the new type of international monopolies various tags, among them multinational, international, transnational, super-national, global, world and other enterprises, firms, corporations

and companies. Some say that TNCs are those which have subsidiaries in two or more countries; others accentuate various specific features of their organisational structure, behaviour and managerial thinking in international operations, the size of their assets (a turnover of \$100 million, \$300 million and over), the number of subsidiaries, and other purely quantitative indicators.

But it is an interesting fact that virtually all the approaches to the TNCs say nothing of their monopoly nature, and in fact avoid the very use of the word "monopoly". All these attempts to "dissolve" the major capitalist concerns in the sea of thousands upon thousands of firms (including tiny ones) with foreign subsidiaries and affiliates naturally have a very definite purpose, which is to cover up the activity of the monopoly giants whose tentacles have got a grip on the whole capitalist world and to camouflage their exploitative nature.

A small group of the largest corporations now stands out among the large number of companies engaged in international investment operations. This small group has tremendous economic clout, which assures them of dominant positions on the world markets of certain products. Each of these corporations is, in effect, a sprawling, world-wide economic empire. UN experts have estimated that in the

mid-1980s, 350 leading TNCs had a total annual turnover of more than \$2.5 trillion, employing about 25 million persons, or 25 per cent of all those employed in manufacturing in the developed capitalist countries. These TNCs had more than 23,000 subsidiaries; they turned out nearly one-third of the capitalist countries' gross national product. By 1990, the TNCs are expected to turn out more than 40 per cent, and by the end of the century 50 per cent of the gross national product of the world capitalist system; by the year 2000, about 300 of the major TNCs will in fact run the business of the whole world capitalist economy.

The TNCs signify a new stage in the concentration of production and capital. They are monopoly economic complexes linking subsidiaries in various countries of the capitalist world in a far-flung and intricate system of production, financial and administrative ties. Their distinctive feature is active participation in the international capitalist division of labour and the exploitation of labour-power. The TNCs are international concerns engaged in production and commercial activity, which are mainly national in capital ownership. Thus, General Motors is a US TNC, British Petroleum, a British TNC, and BASF, a West German TNC.

The industrial TNCs, in league with the banking TNCs, rule the roost at home and abroad. The TNC banks, which sharply stepped up their activity in the 1970s and 1980s, have discovered that the Bahamas and the Caymans are especially attractive for their global operations, and the assets held there by the local subsidiaries of US banks are larger than those of all the US banking subsidiaries in Western Europe, Africa and Latin America, taken together. Tax havens like the Bahamas and the Caymans enable the TNC banks to carry out any financial operations throughout the capitalist world without any control and at minimum cost.

Industrial and banking TNCs now make up the core of most financial groups, and through them these financial groups seek to establish their control over the economics and often also the politics of many countries in the capitalist world.

2. Why Abroad Is Better Than Home?

What makes the TNCs scurry across the globe, investing their capital in foreign countries and striking root beyond the national boundaries? Could it be a sincere desire to help the newly free countries to overcome their economic backwardness, concern for the conveniences and

comforts of the consumer abroad, or any other similarly altruistic reason? Not in the least.

The owners and managers of TNCs are lured by the glitter of gold and the rustle of crisp banknotes. Indeed, they themselves have made no secret that maximisation of profits is the over-riding motivation for their investment activity abroad.

The export of capital turns out to be the most lucrative business, and that is because in the developing countries labour-power is much cheaper, and trade unions are either weak or non-existent; these countries offer cheap raw materials and advantageous markets for some type of products. In South Korea, for instance, workers' wages are only a fraction of those in the United States; strikes are prohibited, and the working day is among the longest in the world—a veritable paradise for foreign monopolies!

There are, of course, other reasons for which the TNCs go abroad and take their capital with them. There is the possibility of gaining access to external markets, of making sizable overseas investments while spending little of their own funds and borrowing locally, carrying on high-technology operations on an international scale, gaining access to the technical innovations of others, and facilitating the devel-

opment of their foreign trade by setting up a wide marketing network. The foreign subsidiaries of the TNCs are a Trojan horse by means of which their goods go through customs and other barriers.

Are there any overall figures on the TNCs' plunder of the countries of the capitalist world? Such forms of plunder being highly diversified, it is not easy, but nevertheless possible to gain some idea. In the mid-1980s, the annual net profit of the leading 300 TNCs added up to over \$100 billion, with roughly a third coming from abroad. According to the UN Centre on Transnational Corporations, their profits roughly tripled from 1970 to 1980 alone. As in the past, the bulk is earned by US TNCs, whose profits abroad are larger than their annual direct investments. From the developing countries, they take out 50 per cent more in profit every year than they put in as direct investments.

These data show very well the TNCs' exploitative and predatory policy in foreign countries.

3. TNC External Expansion: Economic Consequences

The TNCs control an ever greater part of world capitalist production, world capitalist trade, and scientific and technical advances. That is why they exert a steadily spreading and

mounting influence on the capitalist economy as a whole, so acting as one of the key factors in the ever greater general instability of economic development under capitalism today. They aggravate the conflict between the burgeoning productive forces and the capitalist relations of production by deepening the international division of labour, promoting international integration and increasing the monopolisation of the capitalist economy. The TNCs are, after all, economic strength vastly concentrated by a handful of private persons. While production is increasingly socialised, the old basis of the private capitalist appropriation of material wealth remains. The development of the TNCs intensifies the contradiction between social production and private appropriation, and gives a keener edge to the economic, social and political antagonisms of present-day capitalism.

Springing, as they do, from the contradictions in the development of the productive forces of capitalism, the TNCs create channels for the temporary, partial and incomplete resolution of these contradictions, without being capable of eliminating them altogether. Consider high technology.

The TNCs erect numerous barriers in the way of realising the achievements of the current scientific and technical revolution (STR), and so prevent their full use. Since the basic

objective of capitalist production is the continued extraction of surplus-value and maximisation of profits, these STR advances are not used for the benefit of the society as a whole, but chiefly to meet the purely private purposes of international monopoly capital and the financial oligarchy.

The TNCs as a rule introduce new hardware and technology only when that helps to reduce the cost of production and increase profits, but they are frequently not interested in reorganising production and introducing novelties, because they can go on raising their profits without any additional outlays on new hardware and technology. They are engaged in the development of high technology and new types of products, but a large part of these is kept on file for a long time and sometimes not used in production at all. Meanwhile, the transnationals bend every effort to prevent their rivals from developing high technology for as long as possible.

In view of the growing cost of research, development and engineering, even the largest corporations ever more frequently undertake R&D projects that can be expected to pay and yield a profit soon, an approach that tends to develop science largely in the light of the vagaries of market demand, instead of long-term social requirements. The TNCs often arti-

ficially slow down basis R&D projects at home and abroad in order to preserve and multiply their monopoly profits. Here are some telling examples: for a long time, the oil transnationals hampered the development and practical application of alternative sources of energy; the leading automobile corporations prevented the development of cars with engines fueled by anything but petrol (say, gas). The incapacity of transnational monopoly capital to cope with the STR and the modern level to which the productive forces have risen is most glaringly manifest in the fact that STR achievements are being increasingly used for arms production.

The transnational monopolies are now the major exporters of capital to the developing countries, and Western economists frequently claim that they are acting as marvellously efficient motors of global economic growth and prosperity. They also try to tone down or even to camouflage altogether the negative effects of the export of capital for the importing country. They seek to justify the monopolies by the simile of a tenant who has to pay rent when he lives in the house of another, suggesting that a country has to pay some price for the advantages it gets from the capitals of foreign subsidiaries.

The export of capital tends to slow down

the growth of national industry in many countries. Once the TNCs have penetrated into a country, they spread across it like oil stains, greedily buying up everything in sight and picking off the choice bits of the economy. These foreign vultures operate in accordance with the law of the jungle: might is right. Once they have established strong positions in the key industries and spread out a vast web of control by all the means at their disposal, they make a point of keeping national capital out of these industries, so that it is "crowded" on its own, home market. All of this tends to slow down the development of the national productive forces.

The bourgeois advocates of the TNCs keep stressing that the monopolies bring into the capital-importing country not only additional capital, but also various technical and organisational novelties—all of which allegedly helps the national industry. But in actual fact, the transnationals use the right of might to oust the local producers from the most profitable and progressive sectors and the economically most developed regions.

One should also bear in mind that the transnationals are guided by their own selfish interests and may fold up production and cancel contracts with local firms at very short notice indeed, something that spells fresh difficulties and disproportions in the national economy. The

transnationals lure away skilled workers, engineers and technicians (which in itself goes to complicate the manpower problem on the domestic market), while in the event of a crisis or decline in industrial activity their affiliates and subsidiaries sack tens of thousands of people who go to increase the army of unemployed.

TNC activity likewise has a negative effect on a country's balance of payments, as vast amounts of money roll in gigantic waves across national boundaries between TNC subsidiaries in various countries, so disrupting the internal currency of money, causing sharp fluctuations in the exchange rates, and so on. The activity of the transnationals of the United States, FRG and Britain, among other imperialist countries, is having an especially negative effect on the developing countries' economy, a fact to be dealt with in greater detail in the chapter on neocolonialism.

4. The TNCs: Threat or Promise?

The activity of the TNCs cuts across the interests of broad strata of the working people and is hostile to the majority of the population in the capitalist countries, for they ruthlessly exploit worker and peasant, farmer and shopkeeper, doctor and engineer, scientist and writer.

For their own self-seeking purposes, because of their insatiable greed for money, they foist on consumers products which are profitable for them but are useless to consumers and are often harmful and hazardous to their health.

The transnationals have mounted—on an unprecedented scale—an arms race involving criminal activity in the development and testing of weapons of mass destruction.

The conflict between the interests of the transnationals and those of the majority of the population in the capitalist countries is manifested in especially acute forms when the monopolies are prepared to sacrifice human life and limb in their drive for profits.

The US Firestone Corporation sponsored advertising spots plugging one and the same idea: we make the best and most reliable tyres. Commercial ads were screened all over the capitalist world assuring prospective customers that the light radial 500 tyre was the acme of perfection and the ideal tyre for everyone.

Within a few years, credulous customers had bought something like a million Firestone tyres, and though such fraudulent advertising is no exception in the business world, the 500 tyre scandal assumed international proportions. It turned out that these tyres had caused thousands of car crashes, and the monopoly was trying

hard to keep the public scandal under wraps. It failed to do so, however, and the car crashes were reported in detail by the press in many countries. US courts alone heard over 250 major suits involving the 500 tyre. When the US Center for Auto Safety suggested that Firestone should allocate a part of its advertising funds for greater quality control, the monopoly began the mass sale of tyres at half price. When the sale of these tyres was banned in the United States, the monopoly began to sell them at throwaway prices in Western Europe and developing countries.

In recent years, there have been similar reports of TNCs selling in other countries (following bans at home) low-grade medicines and infant foods, television tubes and other goods presenting a health hazard. Thus, in Latin American countries alone, US monopolies sold more than 100 types of drugs banned in the United States itself. The TNCs which regularly sell abroad medicinal preparations known to be hazardous to health use inhabitants in the developing countries as guinea pigs, but this kind of anti-social policy verging on the criminal is standard TNC behaviour.

In their drive for superprofits, the transnational monopolies have not stopped short of committing blatantly criminal acts.

In late 1984, Union Carbide, a US transnational, turned the Indian town of Bhopal, the capital of the state of Madhya Pradesh, into a massive funeral pyre, which mankind will remember as a symbol of tragedy and brutality. Lethal gasses—methylisocyanate and phosgen—escaping from Union Carbide plants killed more than 2,500 people, with tens of thousands threatened with blindness, damaged kidneys and lungs. The number of victims came to more than 50,000.

The Union Carbide tragedy in India was no accident, for it was caused by the TNC's criminal neglect of the interests of a developing nation. The monopoly refused to install—at the cost of an insignificant part of its profits—a safety system similar to that it installs in the United States, which would have averted the disaster. The fact is that human life had earlier been lost in accidents at that plant, and the local Indian authorities had repeatedly warned the Union Carbide management of the dangers of poisonous gas leaks.

Some Western businessmen commented on the tragedy in an unimaginably cynical manner: "India is paying the bill for civilisation," they claimed. That is an odd kind of civilisation, which looks very much like the "civilisation" introduced by the Nazis, who used human beings to test lethal preparations. Follow-

ing its inhuman crime, Union Carbide withheld from Indian doctors the ways of treatment which could help people suffering from highly toxic gas poisoning, once again demonstrating the attitude of the monopoly's senior management to the disaster.

Here is another instance of criminal activity by transnational monopolies. In the first half of the 1980s, thousands of Indians of the Jacunda and Tupi-Guarani tribes were killed in the rain forests of the Amazon River following barbarous experiments staged by the US transnational Dow Chemical Company and the Pentagon.

The two Indian tribes were wiped out and such irreparable damage was inflicted on the fauna and flora that 25,000 unique species of animals and plants, to be found only in the basin of the Amazon River, are threatened with extinction.

Progressive world opinion expressed indignation over these criminal experiments, and a number of international organisations, prominent lawyers, physicians, biologists and environmentalists issued wrathful condemnations of these monstrous chemical weapons tests.

Bribery of high-ranking officials and politicians at home and abroad is among the most widespread crimes of the transnational monopolies, and many of them have been

caught red-handed in such machinations. Thus, the Boeing monopoly had to admit paying bribes totalling \$40 million in foreign countries, but Boeing failed to confess all its sins, because the US Security and Exchange Commission estimated the bribes to have totalled over \$80 million. In the Middle East, for instance, the monopoly arranged through its agents large loans from Arab sheiks and other creditors for the purchase of Boeing aircraft by airlines in Egypt, Saudi Arabia and other countries. Through these same middlemen, the monopoly bribed the leadership of influential parties and organisations, similarly marketing its products in other countries.

The transnational monopolies make wide use of such marketing techniques abroad, and these have, in fact, become commonplace because they are dictated by "commercial practices". But in the light of the several large scandals over the past few years, they seek ways of covering up their operations abroad and try to conduct them through front companies.

The growth of political reaction in the countries in which the TNCs originate and exert their influence is one of the most important consequences of their growing economic strength, and here their takeover of the mass media needs to be emphasised. The monopolies have displayed a special interest not so much in

local newspapers, television and radio stations, as in the major periodicals, publishing houses, and radiobroadcasting and television companies whose message is beamed across the capitalist world. These mass media are extensively engaged in advertising the products of the TNCs and seek to foist these on customers regardless of whether the products are actually better than those of rival companies. They keep persuading people to buy useless things, help to intensify the monopolisation of the capitalist economy and create a public opinion favouring their operations. Apart from advertising, the mass media under the direct control of the TNCs try to foist their ideology, their views and life style on the whole capitalist world. In this way, the military-industrial transnationals use the mass media to intensify the war atmosphere and anti-communist hysteria.

The transnational monopolies have been extending their ties with reactionary parties and political leaders in various countries, financing their electoral campaigns or simply bribing politicians, with special emphasis on ties with the military and military-industrial circles.

The growing stake of most TNCs in the arms business in the recent period has been largely caused by the crisis phenomena in the world capitalist economy, the reduced potentialities for obtaining super-profits in the civilian

industries, and the worsening of the "investment climate" in the developing countries. More and more transnationals have been switching to arms manufacture, and many of them are already among the major contractors. Among the Pentagon's leading contractors are world-famed transnational monopolies like General Electric and Westinghouse.

The export of weapons was sharply increased in the transnational monopolies' exports in the 1970s and 1980s, and many monopolies are earning much from the sale of military-related licences, the establishment of military-industrial subsidiaries and mixed companies abroad, the extraction and supply of strategic raw materials, etc. The international arms business enables them to conduct a more flexible policy in their external expansion and to increase their monopoly profits. Transnational monopoly capital has been whipping up the arms race because of its narrowly egoistical interests. Countries which are members of NATO and other imperialist military-political alliances have taken decisions to increase military expenditures and have sanctioned the development of new types and systems of weapons largely under pressure from the agents of the transnationals, which did much behind the scenes to frustrate many peace initiatives by the socialist states, to thwart the ratification

of SALT-2 (Strategic Arms Limitation Treaty), and to push through the deployment of new nuclear-missile weapon systems in Western Europe.

The transnational monopolies are, therefore, an instrument of the financial oligarchy in its aggressive and anti-popular policy throughout the capitalist world. The transnational monopolies increasingly worming their way into the economic fabric of many countries are gigantic pumps for funneling funds from the whole capitalist world into the coffers of a handful of financial magnates. The transnationals are predators whose size and greed is unparalleled in the history of capitalism. While plundering the developing countries and stepping up the exploitation of the working people in the developed capitalist countries, they have been working hard to stimulate the arms race and push the world towards a thermonuclear war.

Chapter 7. AN ALLIANCE
OF THE MONOPOLIES
AND THE BOURGEOIS STATE

In all the capitalist countries, the bourgeoisie relies on the support of the state, without which it could simply not exist for a single day. The state in the capitalist world is a political organisation of the economically dominant class, and it reflects the interests and views of the bourgeoisie, preserving and multiplying its property in every way, and legislatively entrenching the bourgeoisie's exploitation of the majority of the population in the capitalist countries. The capitalist state today is a dictatorship of the big monopoly bourgeoisie and the financial oligarchy, being a pliant weapon in the hands of the capitalist class

exerting an active influence not only on the political, but also on many economic processes in the imperialist countries.

Since the Second World War, the state has sharply enlarged the scale of its interference in the economy as the contradictions of capitalist reproduction were aggravated, as production and capital were concentrated, transnational monopolies formed and the class struggle between the workers and the capitalists intensified.

For what purpose do state agencies in the developed capitalist countries interfere in economic processes? What are the main forms of their interference? Let us take a closer look at these two points.

1. State-Monopoly Capitalism: Origins and Substance

During the preparation for the First World War and especially during the war itself, it became quite clear that the monopolies and the bourgeois governments of a number of leading imperialist countries were engaged in active coordination of their activity: for all practical purposes, they were setting up and operating an intricate and ramified mechanism for concerting their interests and policies. At that time, Lenin wrote: "Both America and Germany 'regulate economic life' in such a

way as to create conditions of *war-time penal servitude* for the workers (and partly for the peasants) and a *paradise* for the bankers and capitalists. Their regulation consists in 'squeezing' the workers to the point of starvation, while the capitalists are guaranteed (surreptitiously, in a reactionary-bureaucratic fashion) profits *higher* than before the war."¹

The capitalist state has, of course, always stood on guard of the interests of the capitalist class and has always safeguarded its property. Nor could that have been otherwise, because any state expresses the interests of the class or classes which dominate the economy. Since it is the bourgeoisie that has such a dominant position in the capitalist society, it also wields the political power and is the one that directly or indirectly controls and guides the activity of the governmental agencies.

But there was a change in the role of the capitalist state in definite historical conditions, namely, in the epoch of monopoly domination: the state began to interfere in the society's economic and social life ever more actively and on a growing scale, while markedly increasing its activity in the political field. The result was the origination and de-

¹ V. I. Lenin, "The Impending Catastrophe and How to Combat It", *Collected Works*, Vol. 25, p. 338.

velopment of *state-monopoly capitalism*.

State-monopoly capitalism is not some kind of new stage of capitalism distinct from imperialism, or "super-imperialism". State-monopoly capitalism is the same imperialism and it has the same features, properties and uniformities. It is monopoly capitalism characterised by the coalescence of the economic power of the monopolies with the political power of the capitalist state in a single mechanism whose purpose is to create the best conditions for the enrichment of the big bourgeoisie and the financial oligarchy, for organising joint attacks on the working-class and national liberation movements, and for preparing and conducting aggressive wars.

The continued concentration of production under monopoly domination is the economic basis on which state-monopoly capitalism originates and develops. The high level of concentration of production and capital raises the level of monopolisation of capitalist production and increases the domination of financial groups, resulting in an accelerated process in which production is socialised in every way. Production becomes more social, but appropriation remains private, and this goes to sharpen all the contradictions of capitalism, above all, its basic contradiction, that between social nature of production and the private-capitalist form

of appropriation. The contradictions reach a point of acerbity at which a threat is posed to the very existence of the monopolies and capitalism itself. That is the immediate reason for which monopoly capitalism grows into state-monopoly capitalism. The latter is designed ultimately to salvage capitalism from destruction, and that is why the power of the bourgeois state is combined and coalesced with the power of the monopolies.

The capitalist state's spreading interference in the economy is directly connected with the sharpening of the contradictions of capitalist production and the growth of social-class conflicts. The mechanism of competition and the commodity market, constantly undermined by the monopolies, is no longer able to cope with its usual duties: it can no longer satisfy many of the requirements of social development or ensure the rapid transfer of capital from one industry into others under the mandates of the scientific and technical revolution.

The bourgeois state "voluntarily" assumes the functions of stimulating structural shifts in the national economy, provides the funds for a wide range of scientific projects, conducts anti-crisis regulation, and assumes control over some elements of the economic mechanism. It uses the most diverse forms for

stimulating the development of the capitalist economy, such as a wide range of fiscal, monetary and credit policies, and (through the government-owned enterprises) puts in an appearance in the market place as seller and customer. State intervention in the economy creates conditions for the enrichment mainly of the biggest corporations and helps to consolidate their positions on the national and international levels.

The leading financial groups and special class institutions set up by the bourgeoisie without much fanfare have the crucial role to play in the mechanism by means of which the power of the monopolies and the state is combined.

In the United States, one such institution is the National Association of Manufacturers (NAM). Although it includes thousands of corporations, its headquarters are manned by representatives of a handful of monopolies with billion-dollar assets, which have the final say in all matters. The NAM leadership takes decisions which determine the main lines of US economic and political development, and what NAM says is heeded by the leaders of the main parties (Democratic and Republican), by the President and his entourage, by congressmen and senators, who take care to conduct a strategic line in the interests of the biggest industrial and banking monopolies.

Similar organisations also operate in the other capitalist countries, among them the Federation of German Industries in the FRG; the Confederation of British Industry in Britain; the National Council of French Enterprises (Patronat) in France; the General Confederation of Italian Industry (Confindustria) in Italy, and so on. All of these have a tremendously important role to play in the economic and political life of these countries.

The formation and strengthening of the union of monopolies and the state proceeds in the most diverse forms, including mixed private and government companies, non-governmental organisations with representatives of the private sector and the state apparatus, whose task is to work out recommendations for the government; lobbying, a system of behind-the-scenes pressure on politicians and private funding of political parties and presidential candidates; and the rapid growth of contacts between business and governmental agencies and business consultancy of the latter.

The personal union has a substantial role to play in the state-monopoly alliance: owners and managers of the major corporations frequently get cushy jobs in top governmental posts, while politicians and senior civil servants acquire large portfolios of monopoly stock or become responsible monopoly executives.

Lenin once remarked: "A minister today, a banker tomorrow; a banker today, a minister tomorrow. This state of affairs prevails ... in every ... country where Capital rules."¹ That is still perfectly true of the setup in the capitalist countries in our day.

But the main thing about this union is the imperialist governments' economic policy which they conduct for the benefit of monopoly capital. Among its main components are: establishment of public property, regulation of economic processes, and redistribution of the national income in favour of the monopolies. Let us take a closer look at these components.

2. Bourgeois Public Property

State-monopoly property is property belonging to the capitalist class as represented by the bourgeois state, which is ranged against the working class as a "collective capitalist". Engels said: "The modern state, no matter what its form, is essentially a capitalist machine, the state of the capitalists, the ideal personification of the total national capital. The more it proceeds to the taking over of

¹ V. I. Lenin, "Banks and Ministers", *Collected Works*, Vol. 24, 1980, p. 122.

productive forces, the more does it actually become the national capitalist, the more citizens does it exploit.”¹

The state-monopoly form of capitalist property in the means of production emerged in two main ways: through the building of enterprises funded from the government budget, and through capitalist nationalisation, i. e., the etatisation of individual enterprises and whole sectors of industry and transport, and also through the governments' purchase of the stock of various companies.

“Mixed” private and government companies are set up in some imperialist countries, so that either the state owns a large portfolio of stock in private companies, or private investors own large blocks of shares in government-owned companies.

Bourgeois etatisation—the establishment of public ownership—of industrial enterprises is most widely practised in West European countries: Britain, France, the FRG, Italy, Austria and Sweden. In France, for instance, private or fully nationalised enterprises account for one-third of turnover in industry and capital investments, and the bulk of the bank deposits and credits. That policy has had its ebbs and flows: waves of public ownership in

¹ Frederick Engels, *Anti-Dühring*, p. 319.

the postwar period have given way to reprivatisation of government-owned enterprises.

Soon after the Second World War, public ownership was fully or partially established in some West European countries over the coal industry and ferrous metallurgy, electric-power generation, air transport and several other industries. As West European producers became less competitive in the oil-extracting, oil-refining, aerospace, automobile and electronic industry, in transport and the monetary and credit sphere, their governments were induced to set up government-owned or government-financed companies, and some of these, which were set up from 1970 to 1985, were of such proportions that they were able to take the lead in their industries, on the national and world capitalist markets. They are a force capable of standing up to the US transnational monopolies. Among these companies in Western Europe are the British Shipbuilders, the French Aerospatiale, and the West German petrochemical company VEBA.

The state usually establishes control over private enterprises which are low-profit or even loss-making, and the monopolies find that advantageous: private capital is released from low-profit industries and moves into more profitable lines of production. Besides, the nationalised enterprises have always yielded guaran-

teed earnings for their shareholders in the form of redemption payments, even enabling some of the erstwhile owners to acquire control over larger masses of capital than they had before nationalisation. Nationalised enterprises frequently operate at a loss because they supply coal, electric power, gas and other products to major private corporations at a discount, so helping them to cut their own costs and increase profits.

Life keeps providing evidence that the capitalist state nationalises industrial enterprises primarily out of concern for the interests of the financial magnates.

Here is an indicative example. After the Second World War, the competitive positions of British monopolies in the aircraft business were gradually weakened despite the growing government support, and their chances of staying in the front ranks of the aerospace market in the capitalist world were dwindling, as they faced growing pressure from US, French and West German companies. When some of them were on the brink of financial collapse, the British government rescued them by taking them into public ownership, including all the leading aerospace producers: British Aircraft, Hawker-Siddeley Aviation, and Scottish Aviation, to form the state-owned British Aerospace, which now turns out the bulk of

civilian and military-purpose aerospace hardware. Within the few years of its existence, it has sharply increased the volume of its sales of goods and services, and markedly consolidated its positions on the external markets. It is now among the strongest aerospace monopolies in the capitalist world, and is one of the largest in Europe in the number of persons employed, turnover and assets.

The bulk of its earnings comes from fulfilment of government contracts, which guarantee it monopoly-high profits. When it became perfectly clear that British Aerospace had its order book full for years to come and was yielding large income, the financial oligarchy demanded a reprivatisation of the main part of the aerospace business which had been taken into public ownership. With active support from the Conservative Government, a bill was passed in Parliament on the partial denationalisation of the aerospace industry, so that a sizable part of British Aerospace went back into the private sector, with the government promising to continue its funding of the international and some other programmes of British Aerospace.

When the aerospace firms were first taken into public ownership (nationalised), fantastic compensation was paid to the owners of these firms from the pockets of the British taxpay-

ers. Subsequently, the civil servants concerned funnelled several billion pounds sterling into the aerospace business in order to make it more "healthy". Once its "health" was restored, it was decided to make the financial magnates a gift of the newly created vast wealth and to let them enjoy the fruits of the reorganisation in the industry carried out at the expense of the country's whole population.

Operation Aerospace, which the financial oligarchy carried out with the help of its men in the governmental agencies, shows very well who benefits from public ownership in the capitalist countries.

3. State-Monopoly Regulation

The bourgeois state regulates economic life in the country primarily for the purpose of boosting the earnings of big monopoly capital and ensuring it the best conditions for attaining monopoly-high profits.

State-monopoly regulation is aimed, first, to bolster the positions of the monopolies on the national market and, second, to expand their influence in the world capitalist economy. The state ensures a guaranteed market for sales on terms advantageous to the monopolies, provides funds for basic research and development,

provides the monopolies with easy credits, etc. The state spends large amounts of money to stimulate foreign-trade expansion and export of capital. "Anti-crisis regulation", which is effected by means of governmental purchases, credit and financial policies, is an important element of the system of state-monopoly regulation.

The award to private companies of contracts for the supply of goods and services is one of the most important instruments of state regulation. Government procurement has as a rule increased from year to year in all the imperialist countries. In the United States and the capitalist countries of Western Europe, the state is the main customer for the monopolies' products in the aerospace and radio-electronic industry, and also one of the leading consumers of the monopolies' products in engineering, electrical engineering, the chemical and metal-working industries. The major corporations have dominant positions among the private firms working on government contracts.

Apart from advantageous government contracts, the monopolies are given easy government credits, notably for the development of new products. Sizable funds are spent from the state budget to finance basic and even many applied research projects in the laser, semi-conductor, aerospace, nuclear and other

industries. Government assistance rids the monopolies of the financial risk involved in the development of new lines of production, and this enables their owners to pocket the results of the research funded by the taxpayer's money.

Increase in government investments is another important means of regulating economic processes, for it causes a growth of demand for equipment, machinery and other goods, and has an effect on the overall economic situation. In the early 1980s, the government's share in gross investments in many West European countries ranged from 35 to 45 per cent.

The capitalist state now exerts an active influence on the development of the infrastructure: the production infrastructure (which includes transport, transport construction, energy, communications and water supply) and the social infrastructure (which includes housing facilities, academic institutions, medical services, entertainment and recreational facilities, etc.). In the developed capitalist countries, the infrastructure is an object of especially active government regulation, for its state has a direct effect on national economic development and on the amount of profit garnered by the monopolies on the national market.

A part of the production infrastructure is

owned by the state, while the other is maintained by constant government subsidies and subventions. The state takes over from the monopolies large and often unproductive expenditures in developing the infrastructure, thereby enabling them to invest their capital in the most profitable sectors of the economy at home and abroad.

The importance of the monetary and credit sphere has sharply increased in the policy of state-monopoly regulation in a number of leading developed capitalist countries (like the USA and Britain) over the past several years, and its regulation is designed primarily to cope with the problems of checking inflation and making the currency of money generally more "healthy".

4. Redistribution of the National Income

Most of the methods of state-monopoly regulation are based on a redistribution of the national income in favour of big capital. The mechanism behind this redistribution consists in the government collecting a sizable part of the population's incomes into the state budget through taxes and then using that money as it sees fit. In the early years of this century, the state took into its budget from 5 to 10 per cent of the national income, and

today as much as 30-50 per cent. This money is then used to purchase goods and services from the private sector, to pay interest on government loans, etc. The intricate fiscal mechanism is a giant pump which funnels money from the pockets of the working people into the coffers of the monopolies.

Fiscal policy in many imperialist countries is so arranged that the largest corporations enjoy substantial tax privileges. Some countries have what is known as a regressive tax, under which the greater a company's profits, the smaller—relatively—the amount of taxes it pays. Almost everywhere, the big corporations are officially allowed tax concessions, apart from diverse loopholes through which the amount of the taxable income can be reduced.

In the United States and some other countries, the monopolies make extensive use of tax credits on investments and production-related equipment. In the developed capitalist countries, tax credits alone allow corporations to use for other purposes hundreds of millions of dollars every year.

The "filthy rich" in the developed capitalist countries use diverse loopholes to withhold payments to the treasury amounting to tens of billions of dollars a year, so that the bulk of the budget revenues comes from persons in the low-and middle-income brackets.

In the postwar period, taxes in the imperialist countries have, on the whole, shown a stable tendency to grow: from 1950 to 1960, total taxes in the United States went up from \$51 billion to \$113 billion (an increase of 120 per cent), and from 1970 to 1980—from \$232 billion to \$722 billion (an increase of 210 per cent).

What happens to that money? Some of it goes to meet social needs, an item to which the axe is being increasingly applied in the United States and some other countries. The other part, which directly or indirectly reaches the coffers of the monopolies, has continued to grow, as will be seen from just one example of how government budget funds are redistributed in favour of the monopolies: the near-bankruptcy of Chrysler, the automobile giant, in the late 1970s.

For years, Chrysler had been late in new models on the market and confined itself to copying more successful General Motors and Ford models, with a significant time lag.

Chrysler was caught out in the sharpened competition in the late 1970s, caused by another leap in the prices of fuel and the mounting flood of foreign cars. It turned a blind eye to the requirements of car dealers and continued its mass production of what were now white-elephant models. Its debts multi-

plied catastrophically.

In that tight situation, the owners and managers of Chrysler sounded the alarm and, after a short span of hesitation, US government agencies rushed to its aid. The hesitation was not about whether Chrysler should or should not get any government money, but about how much. At first, the monopoly demanded \$1.2 billion, and the government offered \$1.5 billion in various forms of aid. Together with additional cash "gifts" later, the monopoly was saved from collapse.

Governments have repeatedly rescued large corporations from bankruptcy by supplying them with billions collected in the form of taxes from the population—not only in the United States, but also in many other imperialist countries.

We find, therefore, that the main purpose of state intervention in the economy in the developed capitalist countries is to create the best conditions for monopoly capital in earning profits and to stabilise economic development (to the extent that this is at all possible).

State-monopoly capitalism is aimed directly against the interests of the working masses, and that is especially evident now that many imperialist states have got down to cutting back on social spending and stepping up the militarisation of the capitalist economy.

The object of state-monopoly capitalism is

to salvage the capitalist society and keep it from going down. However, it is incapable of doing so, for the objective development of the economy of present-day capitalism inevitably aggravates all its contradictions. State-monopoly capitalism intensifies the socialisation of production, but does nothing to change the private capitalist appropriation, with the result that the basic contradiction of capitalism—that between social production and the private-capitalist appropriation of its results—is exacerbated.

Under state-monopoly capitalism, the socialisation of production rises to the highest level that is attainable under capitalism, thereby preparing the full material basis for the new, socialist society: there can no longer be any intermediate stages between state-monopoly capitalism and socialism. State-monopoly capitalism is “rotten-ripe” capitalism, and the historical need to substitute socialist relations of production for the capitalist relations of production is increasingly obvious and vital.

Chapter 8.

DEATH MERCHANTS
AND BRASS HATS:
A SINISTER ALLIANCE

The development of the military-industrial complex is the most visual, the most reactionary and parasitic manifestation of state-monopoly capitalism. It is now whipping up the militaristic hysteria to a high pitch.

The militaristic forces of the West shed crocodile tears over the prospect of a nuclear war impending over the world, but have never tried harder than today to build up the military potential in their efforts to attain strategic superiority over the socialist countries by any possible means. The most aggressive forces of imperialism, conducting a policy of blatant militarism, claims to world domination and re-

sistance to progress, sharply stepped up their activity from the late 1970s to the mid-1980s. They have tried to vindicate that policy by assertions that they were only responding to some "Soviet military threat" and a decided "military advantage of the Russians", a lie being spread about to intimidate the peoples of the capitalist world. That is not a new trick at all. Back in 1919 Lenin wrote: "Some foolish people are shouting about red militarism. These are political crooks who pretend that they believe this absurdity and throw charges of this kind right and left, exercising their lawyers' skill in concocting plausible arguments and in throwing dust in the eyes of the masses."¹ However, the Soviet Union has never threatened anyone, it has never sought military superiority, and has never dictated its will to other countries and peoples: that is the principle on which the USSR takes its stand in the international arena.

It is not the mythical "Soviet threat" but monopoly capital's growing fear of its inevitable historical demise, and the drive for fabulous profits to be had from the arms business that make the most reactionary circles of the imperialist countries whip up the arms race and increase international tensions.

¹ V. I. Lenin, "The Achievements and Difficulties of the Soviet Government", *Collected Works*, Vol. 29, p. 66.

1. The Military-Industrial Complex (MIC)

Monopolies engaged in the manufacture of weapons have an especially privileged position in the imperialist countries. Their ties with governmental agencies have been so expanded and bolstered in the postwar period that they have led to the formation of a super-monopoly association—the *military-industrial complex*—which, apart from the arms monopolies, includes the brass hats, i.e., the senior officials of the so-called defence departments and members of the reactionary political forces, the state bureaucracy. The MIC is a three-headed Moloch of war, a terrible and insatiable force which keeps demanding human sacrifices. It is the main generator of the wild arms race.

The MIC has become one of the key components of the whole system of present-day state-monopoly capitalism.

The arms business is an especially striking manifestation of the tendencies towards the coalescence of the monopolies and the state, and the establishment of a personal union between the top men of the state apparatus and the financial oligarchy, tendencies which are inherent in the epoch of imperialism. The owners and executives of the MIC monopolies frequently hold key governmental, administrative and military posts and are included

in the leadership of the top political organisations. Officials of the "defence" departments of various ranks and the officer elite maintain constant contacts with the financial oligarchy and join the leadership of the MIC monopolies when they leave their government posts. Now and again we find high-ranking government officials being major stockholders or directors of arms-manufacturing corporations.

Corporations connected with the arms business frequently nominate their men for responsible posts in "defence" departments. Following the institution of the post of US Defense Secretary in 1947, it was filled by: James Forrestal, one of the owners of a big bank closely connected with Chrysler; L. Johnson, director of an aircraft company subsequently incorporated in General Dynamics; Richard A. Lovett, director of North American Aviation; Charles Wilson, president of General Motors; Neil H. McElroy, director of General Electric, and so on. Pentagon chief Caspar Weinberger used to be a top executive of Bechtel Corp., a leading military construction corporation, while Alexander Haig, one-time US Secretary of State in the Reagan Administration, took up his post after being president of United Technologies, a leading MIC monopoly, and after long service with the Pentagon and as NATO's Supreme Allied Commander, Europe.

Dozens of businessmen, advisers and consultants of all kinds and high-ranking officers pass every year through the "revolving doors" between governmental organisations, "defence" departments and the MIC corporations. These men, with their common interests, work very hard to keep the arms race running.

The MIC increasingly orients the capitalist economy towards militaristic preparations, with an ever greater part of the national income of the imperialist states going into the maintenance of armies and their equipment with weapons and military hardware. More and more basic industries in the national economy—from agriculture to heavy engineering, electrical engineering and the nuclear industry—are being involved in military preparations, which affect not only the domestic, but also the external sphere (the maintenance of military bases abroad, military "aid" to allies, etc.). The policies of the imperialist powers are shaped under the impact of the MIC, and the arms race is being justified by references to the "need" to resist the "enemy". The ideologists of imperialism try hard to distort the facts and to prove that the greater the pile of weapons, the wider are the horizons it opens up, and that there is no better way of keeping the Earth at peace than by depriving it of its peaceful skies.

2. The Arms Business

Who is to blame for the continuing danger of wars in the world? Politicians of every stripe in the imperialist countries claim that it is the socialist countries. However, the socialist countries have no private arms merchants, and no classes or social groups with a stake in revving up the arms race machine, in war, or in preparations for war. All the most important peace initiatives have always come from the socialist countries, and not from the imperialist powers. The latter, the United States in the first place, keep inventing all kinds of pretexts for not giving these peace initiatives a serious consideration. The socialist countries' military doctrine is purely defensive, in contrast to the aggressive military doctrines of the imperialist powers. It is imperialism—and not the socialist countries—that is to blame for the continued atmosphere of tension and potential wars.

History itself provides the evidence. In the 20th century, imperialism started two world wars and countless local and regional armed conflicts. Nor were they caused by individuals, politicians or military commanders, but by the sharply increased aggressiveness of imperialism.

Hardly had the Second World War ended when the governments of several major capi-

talist states got down to preparing for another war. In the United States, the military and economic preparation for war has involved research and development to produce new types of weapons and military hardware, systems of transit and communications for "survivability" in a modern nuclear war, to stockpile strategic raw materials and fuel, to accelerate the build-up of military production facilities, and so on.

The capitalist state has given the MIC monopolies every support by purchasing their goods and services, financing research and development projects in the military field, providing subsidies on easy terms, and stimulating foreign trade expansion.

Government contracts are a key form of state support for the arms manufacturers. The budgets of the imperialist countries now reach their legislatures in well-cut military uniforms. An ever greater share of budget appropriations is allotted to the arms manufacturers. Government contracts provide guaranteed sales and profits that are twice and even thrice as high as the average in industry.

In recent decades, nearly two-thirds of Pentagon contracts (in terms of value) have gone to a hundred corporations, the MIC elite, while almost a third of all contracts has gone to the top ten. The leading group in the

arms industry is fairly stable, for each of its monopolies receives government contracts worth hundreds of millions and billions of dollars a year: General Dynamics Corp. and McDonnell-Douglas receive contracts worth 5-6 billion a year. The profits of the arms manufacturers can be expected to keep rising in view of the projection of new military programmes with ever larger government contracts.

In the early 1980s, the US administration announced an unprecedentedly wide-ranging complex plan for developing US nuclear strategic weapons, including the development and deployment of a new generation of intercontinental ballistic missiles, heavy bombers, and long-range cruise missiles. Almost simultaneously with the nuclear arms build-up programme, it announced a multi-billion programme for US chemical rearmament and started active preparations for "star wars". From 1985 to 1989, the Pentagon's military expenditures will come to the astronomical amount of more than \$2 trillion.¹ The USA's other NATO partners in Western Europe have also launched new large-scale arms programmes.

Regardless of whether they are completed or not, the new arms programmes are the

¹ *Whence the Threat to Peace*, Military Publishing House, Moscow, 1984, p. 11.

most profitable business for the MIC monopolies. Lenin says: "In thousands of ways, in thousands of newspapers, from thousands of pulpits, they shout and clamour about patriotism, culture, native land, peace, and progress—and all in order to justify new expenditures of tens and hundreds of millions of rubles for all manner of weapons of destruction—for guns, dreadnoughts, etc."¹

To boost MIC profits, the "defence" departments use the system of arms-contract awards. Here are some eloquent figures: the Pentagon pays McDonnell-Douglas \$2,043 for bolts which cost 13 cents in any store; Hughes Aircraft Co. bills a \$3.60 switch for \$2,543, i. e., only 600 times more; US Air Force suppliers get \$180 for ordinary flash-lights, and a \$5 arm-rest for the crew cabin brings in \$670; a contract which Gould, Inc., signed with the US Navy for \$840,000 involved an excess payment of \$729,000.

How is it done? The mechanics of swindling turn out to be very simple: either the prices are cooked or the costs overstated. That kind of fraud is practised by many arms merchants, but government officials usually turn a blind eye.

¹ V. I. Lenin, "Who Stands to Gain?", *Collected Works*, Vol. 19, p. 53.

There is only one buyer—the imperialist state—and a handful of sellers—the giant MIC monopolies—on the arms market, and the main contracts are awarded without open bidding, so that the contract prices are fabulously exaggerated. Lenin says: “When capitalists work for defence, i. e., for the state, it is obviously no longer ‘pure’ capitalism but a special form of national economy. Pure capitalism means commodity production. And commodity production means work for an *unknown* and free market. But the capitalist ‘working’ for defence does not ‘work’ for the market at all—he works on government *orders*, very often with money loaned by the state.”¹

The bourgeois state fortifies the hinterland of its military-industrial corporations while creating a solid basis for their ever greater expansion abroad, which is actively stimulated by governmental agencies. There are special sections in the “defence” and other departments of many imperialist states whose purpose is to help promote arms sales abroad. They deal with the extension to other countries of military and police “aid”, seek out foreign clients, finance deals, issue arms export and military licences, and work to push through

¹ V. I. Lenin, “Introduction of Socialism or Exposure of Plunder of the State?”, *Collected Works*, Vol. 25, p. 68.

new bills which are directly or indirectly connected with the international arms trade.

The NATO countries' capitalist governments work hard to strengthen the ties between their arms magnates and arms makers in other developed capitalist countries. A special industrial group was set up on the Pentagon's initiative within the NATO framework to extend ties between the merchants of death in the various countries. Its task is to establish direct contacts between them, and in fact it has the function of acting as NATO's international cartel agency. The NATO countries' governments have actively encouraged the most diverse forms of ties between arms makers, ranging from the mutual supply of licences for arms manufacture to the establishment of international consortia.

While the imperialist governments do their utmost to boost the earnings of the MIC monopolies, they use them, in return, to realise their own global plans and doctrines.

3. The MIC's Reactionary Doctrines

Strategic doctrines and plans are a key component of the foreign policy of imperialism, being the most manifest expression of the urge of the United States and its NATO allies for world domination, diktat in interna-

tional relations and the use of force in pressuring other countries. A look at these plans reveals the substance and objectives of the imperialist countries' foreign policy.

What then is the substance of the strategic doctrines being elaborated by the Pentagon's military? Since the Second World War, these have been modified from time to time and given a different wrapping: "massive retaliation", "strategic containment", "flexible response", "limited nuclear war", and so on. However, their gist has remained unchanged, for they have all been—and still are—aimed to attain military superiority to a point at which a nuclear strike could be delivered against the USSR and its allies with impunity, and to put down the national liberation movement with minimum damage to oneself.

The military-strategic doctrines of imperialism rest on the production, scientific and technical basis created by the military-industrial circles and the financial oligarchy of the imperialist countries, and express their interests. Within the MIC, the arms merchants are engaged in perfecting nuclear-missile weapons and improving their combat potentialities, and also in drawing up new programmes for conventional armaments, automated control systems, space intelligence facilities and early-warning systems. All of that is designed for

large-scale aggression, chiefly against the socialist states—with the hope of impunity.

But imperialism and the MIC which it has fostered pose a threat not only to the socialist countries: they present a growing military danger to the developing countries as well. Let us recall the imperialists' bombarding Lebanon from their warships, their direct invasion of Vietnam and Grenada, and their military operations for their colonial possession in the Falklands (Malvinas).

NATO's military-political leadership has been lately plugging the idea of extending the sphere of its influence and has stepped up its interference in the affairs of developing countries. Many areas of the globe, often lying thousands of kilometres away from the borders of the imperialist states, have been declared zones of their "vital interests". The imperialists have openly threatened to use armed force in countries where democratic transformations are under way. NATO has set up special military units modelled on the US rapid deployment force.

4. The Consequences of Militarisation

Imperialism has fostered the MIC monster and can no longer do without it. The growing militarisation of the economy has a spe-

cific function to perform in the reproduction of social capital. By its unproductive use (or waste, to put it bluntly) of material, monetary, and manpower resources it provides a peculiar vent for the imperialist countries' economy by means of which the threat of crises of overproduction is held back. But life has provided more and more evidence that the vent is a temporary and unreliable one. The militarisation of the economy paves the way for new and even graver explosions and upheavals, and deepens capitalism's organic contradictions. As imperialism tries again and again to overcome its internal difficulties, it keeps resorting to the arms spiral, and so keeps revolving in a vicious circle.

The MIC monopolies, sucking the life-blood of the peoples, exact an ever heavier tribute from the society, as they funnel into their coffers vast amounts of money every year, without stopping to consider the negative consequences of their activity.

The battening of the MIC monopolies means the stepped-up production of military output, and that means a growing share in the capitalist world's gross product of commodities which are not earmarked either for productive or for individual consumption. The outlays for military purposes are unproductive. Marx says: "In purely economic terms, it is as if

a nation jettisoned a part of its capital.”¹ Consumption of the means of destruction amounts to outright destruction of the society’s productive forces.

Military preparations divert tremendous material and financial resources from productive consumption every year, and are effected at the expense of the civilian industries and sectors of the economy, which frequently run short of funds chiefly because of the mammoth resources going into the build-up of the military potential.

Arms manufacturers and armies in the capitalist countries have the use of numerous buildings, installations and vast tracts of land. Arms production capacities are, as a rule, not fully loaded because they are designed for a rapid increase in arms production in the event of a war. From the standpoint of the general economic interests of the capitalist society this means that a part of the constant capital is kept out of circulation.

The growing militarisation of the capitalist economy results in the most valuable and scarce types of raw materials, energy and other material resources being taken out of the ci-

¹ Karl Marx, *Grundrisse der Kritik der politischen Ökonomie Rohentwurf, 1857-1858*, Foreign Languages Publishing House, Moscow, 1939, p. 151.

vilian industries. Up to 10 per cent of the basic types of raw materials in the developed capitalist countries is used for military purposes; in the United States, arms production uses up 40 per cent of the titanium, 30 per cent of the germanium and thorium, and 20 per cent of the cobalt.

The expansion of output at MIC enterprises leads to a general growth of unemployment in the capitalist world. The facts belie the myth that the militarisation of the economy reduces the level of unemployment. With the vast outlays on military production, unemployment in the United States in the early 1980s reached a record postwar high; nor is it running down even now. Practice has shown, incidentally, that \$1 billion invested in civilian production creates over twice as many jobs as the same amount invested in arms production. That is due to the excessively high cost of R&D in military production and the latter's high capital-intensiveness.

The growth of the MIC tends to produce lopsided and ugly scientific and technical development, for the MIC monopolies, stimulated by governmental subsidies and subventions, keep developing new and ever more perfect and destructive types of weapons, so harming the civilian industries. The advocates of the MIC magnates argue that R&D results in

the military field could be widely used in the civilian industries, but there is a big and growing gap (as weapons become ever more sophisticated) between the possibility of using these advances and their actual application in the civilian field. Much more often discoveries in the civilian industries are used for military purposes than vice versa. Besides, the materials, alloys, electronic components and intermediate products now used in the military industries simply cannot be used in the civilian industries because of their shortage or prohibitive cost.

The MIC absorbs the most skilled and talented scientists and engineers, as well as diverts a large mass of funds and resources, thereby slowing down technical progress in the civilian industries. If the funds going into military projects were used for peaceful purposes, they would yield a greater economic effect and markedly accelerate the STR in the civilian sectors of the economy.

We find, therefore, that militarisation as a whole has an extremely negative effect on every aspect of life in the capitalist society, and that is why there is a spreading struggle all over the world against the reckless policy of imperialism, which has been whipping up the arms race and consciously pushing mankind to the brink of a nuclear catastrophe. Ever

larger numbers of people are coming clearly to realise that the struggle for peace is inseparable from the struggle against the monopolies, primarily against the MIC monopolies, their most aggressive contingent.

Millions of men and women all over the world are alarmed by the threat of a nuclear war, because it could mean the last chapter in the book of history. The ultimate holocaust would incinerate all life on the Earth, and there would be no safe haven either on coral reefs that are specks in the wide expanses of the ocean, or in individual anti-nuclear bomb shelters, in which some simpletons are stocking up on tinned food and drinking water in the hope of sitting out the hurricane. The most important objective uniting all the progressive forces in the struggle for peace is to prevent imperialism from starting a thermonuclear war.

The USSR and the other socialist countries are in the van of the struggle for peace, with their many peace initiatives on a wide range of issues designed to limit the arms race and to reduce international tensions. They are deeply convinced that there is no alternative to mankind's development in peace.

Chapter 9. NEOCOLONIALISM

The imperialist colonial system was the most gigantic system of colonial slavery in the history of mankind, a mix of the fiercest exploitation involving direct coercion and of various forms of economic enslavement. It was destroyed by the national liberation revolutions, and its collapse marked a profound revolutionary turning point in the life of the peoples that make up almost one-half of the population of the globe, an event of paramount historical importance. As a result, there are now more than 100 politically independent developing states on the map of the world.

But imperialism has not reconciled itself with that loss and has

been using covert and ruthlessly refined methods to keep the newly liberated states within the sphere of its influence.

1. The Colonial System: Crisis, Disintegration and Collapse

In the early years of this century, the colonialists had at their disposal vast territories of the globe with two-thirds of its population. The area of the British colonial empire was 140 times that of the metropolitan country, the Dutch—nearly 60 times, and the French—20 times. It was only natural that the brutal, inhuman plunder of the colonies and semi-colonies by the imperialist powers sharpened the contradictions between the dependent peoples and the colonialists, something that was bound sooner or later to invigorate the national liberation movement and lead to the destruction of the colonial system, a process which lasted a long period of time.

The Great October Socialist Revolution in Russia marked the beginning of the *crisis of the colonial system of imperialism*. It ignited the bright flame of the colonial countries' struggle for their freedom and independence and provided a powerful impetus to the development of the enslaved peoples' national liberation movement. The crisis of the colonial sys-

tem was expressed in the sharp step-up of the struggle against the colonialists in many colonies and semi-colonies; major revolutionary actions took place in India, Korea, Turkey and China; a noticeable upswing of the national liberation struggle was evident in Morocco, Syria, Indonesia, the Philippines, and in Latin American countries.

After the Second World War, the crisis of the imperialist colonial system developed into its disintegration. The German, Italian and Japanese colonial empires ceased to exist with the rout of German fascism and Japanese militarism. The chief colonial powers—Britain, France, Holland and Belgium—proved to be incapable of coping with the national liberation movement, because they had been weakened by the war, and so were forced to recognise the state independence of many countries in Asia and Africa.

The emergence of a large number of independent and sovereign states on the ruins of the once great colonial empires was evidence that *the imperialist colonial system was falling apart*: India, Burma and Indonesia, among other countries, fell away from the system of colonies and semi-colonies in Asia; people's democratic revolutions won out in China, North Korea and North Vietnam; that is the period in which most Asian countries rose to in-

dependence, doing so mainly through armed struggle against imperialism and internal reaction.

From the latter half of the 1950s, the disintegrating colonial system began to collapse: 16 countries rose to independence from 1946 to 1956, 24 from 1956 to 1960, and 16 from 1961 to 1965. The *collapse of the imperialist colonial system* was the final stage in the liquidation of the colonial regimes. National liberation revolutions swept across South-East Asia, the Middle East, Africa and Latin America. Portugal's colonial empire fell apart, and such large countries as Angola and Mozambique became independent. At that stage, the imperialist colonial system ceased to exist in its classic form, but the former colonies and semi-colonies continued to labour under the extremely burdensome legacy of colonialism: a low level of economic development, starvation for millions of people, mass illiteracy, and a short span of life.

The national liberation movement is an integral part of the world revolutionary process. National liberation revolutions have, as a rule, been both anti-imperialist and anti-feudal. The newly free states have been carrying on an ever more active struggle against the grave colonial legacy, for genuine economic independence and faster economic development. How-

ever, the imperialists have been doing their utmost to prevent the newly liberated countries from consolidating their independence, trying in many ways to tie these countries to their own system, so as to make free with their natural resources and use their territories for their strategic schemes. "Divide and rule" is one of their well-honed methods.

2. The Substance of Neocolonialism

The imperialists continue to regard the countries of Asia, Africa and Latin America above all as storehouses of raw materials, spheres for capital investment, marketing outlets, and sources of cheap labour-power and fabulous super-profits.

The imperialist powers have been trying to conserve the age-old extreme polarisation of the scientific, technical and production potential in the capitalist world, keeping the industrialised capitalist countries at the one pole and most of the developing countries, with their low level of the productive forces, at the other. The bulk of the most modern lines of industrial production and high technology is concentrated in the former metropolitan countries, while the "periphery" of the world capitalist economy has a prevalence of agriculture, with industrial production being mostly

embryonic. So, national income in the developing countries ultimately remains minimal and the living standards of working people fit for paupers. Such a polarisation of the productive forces tends to produce the extremely inequitable and exploitative international capitalist division of labour and the whole system of economic relations between the developed capitalist countries and the less developed countries.

The imperialist powers have been using a wide range of political, military-political, ideological and economic instruments in their efforts to keep the "periphery of the capitalist world" within their sphere of influence, although they naturally have no intention to give up the brutal political, military and police methods of pressure on the developing countries.

The imperialists refuse to reckon with the political independence of their former colonies and seek to turn their political independence into a front, a signboard enabling the imperialists to have their own way. They have made use of their habitual techniques, ranging from the installation of their satraps in power and the imposition of inequitable agreements to armed aggression. The imperialists frequently threaten recalcitrant developing countries with the seven scourges, and they would

certainly prefer to fight the national liberation movement with fire and sword—if they could afford to do so. But in the present very different international situation, they can no longer resort mainly to direct armed suppression of the peoples' freedom. That is why imperialism has now brought to the fore its economic instruments of pressuring the less developed countries, and has assigned the crucial role to the industrial and banking TNCs.

What then is the substance of the imperialists' policy towards the newly free countries today?

That policy has come to be known as *neocolonialism*, for it is aimed to keep the newly free countries within the world capitalist economic system, to entrench their actually inequitable status within that system by means of new methods, and to exploit their peoples in new and more subtle forms so as to turn their political independence into a dead letter. The main objective of neocolonialism is to prevent the developing countries—in every possible way—from building up an independent economy, pursuing a truly independent domestic and foreign policy, and taking an orientation towards socialism, thereby keeping them as raw-material appendages and profitable spheres for capital investments.

The neocolonialist policy has now produced the following score: with 70 per cent of the world's manpower, the developing countries still turn out under 20 per cent of the world's gross national product, and less than 10 per cent of its industrial output; their production per head comes to only 7-8 per cent of that of the imperialist countries; 500 million of their inhabitants are jobless, vast masses of their people live in poverty and face death from starvation.

3. "Economic Imperialism"

Neocolonialism is based on "economic imperialism", of which no boundaries will be found on the map of the world. A country recently risen to independence may appear to be quite free, if one is to believe the atlases or the geography textbooks, but a closer look at the processes under way in the country will show that it is in the grip of imperialist predators—giant monopolies and banks—and is held in imperialist bondage through a web of visible and invisible ties.

To this day, the TNCs control the basic industries of most developing countries, and even in the most developed of them the basic industries are in a very high state of dependence on foreign capital: the TNCs control

100 per cent of automobile production in Brazil, nearly 90 per cent of technical rubber output in Peru, more than 80 per cent of engineering (other than electrical engineering) production in Argentina, and about 70 per cent of chemical output in Mexico. They also hold monopoly positions in some mining industries: six TNCs alone control the production of one-half of the aluminium in the capitalist world (three-quarters of the bauxite deposits are in the developing countries), and seven TNCs control a quarter of the copper output.

The TNCs' monopoly position in the economy of the developing countries assumes the most diverse forms: local rivals are either removed or subordinated by direct takeovers, temporary introduction of dumping prices (i. e., prices well below normal), the use of discriminatory prices, denial of new technology, etc. In order to establish tighter control over the local market, they often conclude special cartel agreements with each other providing for collective measures to oust local national firms from the market.

The TNCs' investments in the developing countries are frequently recouped within three to five years, largely owing to the low national wages, cheap land, rich sources of raw materials, and other factors. It is not surpris-

ing, therefore, that the foreign monopolies' rate of profit in the developing countries is more than double that in the developed capitalist countries.

Control over raw material resources is an especial concern of the TNCs in their expansion in the developing countries. The mining TNCs often have the mineral raw materials subjected only to primary processing on the spot, while the rest of the processing and the making of the finished product are mainly carried out at home. As the mineral raw materials are "worked up to the right condition", they pass through the distributive channels of TNC price formation and emerge with their prices multiplied several times over. The bulk of the earnings from raw materials settles in TNC coffers, being the difference between the export price of the original raw materials and the final selling price of the intermediate or finished product. Users of the developing countries' raw materials in the developed capitalist countries pay more than \$200 billion a year, but the developing countries themselves receive only about 15 per cent of that amount, while the rest goes to the TNCs.

The TNCs prefer to develop those lines of manufacturing in the newly free countries which bind them even tighter to the markets of the imperialist countries. The TNCs now

control almost 40 per cent of the developing countries' industrial production. The American TNCs, the leading contingent, now account for over one-half of total foreign direct investments in the developing countries' manufacturing industry.

The TNCs widely practise "technological colonialism", which is designed to prevent the developing countries from obtaining high technology and to perpetuate their scientific and technological dependence on the imperialist powers. Technology transfer is selective, involves many restrictions, and is often provided at exorbitant prices. The new technology first goes to the TNC subsidiaries in the developing countries and filters through to the national companies after much delay. Besides, its sale to local companies is hedged with diverse reservations and conditions. Thus, a TNC may bind a national company to purchase intermediate products and equipment from its subsidiaries in the given country or to make it accept technology it has no need of, for an additional payment. The TNC often makes local licence purchasers hand over a part of their equity, prohibits exports of the finished product, and restricts their freedom of action in other ways.

In the face of growing resistance to "economic imperialism" from many developing coun-

tries, the TNCs have had to conduct a more flexible policy known as the "strategy of adaptation", setting up "mixed companies" with the participation of local private and/or government capital (as in India, many Middle East countries, and elsewhere). These "mixed companies" and "partnerships" enable the TNCs to insure their capital in the developing countries against possible nationalisation, the imposition of additional taxes and other curbs on their appetites. Behind the national company signboard, the TNCs retain their grip on the key positions in the economy of most developing countries and continue to plunder their natural and manpower resources.

4. In the Guise of "Aid"

The imperialist governments keep talking about their "aid" to the developing countries, but at a closer look the loudly advertised "grants" and "selfless aid" turn out to be something quite different, for these funds often yield sizable earnings for the benefactors themselves in the form of high interest rates. Besides, whenever the developed capitalist countries extend "aid", they demand—and obtain—important benefits and privileges for their TNCs.

In giving a "helping hand", the imperial-

ist powers act both alone and collectively. Their chief instruments are international credit and financial institutions: the International Bank for Reconstruction and Development (IBRD), also known as the World Bank; the International Finance Corporation (IFC), the World Bank's "Soft-loan arm"; the International Development Association (IDA), another arm of the World Bank; the International Monetary Fund (IMF), and diverse regional investment banks and funds for developing overseas territories.

Specialists from these capitalist credit outfits may look like tourists, but after they have visited a developing country, its prices begin to rise, which means that World Bank experts have imposed their prescriptions for improving the "health" of that country's economy. These prescriptions usually boil down to giving the TNCs the freest possible hand, undermining the stability of the national currency, lifting price controls and import restrictions, allowing the TNCs freely to repatriate their superprofits, etc. Limitations on the state sector and every possible encouragement of private enterprise are the key political aspect of this coercive "treatment".

New World Bank loans are made contingent on the fulfilment of such prescriptions, and the allocation of the funds is effective-

ly controlled by the imperialist powers, which use the Bank as a collective instrument of neocolonialist policy: they can use their power and money to put pressure on the newly free countries behind the convenient signboard of an international organisation.

Imperialist government "aid" is interlaced with the export of private capital in the most diverse forms, and it is very hard indeed to determine just who is the exporter of capital—the capitalist state or private entrepreneurs—within the growing maze of financial and credit governmental and intergovernmental organisations applying an ever more intricate set of methods in their activity. Many of these international credit and financial organisations undertake to act as middlemen in the export of private loan capital.

But while the capitalist state seeks to reduce to a minimum the risk of TNC activity in the developing countries by giving "aid" to these countries, the TNCs, for their part, are no laggards in performing some of the functions of imperialist "aid". This is most manifest in the activity of "charity" organisations like the International Corporation of Base Economics: 70 per cent of its capital is in the hands of the Rockefeller family, one of the richest in the United States. These "charity" outfits actively conduct the imperial-

ist powers' policy in the developing countries, so helping to extend ties between local conservative strata and the bourgeoisie of the developed capitalist countries, and to implant the Western way of life.

Private loans are now a most important way of keeping the developing countries within the sphere of imperialist influence. The private money bag is now one of the most effective instruments of neocolonialism. Once imperialism has the victim's neck in a long noose, it goes on to hobble him not only economically, but also politically. Indeed, a victim may find that financial bonds are just as effective in tying him hand and foot as is formal political subordination.

The developing countries' financial debt to the imperialist powers has been growing at a fantastic rate: from less than \$90 billion in the early 1970s, it had soared to over \$1 trillion by early 1985, and is still growing. That astronomical figure not only boggles the mind, but also shows just how deeply some developing countries are steeped in financial debt.

When the developing countries of Asia, Africa and Latin America took loans in the 1970s, they never imagined the dire plight in which they would find themselves in the 1980s. What happened?

For one thing, interest rates on the world money markets took a high jump, and the money lenders, who became richer by billions of dollars overnight, insisted on the developing countries' honouring their contracts. Many developing countries found themselves in a disastrous situation: all their export revenues went into the servicing of their loans, i.e., the payment of principal and interest accruing on it. That made them seek new loans, and Western bankers were quick to capitalise on their need by toughening the terms of new borrowing and hedging it with demands that seriously impinged on the debtor-countries' national sovereignty.

Trade between the developed capitalist and the developing countries also bears the stamp of neocolonialism, since the TNCs use it for their additional enrichment at the expense of the developing countries: in 1975, a lorry cost the equivalent of 5.3 tons of cotton, and today, it costs more than 12 tons. The imperialist powers keep demanding fresh advantages for themselves in foreign trade, while erecting additional barriers in the way of export manufactures turned out by national companies in the developing countries.

5. Neocolonialism and the Arms Race

Imperialism has sought to involve the developing countries ever more deeply in the arms race, which is yet another method of neocolonialism. By the mid-1980s, up to three-quarters of the world's arms exports were going to the developing countries. Of course, some of them are naturally forced to strengthen their defence capability to ward off aggressive sallies by the imperialist powers or their henchmen (with assistance from the socialist countries), but the bulk of the Western weapons goes to countries acting as "regional gendarmes" for imperialism and is used for the suppression of democratic forces within the developing countries and for starting local conflicts.

Arms export decisions by imperialist governments are aimed to exert direct pressure on the importing countries' political orientation, especially countries with strategic resources. In addition, the imperialists seek to establish military bases, bolstering aggressive military-political alliances, backing up "diplomatic efforts", and so on.

The imperialist powers' mounting military penetration into the developing countries has a substantial negative influence on their economic, social and political development.

The growing import of Western weapons in-

creases the dependence of many developing countries on imperialism, and in some cases ties them more tightly to the MIC. That leads to the installation of dictatorial regimes, blocks democratic transformations and improvement of social security for the poorest strata of the population.

The export of Western weapons to the developing countries means a redistribution of a part of their national income in favour of the MIC monopolies, while sharply reducing the potentialities for importing the goods they need for their economic development, exacerbating their social and economic problems, and depleting the limited resources which they badly need for faster industrial and agricultural development. If the funds now going into military spending were used in the civilian sector of the economy, many of the problems in the newly free countries' economic and social development could be solved more swiftly and successfully.

Through its neocolonialist policy, imperialism actively implants puppet and dictatorial regimes, organises the bribery of military and political leaders, hatches plots and coups d'état, the assassination of progressive leaders, fraud and blackmail, and stokes up national and tribal strife. Whenever the masses rise up in struggle against their corrupt rulers, the impe-

rialists try to suppress the liberation movements under the pretext of defending "freedom and democracy", often even resorting to direct intervention, as they did in US imperialism's barbarous war in Vietnam, its invasion of Grenada, the intervention in the domestic affairs of Angola, Nicaragua and other countries.

The developing nations have been carrying on an ever more vigorous struggle against imperialism for a new international economic order and for genuine economic and political independence.

6. Which Way to Choose?

With political independence, the developing countries came to face the task of freeing themselves from imperialism economically.

What does that mean?

It means setting up a national industry, putting growth into agriculture and overcoming its lopsided colonialist-imposed specialisation, substantially increasing food production and raising the people's living standards.

The conditions for solving these vital problems are all there: the developing countries have sizable mineral, raw material and energy resources; they have vast tracts of fertile land, favourable climates for harvesting two or three

cereal, technical, fruit, and vegetable crops a year; they also have large populations, some of them noted for long-standing traditions of high material culture.

How are these conditions to be put to the best use? How are the vital economic problems to be solved more swiftly? With the rise to political independence, the peoples of the former colonial, semi-colonial and dependent countries were faced with two alternative ways: the capitalist and the non-capitalist. It is up to the people of every country to make their own choice.

Countries moving along the capitalist way find it extremely hard to overcome their economic backwardness and dependence on the imperialist powers. The diverse crisis phenomena and the sharpening of the capitalist world's socio-economic contradictions have an especially negative impact on their economic development, for a large part of their national income is being drained off, and their right to dispose of a sizable part of their resources for the benefit of their national economy is curtailed.

Many developing countries have opted for the non-capitalist way of development. These countries now have a total population of about 150 million, living on a territory of more than 12 million square kilometres.

Despite some specific aspects, each developing country taking the non-capitalist way directs its efforts along similar main lines: a gradual liquidation of the positions of the imperialist monopolies, the local big bourgeoisie and the feudal lords; a take-over by the people's state of the commanding heights in the economy and advance to the planned development of the productive forces; encouragement of the cooperative movement in the countryside; enhancement of the role of the working masses in social life and a gradual strengthening of the state apparatus with national personnel loyal to the people; and pursuit of an anti-imperialist foreign policy.

The wide experience of the Soviet Union and the other socialist countries, the expansion of economic, scientific and technical cooperation between the newly free countries and the world socialist community, and the multifaceted and selfless assistance from the socialist states are having a tremendous revolutionising effect on the countries advancing along the non-capitalist way of development. Cooperation between developing and socialist countries is based on the principles of equality, mutual advantage and non-interference in each other's domestic affairs, and serves the cause of peace and progress.

Chapter 10. THE GENERAL CRISIS
OF CAPITALISM

Capitalism has well deserved to be called a "sick society", a "society adrift", and a "society without a future". It is now in the throes of a crisis of exceptional depth, one that could be compared with the crisis of the Roman Empire, which signified the decline and fall of the slave-holding world of antiquity. Every aspect of life in the capitalist society is shot through with crises: economics, politics, culture, morality and law. That is why it is known as the *general crisis of capitalism*, which, Lenin said, is an entire historical epoch, the epoch of "the collapse of capitalism in its entirety and the birth of socialist society".¹

¹ V. I. Lenin, "Extraordinary Seventh Congress of the R.C.P. (B), March 6-8, 1918. Report on the Review of the Programme and on Changing the Name of the Party, March 8", *Collected Works*, Vol. 27, 1977, p. 130.

1. The General Crisis of Capitalism: Origins and Main Stages

The general crisis of capitalism was ushered in by the First World War (1914-1918) and the victory of the Great October Socialist Revolution (1917), when the working class of Russia, together with all the other working people, overthrew the power of the capitalists on one-sixth of the globe, established its own power and got down to building socialism under the leadership of the Communist Party headed by Lenin. That marked the start of a new epoch, the epoch of the division of the world into two opposite social systems and struggle between these two systems, of socialist and national liberation revolutions, of the liquidation of the imperialist colonial system, the epoch when more and more peoples are taking the way of socialist transformations.

The transition from capitalism to socialism on a world scale is the main content of the general crisis of capitalism. From decade to decade, capitalism's world-wide backyard has been shrinking: after Russia, a number of other countries fell away from the capitalist world to form a *world socialist system*, a community of socialist states united in their common goal of building socialism and communism.

The crisis of the colonial system of imperialism, which subsequently led to its disintegration and collapse, is an important feature of the general crisis of capitalism. The developing countries have fought hard to win their political independence, and are now striving for complete freedom and economic independence. Many of them have taken the non-capitalist way of development with the prospect of building a socialist society.

The general crisis of capitalism sprang above all from the sharpening internal contradictions in the economy of the imperialist powers, its growing instability, stagnation and parasitism. The contradictions between labour and capital have been growing and deepening, militarism is being intensified, the arms race stepped up, and the whole system of economic ties unhinged. International monetary, energy, raw-material, food and ecological problems are being exacerbated in the capitalist world as inter-imperialist contradictions are sharpened in the struggle for markets and sources of raw materials. The economic crisis in the capitalist society is paralleled by a spreading spiritual and political crisis. In response to the working people's growing anti-monopoly struggle, imperialism has ever more actively and frequently resorted to methods of political reaction.

2. The Stages of the General Crisis of Capitalism

As it develops, the general crisis of capitalism passes through definite stages. The first stage (from 1914-1918 to 1939-1945) was marked above all by the victory of the Great October Socialist Revolution in Russia, when the world was split up into two socio-economic systems. The October Revolution marked the beginning of mankind's liberation from exploitation, a translation into life of the ideas of scientific communism, all of which had a most profound effect on the subsequent course of world history. It ushered in the epoch of the revolutionary renewal of the whole world.

The USSR displayed the advantages of the socialist system by doing away with the country's age-old backwardness and developing into a mighty industrial power within a brief historical period.

It is hard to imagine the gigantic difficulties the Soviet people had to overcome and the heroic achievements they had to perform in order to raise their country to second place in the world and to first place in Europe in terms of gross output by as early as the end of the 1930s. The USSR's share of world production went up from 4 per cent in 1913 to nearly 10 per cent in 1940.

At the first stage in the general crisis of capitalism came the crisis of the colonial system of imperialism, with uprisings and national liberation wars in the colonial countries.

The contradictions of the capitalist economy were sharpened as the sphere of capitalist exploitation shrank and the crisis of the colonial system unfolded. On three occasions the capitalist world was hit by economic crises of overproduction, with the crisis of the late 1920s and early 1930s being especially deep-going. In 1937, with the preceding recession hardly behind it, the capitalist economy was hit by another economic crisis, which was cut short by the Second World War.

The Second World War (1939-1945) was started by a bloc of the most aggressive imperialist states and ended in the complete rout of the fascist aggressors and the Japanese militarists. The Soviet Union played the crucial role in that victory. The result was a further change in the balance of world forces in favour of socialism and the start of the second stage in the general crisis of capitalism.

The victory of socialist revolutions in a number of countries of Eastern Europe and Asia and the formation of a world socialist system were the basic feature of the second stage in the general crisis of capitalism (the period after the Second World War until the middle and

end of the 1950s). Before the Second World War, the socialist countries (the USSR and Mongolia) had 17 per cent of the world's territory and 9 per cent of its population; however, by the end of the 1950s these figures had increased to 26 per cent and 35 per cent, respectively.

The countries of the world socialist system rapidly developed their economy with the advantages offered by socialism: by the 1960s, their industrial output was up 6-8 times on 1937, as compared with an increase of less than 2.5 times in the capitalist countries.

At the second stage in the general crisis of capitalism, the colonial system began to disintegrate, and the oppressed peoples' national liberation movement became universal, ranging over Asia, Africa, and Latin America, over the colonial system as a whole. With the general weakening of imperialism, the emergence of the world socialist system, and the powerful upswing of the working-class movement the colonial system began to burst at the seams under the blows of the national liberation revolutions. In 1945, the population of the colonies in Asia and Africa totalled over 700 million, and their territory, nearly 37 million square kilometres. By the end of the 1950s, their population was less than 150 million, and their territory, just over 20 million square kilometres. The sphere

of imperialist colonial domination had been sharply reduced.

Instability was simultaneously intensified in the capitalist world. Imperialism now aimed to start a nuclear war against the socialist countries, to destroy socialism as a socio-political system. Militarisation became one of the most important means for stimulating the growth of production and regulating the capitalist economy, and that was an expression of the further stagnation of capitalism.

The third stage in the general crisis of capitalism (since the middle and end of the 1950s) originated in an atmosphere of peaceful coexistence and struggle between the two world systems, in the course of which the balance of forces was being increasingly tilted in favour of socialism.

At the third stage in the general crisis of capitalism, a number of countries joined the world socialist system: a socialist revolution was victorious in Cuba, the first country on the Latin American continent; the Democratic Republic of Vietnam and South Vietnam united in the Socialist Republic of Vietnam, and so on.

At this stage of the general crisis of capitalism, the world socialist system is developing into the crucial factor of mankind's development. The colonial system of imperialism has totally collapsed, while all the internal contradictions

of imperialism, both economic and social, are being further sharpened under the scientific and technological revolution.

The world socialist system is the principal transformative force of our day. The socialist countries are the most dynamically developing group of countries in the world. The decisive front of their competition with imperialism runs through the economic sphere. Lenin said: "We are now exercising our main influence ... through our economic policy... The struggle in this field has now become global. Once we solve this problem, we shall have certainly and finally won on an international scale."¹ The socialist countries' economy has been developing at a very much faster rate than has the capitalist countries' economy: from 1950 to 1984, industrial output in the socialist countries multiplied more than 15 times, as compared with 4 times in the developed capitalist countries. The CMEA countries, with 10 per cent of the world's population, now turn out one-third of the world's industrial product.

The socialist community has attained a rough parity of military strength with the imperialist states. That deprives of any real basis the policy

¹ V. I. Lenin, "Tenth All-Russia Conference of the R.C.P. (B.), May 26-28, 1921. Speech in Closing the Conference, May 28", *Collected Works*, Vol. 32, 1977, p. 437.

of diktat which imperialism has tried to follow with respect to the socialist world, and contains the aggressive aspirations of imperialism in the world arena.

The world socialist system relies on its economic strength and defence capability, gives active support to the people's anti-imperialist struggle, and unites all the progressive forces in the struggle for peace, to avert a nuclear missile catastrophe.

3. The Sharpening Economic Contradictions

The positions of imperialism are being weakened as compared with those of socialism against the background of the stormy economic upheavals within the capitalist system. Since the late 1950s, imperialism has suffered four world economic crises of overproduction. An acute crisis of the monetary-financial system of capitalism broke out in the 1960s. An energy and a raw-material crises broke out in the capitalist countries in the 1970s. The developed capitalist countries have entered a period of economic "heavy seas". There is good reason why the term "stagflation" was so widespread in the 1970s. It signifies a recession or extremely low rates of growth hand in hand with a high level of unemployment and inflation, a sinister trio haunting the capitalist economy today. The

general economic disarray shows that the capitalist governments' attempts to regulate the capitalist economy are quite futile.

Unemployment has reached tremendous proportions, sizable parts of the production capacities are being chronically underused, crisis phenomena are growing in a number of key basic industries (metallurgy, automobile-making, etc.), and the pace of scientific and technical progress is slowing down. In many countries, government budgets carry colossal deficits. Spending on social needs is being sharply cut back, while outlays on the arms race are being continuously increased.

As the economic problems sharpen, the class struggle in the leading capitalist countries is being intensified, as well as the strike movement. In the postwar period, the strike movement has reached its highest peak in the history of capitalism. The strength and authority of the working class and its vanguard role in the struggle for the working people's interests have grown.

The mounting contradictions between the imperialist countries, and also between the imperialist and the developing countries testify to a deepening of the general crisis of capitalism at its present stage.

4. Inter-Imperialist Struggle

The imperialist countries are engaged in fighting each other at every level and with the use of every available means, both economic and political. The struggle involves the TNCs and the imperialist powers themselves acting in the interests of their own TNCs. These contradictions are most manifest within the framework of the triangle consisting of the United States, the European Economic Community (EEC), otherwise known as the Common Market, and Japan in foreign trade and the monetary-financial spheres.

The US monopolies have watched with growing alarm the further integration of some of the countries of Western Europe, which leads to greater discrimination in the EEC members' trade policies against the exports of the United States. The establishment of a customs union and common customs tariffs within the community's framework has had a substantial effect on international trade and has brought about considerable changes in the balance of forces in the capitalist world.

The struggle between the USA and the EEC has assumed its most acute forms in the trade which involves farm produce and metallurgical products. Following a short respite, the two resumed their "steel war", which has gone on

for more than 10 years. US corporations accused the leading EEC steel companies of dumping their products at giveaway prices. The US administration, for its part, has introduced additional restrictions on steel imports from Western Europe, mainly from the EEC countries. The attempts to settle the contradictions through negotiations having failed, the EEC government circles were quick to join in the conflict over the steel trade issue. Similar conflicts have also broken out in foreign trade involving other commodities.

Ceaseless friction is also a characteristic feature of US-Japanese economic relations. The USA is primarily concerned over the marked imbalance in US-Japanese trade and Japan's intensive export drive, which tilts the trade balance still further in favour of Japan. Sharp clashes on that issue have repeatedly broken out in the USA and Japan. US firms meet with serious competition from Japanese goods even on the domestic US markets. But none of the US government's "anti-Japanese" measures have been able to undermine the positions of Japanese firms. In the field of trade in high-technology goods, the latter have grown so strong that Japan's ruling circles have begun vigorously advocating the principle of "free trade" in order to entrench its leading positions on a number of world commodity markets. The sharpen-

ing contradictions with Japan on that issue have turned into one of the central problems of capitalist trade.

Inter-imperialist contradictions in the monetary-financial sphere have reached a high pitch. That is expressed in the chronic disarray of the whole capitalist system of international settlements, the haphazard movement of interest rates and short-term credits, the sharp fluctuation of exchange rates and inflation. The contradictions took a particularly grave turn after the abolition in the early 1970s of the official convertibility of US dollars into gold, which had been the basis of the monetary system created at the end of the Second World War.

The crisis in the monetary-financial sphere is largely due to the inability of the governments of the developed capitalist countries to cope with the sway of the private-monopoly market either on a national or an international plane.

The main cause of the raw-material and energy crises was the policy of the monopolies, which sought to extract the utmost profit in the shortest possible period from the exploitation of non-renewable resources, oil above all. These crises were also caused by the worsening contradictions of state-monopoly capitalism and the disintegration of the colonial system of exploiting the developing countries. The mechanism that supplied the main centres of capitalism with

industrial raw materials has broken down.

Owing to the high level of industrialisation in the developed capitalist countries coupled with plunderous exploitation of national deposits, after the Second World War they switched their emphasis to raw material deposits located on the territory of the newly free countries. In our day, these countries want to decide the question of how to use their natural resources by themselves, and are already doing so. As a matter of fact, one of the reasons behind the aggravation of the raw-material and energy crises was the total disregard for the natural resources of these countries shown by the Western firms, their plunderous use without any additional capital investment for more rational exploitation or deeper processing of raw materials.

In view of the worsening fuel and raw-material problems, ever new attempts are being made in the West to bring the imperialist states together in a common struggle against the developing countries possessing deposits of the major raw materials. But the tendency towards a consolidation of forces on an interstate level is increasingly being offset by profound inter-imperialist contradictions.

The imperialist countries of Western Europe seek to ensure access to the raw material sources of their former colonies by drawing them into the Common Market mechanism. The USA

is trying to spread its economic influence primarily to Canada, Latin America and a number of Middle East countries, where the positions of US monopolies are fairly strong. Japan has largely concentrated its efforts on the Indian and Pacific oceans. At the same time, all the imperialist predators—the USA, Japan and the EEC countries—have been waging a fierce struggle among themselves in an attempt to penetrate their rivals' spheres of influence and to make their way into the mining industry of some developed capitalist countries, as well as the young states. In every sphere of international economic ties, there is incessant imperialist infighting for the most advantageous market outlets, spheres of capital investment, and sources of raw materials.

Since the late 1950s and early 1960s, there has been sharp worsening of ecological problems. Imperialism's rapacious attitude to the environment has resulted in an ecological crisis, which is marked by an upset of the biological balance between man and living nature. There is ever more intensive pollution of the air and water: the content of oxygen in the air of the cities has been falling, the quality of drinking water is on the decline. The World Ocean—"the lungs of the Earth"—is being polluted with oil, heavy metals, radioactive and other toxic substances. The forests—"oxygen plants"—are being

destroyed, and great harm is being done to the plant and animal kingdom. Noise pollution and stress relating to ever greater and haphazard street traffic are on the increase. By its rapacious attitude to the environment, monopoly capital has brought all life on the Earth to the brink of disaster. Only in the past half-century, hundreds of species of animals in the capitalist world have died out or could die out in the near future. Even many bourgeois researchers have had to admit that present-day capitalist production destroys natural resources and the human environment in general.

The economic crisis is a sign of the deeply contradictory use of the scientific and technical revolution in the capitalist society, a manifestation of the decay of present-day capitalism. The grave ecological crisis is superimposed on the other crisis upheavals of the capitalist system, being a logical result of the further deepening of the general crisis of capitalism.

The economic crisis in the imperialist countries goes hand in hand with a crisis of policy and ideology, and also with a spiritual and moral decline of the bourgeois society. These phenomena will be considered in the next and final chapter.

Chapter 11. THE POLITICAL
AND SPIRITUAL CRISIS
OF PRESENT-DAY
CAPITALISM

Imperialism throughout the capitalist world has now gone over to an open and large-scale offensive against the forces of democracy and progress. Its most reactionary circles have sharply stepped up their activities. Ever greater violation of the democratic rights and freedoms of the working masses has become part of state policy.

Intensifying political reaction is coupled with reaction in ideology, which is expressed in an ever more irreconcilable attitude to the ideals of freedom and social justice.

The growing reaction in the political and spiritual spheres of life in the capitalist countries is one of the most glaring manifestations of the general crisis of capitalism, a convincing sign of its incurable diseases.

1. Crisis in Politics

Imperialist ideologues have been ever more open and cynical in advocating a "law" under which the society is divided into a mass, whose duty is to work and obey without a murmur, and an "elite", whose right is to rule (even with the use of the most brutal methods) and to have full sway in the country. Such is the "philosophy" that underlies government policy in the leading developed capitalist countries. Clearly, that policy meets with dissatisfaction and resistance among broad strata of the population. Frequent changes of government leaders in some states, extreme political instability or growing opposition to the government's line, and refusal to take part in the elections in other countries testify to a crisis of political confidence in the West. People are ever more aware that the electoral masquerade, the noisy and unscrupulous political juggling with facts are in effect masterminded by the leading industrial corporations and banks, which seek to put their own henchmen at the top of the political pyramid. The working masses are again and again convinced from their own experience of the hypocrisy of bourgeois politicians, who promise to do a great deal to improve the working people's lot, but who forget their promises right after the election. The growing lack of confidence

in the ruling political elite of the developed capitalist states is also due to the fact that many of its representatives are venal and corrupt and are involved in countless abuses and machinations. It is hardly surprising that many people in the imperialist countries, who have lost all confidence in their political leaders, have been refusing to take part in the "free election" farce.

Government activity in the imperialist states has an ever sharper anti-popular edge, adding to the sufferings of the working people and fuelling their discontent. Millions of them have no way of escaping the social ills, which are becoming unbearable. People go out into the streets to voice their protest with slogans and banners or stage strikes, but the protests are quelled by the police.

Alongside greater internal reaction in most imperialist countries, imperialism's external policy is also taking an ever more aggressive turn. The bursts of machine-gun fire in Nicaragua's border areas are in accord with the tear-gas used to disperse anti-war demonstrations and the handcuffs fastened round the wrists of strike picketers. For all the peoples of the world, names like Pershing or Trident have become synonymous with death, destruction and global catastrophe.

Imperialist foreign policy now hinges on mil-

itary threats, intimidation, nuclear blackmail and claims to world hegemony. It is no secret that many Western political leaders pin such great hopes on the almighty "big stick" as to do their utmost to make it heavier. They seek to substitute an ostensible "aggressiveness" of the socialist countries for their own responsibility in whipping up international tensions, with the bourgeois press, radio and television wasting tons of paper and kilometres of tape for these purposes every week.

The adventurism of imperialist policy and the readiness of the most aggressive circles of monopoly capital to stake mankind's vital interests for the sake of their own selfish goals are by no means an indication of capitalism's strength, but show an aggravation of its general crisis. Instead of strengthening, the war hysteria unhinges the political foundations of the bourgeois world. It intensifies the ferment in human minds and helps people realise the indisputable fact that the true source of the military threat is imperialism with its military-industrial complex, its gigantic corporations, which reap billions from arms contracts, imperialism which seeks to resolve the mounting contradictions of the exploiter system through foreign-policy expansion and subordination of other states.

The political crisis in the imperialist countries is paralleled by a deepening crisis in ideology.

2. Crisis in Ideology

The predominant ideology of the capitalist society is the ideology of the ruling bourgeois class. Possessing real economic and political power, the capitalists have been using the mass media and all the other means at their disposal to enslave the working people spiritually.

The monopoly bourgeoisie in our day has pride of place in advocating the ideological values of capitalism. It has considerable resources and opportunities for systematic "brainwashing" of the public. The propaganda of pro-imperialist views and opinions is being carried on allegedly on behalf of the people and in their interests. The monopoly bourgeoisie seeks to present its narrowly egoistical interests as those of the whole people and, in effect, to mislead the working masses, to prove that black is white and vice versa. Thus, the financial magnates present themselves as "benefactors" rather than exploiters, and the trade unions and other working-class organisations, as "enemies of the nation" rather than champions of its interests in the struggle against monopoly capital.

Big Business has created a far-reaching and ramified network for a daily ideological offensive against the minds of the working people, which includes thousands of newspapers, magazines, radio and TV stations.

In the interests of the financial oligarchy, the bourgeois mass media vigorously manipulate public opinion, trying to foster a stereotyped mentality among the population. The real masters of the mass media in the imperialist countries usually prefer to remain in the background and to manipulate public opinion by pulling carefully hidden strings. With that aim in view, they spread unverified rumours and gossip, or even downright lies, create sensations, organise provocative "information leaks", ignore or deliberately distort facts which are disadvantageous to the monopoly bourgeoisie, say, by distorting the truth about the numerous peace initiatives of the socialist countries, etc.

But even the most sophisticated brainwashing can do nothing to prevent a worsening of the crisis of bourgeois ideology, for none other than the bourgeoisie itself has trampled on the ideas of liberty, equality and fraternity once inscribed on its banners. All the attempts of its ideologists to find new slogans that would attract the masses end in failure. Hence the pronounced social pessimism and disbelief in progress, in the creative potentialities of man and the society. There are diverse schools and trends in bourgeois philosophy, sociology and other social sciences, but none of these is able to captivate the masses, to give an objective understanding of the world or a clear-cut programme of

practical action.

The crisis of bourgeois ideology is also expressed in that ever more people in the capitalist countries are beginning to realise that its main dogmas are out of touch with real life and have nothing to do with the interests of the working people.

Thus, one of the major dogmas of bourgeois ideology was the assertion that private property was everlasting. Any forms of social organisation rejecting the principle of private property were rejected by bourgeois ideology outright. Even today they are straining to prove that a society without private property cannot exist for long, and that capitalism is the summit of the human civilisation. But the world is ever more convinced of the fallacy of that assertion. In our day, about one-third of the population of the Earth is living without private property in the means of production, without capitalism or man's exploitation of man, and they are doing much better than previously under capitalism.

Another widespread dogma of bourgeois ideology is the allegation that wars are natural to mankind. Numerous theories have been invented to validate that allegation. The ideologists of the exploiter classes have always justified and continue to justify wars as an inevitable and eternal phenomenon. Some explain wars by "man's biological inclination to aggression", by

a "genetic code of violence", a "biological antagonism between races" or "excessive overpopulation of the Earth", while others attribute wars to "inborn subconscious instincts of aggressiveness and destruction" or to various social phenomena. Some bourgeois ideologists explain wars by accentuating the geographical factor, a shortage of territory, raw-material and energy sources.

All present-day bourgeois theories of war, however diverse the language in which they are couched, are permeated with a racist, chauvinistic spirit, with lack of faith in human reason. Clearly, such reactionary theories can serve only one purpose: to justify wars, to justify the aggressive foreign policy of imperialism. An improvement of the international situation is not part of the self-seeking plans of the monopoly bourgeoisie. Its intentions are totally different: confrontation, whipping up of tension, attempts to undermine the positions of socialism and the national liberation movement and, most important of all, a quest for global hegemony.

But wars cannot and should not be justified. The peoples of the world ever more vigorously reject the militarist aspirations of imperialism. Wars are a phenomenon that is intrinsic solely to exploitative socio-economic formations.

The widening gulf between bourgeois ideology and the vital needs of social development serves

to intensify its reactionary, inhuman nature. That is manifested, in particular, in frenzied anti-communism, chauvinism and racism.

By fomenting anti-communism, the monopoly bourgeoisie is trying to find a way out of the ideological blind alley. It would like to inculcate in the minds of the masses an anti-communist ideology that would neutralise the socialist ideas and ideals, which are ever more attractive and popular among more and more people living in the capitalist world. The arsenal of anti-communist research in the imperialist states is being built up, with mushrooming anti-socialist "research centres" and an ever more vicious and slanderous tenor of the mass media. Anti-communism in ideology is closely tied in with the policy of repression and persecution of progressive parties and organisations. Since they are unable to conceal the great achievements of the socialist world, bourgeois ideologists are trying to play down their importance and to prove that capitalism can attain equally majestic social results. They keep slandering the community of fraternal socialist states, but are bound to admit that socialist ideals are ever more attractive for the people. To offset that attraction, bourgeois ideologists elaborate conceptions asserting that the antithesis between capitalism and socialism will eventually be overcome, that the differences between them will be erased, and

that some day capitalism and socialism will merge into a single whole. Such fables, which give rise to nothing but illusions, have one aim in view: to try and divert the working people from revolutionary struggle against imperialism. At the same time, bourgeois ideologists seek to orient the people towards consumer ideals, to infect them with a greed for money, individualism and nationalism.

The poisonous weeds of reactionary nationalism, chauvinism and racism luxuriate in the imperialist countries. The monopoly bourgeoisie has been fuelling these in every way not only in order to intensify the national oppression of minorities and racial discrimination, but also in an attempt to distract people from social injustice, from the struggle against the real culprit: monopoly capital. Nationalism is an invisible poison which permeates every aspect of social life in the developed capitalist countries, creating a favourable climate for an infringement of civil liberties, for strengthening the positions of reaction in the struggle against the progressive forces, and for militarist hysteria.

The crisis of bourgeois ideology, with its growing lack of faith in reason, in rational human thought, also manifests itself in a spread of extreme religious beliefs and sects, which promise their followers to point the way to "eternal happiness".

The crisis of bourgeois ideology is even more evident in the crisis of Western culture. "Mass culture" is an ever more widespread concept in the imperialist countries. Its purpose is to cater to the most undemanding tastes, and it has nothing to do with real culture. It denies the ideals of humanism, declaring them to be obsolete, and makes a cult of money, sex and violence. Bookshops, TV and cinema screens are flooded with low-grade works eulogising cruelty, violence and depravity, and stirring up base instincts. In painting, the trend is towards patterns of lines and patches of colour without rhyme or reason, sculpture teems with monstrosities, and melody and harmony in music often give way to a wild cacophony.

3. Crisis of Morality and Law

The political and ideological crisis in the imperialist countries is paralleled by a crisis of morality and ethics, which is expressed in such socio-psychological tendencies as a waning interest in the family and the society in general or diverse forms of personality disintegration, leading to nervous breakdowns, crimes and suicides, to an ever greater degradation of social relations.

The moral crisis has a particularly strong effect upon the young, who increasingly refuse

to recognise the hypocrisy, bigotry and moral values of the bourgeois society, protesting against these in ever more open forms.

Bourgeois ideologists try to explain the disenchantment with the spiritual values of the capitalist world that is evident among the young by various biological reasons, like their earlier physical and sexual development, which leads to a discrepancy between their life experience and their inner spiritual world. But the reason for the discontent among the young in the imperialist countries is social, rather than biological. It is due not only to material factors, like growing unemployment among the young, the unsatisfactory state of the occupational training system, and economic uncertainty about the future, but also to ideological factors, primarily the inability of the ruling circles and their ideologists to offer the young such values and project, such a line of social development as would rally them and stimulate their creative energies.

In the past few decades, the capitalist world has been the scene of unprecedented large-scale action by the young against wars and militarism, for democratic reforms, and for a real right to work. The bourgeoisie regards such action as a threatening sign of the growing dissatisfaction among the young with the present-day bourgeois society: its social injustice, imperialist aggression against other countries, racism and nation-

al discrimination. That is why progressive youth organisations and their activists, all those who take part in protest marches and student action are the target of threats and repressions on the part of the authorities. That is also why the bourgeoisie has sharply stepped up its efforts to neutralise youth protest or at least to re-channel it along more innocuous lines.

With that aim in view, the capitalists have been doing their utmost to foster consumer instincts among young people, to draw them into the rat race for things, so dragging them down into the quagmire of consumerism and leaving them less and less time for conscious spiritual life. Since things are bought with money, the young are being told to worship the golden calf. And since money brings success, young people are allegedly inclined to make a career at any price in order to achieve success in life. Success and wealth at any price—such is the slogan which the imperialist bourgeoisie is trying to instill into the minds of the young.

The bourgeoisie takes into account the peculiar mentality of the young, their highly emotional perception of the surrounding world. Bourgeois spiritual values are often thrust upon the young with the help of “idols”, the false gods of the Western civilisation. The Western press, radio and television all work together to create idols in pop music, cinema and sport, urging

the young to worship and imitate them. The young are being persuaded that one should strive towards the same goals, and do so without remorse, even if one has to elbow one's way up to the top.

Idols are usually made according to one and the same recipe, whose ingredients include fame, wealth, sex appeal and some "interesting weakness", like an inclination to drink or drug abuse, promiscuity or a tendency to break the law.

Creation of idols is not game, but a serious policy followed by the bourgeoisie with regard to the young. Its purpose is to distract young people from social struggle, from the ideals of equality and justice, to give them illusions which hardly ever come true, and which for millions remain nothing but day-dreams that have nothing to do with their real life.

The bourgeoisie has also vigorously sought to shape the mentality of the young with the help of so-called "youth culture", a culture which is allegedly meant solely for the young. In actual fact, it differs very little from "mass culture" and is often a part of the latter. "Youth culture" is also intended for the undemanding consumer, and is also pivoted on sex, violence and thoughtless hilarity, on the same sham values as "mass culture". The spread of "youth culture" helps to cultivate a world outlook which fits very well into the mainstream

of bourgeois ideology. The meaning of life lies in pleasures and amusement—such is its main creed. There is no point in thinking about the future, about present-day social problems and social ills; the main thing is to forget about reality in the ecstasies of rock music or a dissolute life.

The spiritual crisis of the capitalist society has now spread to all its strata. It is hardly surprising that the growing apartness and alienation of people in the bourgeois society, loss of perspectives and vital goals, together with the grave burden of growing unemployment and uncertainty about the future, have led to a sharp increase in mass drug abuse, which has become a real scourge in the major imperialist countries.

The monopoly bourgeoisie is on the whole interested in maintaining a high level of drug and alcohol abuse. In the USA, for instance, the total number of drug addicts and heavy drinkers has now exceeded 30 million, with roughly 500,000 of them being regular users of heroin, one of the most dangerous drugs. The number of drug addicts in Japan and Western Europe has also been steadily growing.

Drug addiction is one of the ways in which the bourgeoisie seeks to protect itself from the social wrath of those it oppresses. At the same time, however, drug addiction helps to disin-

tegrate the bourgeois society, undermining it from within, as it spreads to all strata of the population: from the unemployed to military servicemen and high-ranking officials.

Growing drug abuse in the imperialist states is closely tied in with rising crime levels. In its drive for multimillion profits, the criminal world has spread out an international drug-trafficking network, which involves thousands of people. But, of course, narcotics are not the only reason for the vast growth of crime and violence in the imperialist countries, which stems from the crisis of bourgeois morality and ethics.

The United States, if one could put it that way, leads the world in crime. In the 20th century, criminals have shot and killed over 800,000 US citizens, or several hundred thousand more than were killed in all the wars in which the USA has taken part. The inhabitants of big cities in the USA live in constant fear, for crime there has become epidemic. Growing crime is one of the main causes of fear and disquiet among the people.

Large organised groups of criminals – the Mafia – operate in many imperialist countries. Its annual turnover, say, in the United States exceeds the value of all the stocks and shares being sold on the New York Stock Exchange in the course of a year. Cautious assessments by the US Department of Justice put that turn-

over at \$120 billion a year.

One is bound to agree with Marx, who said that "there must be something rotten in the very core of a social system which increases its wealth without diminishing its misery, and increases in crimes even more rapidly than in numbers".¹

The imperialist countries cannot cope with organised crime, for its main cause is the socially unjust bourgeois system itself. The unprecedented growth in crime is a menacing indication of the growing crisis both of the bourgeois society as a whole, and of the bourgeois judicial system in particular.

A gangster who has committed a grave crime is sentenced to two or three life terms in prison, but only a few years later he is released, owing to the good offices of "influential friends". Why is that possible? In the capitalist world, where everything is bought and sold, one can also pay one's way out of prison.

The crisis of bourgeois morality and law, ideology and politics continues to deepen.

The ideals of the bourgeois way of life are steadily losing their hold over human minds. There is an ever greater striving among the

¹ Karl Marx, "Population, Crime and Pauperism", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 16, Progress Publishers, Moscow, 1980, p. 489.

masses for a resolute renewal of the society. The working class and its revolutionary parties are gaining ever wider recognition as the society's vanguard. The growing scale of the revolutionary-democratic, anti-imperialist movement is a graphic indication of the deepening crisis of the capitalist system, based on man's exploitation of man.

Twentieth-century capitalism has lost its undivided sway over most of mankind, and the sphere of capitalist exploitation in the world has markedly narrowed down. Capitalism is heading straight towards its inevitable downfall.

Glossary

Absolute surplus-value, surplus-value obtained through an extension of the working day or an intensification of labour.

Absolute worsening of the proletariat's condition, a decline in the proletariat's living standards under capitalism, expressed in an overall worsening of its working and living conditions and its social status.

Accumulation of capital, the conversion of surplus-value into capital.

Anarchy of production, chaotic and disproportional development of social production in the conditions of the haphazard operation of economic laws; it is intrinsic to commodity production based on private property in the means of production.

Average rate of profit, equal profit on capitals of equal magnitude in different fields, regardless of distinctions in their organic composition.

Basis and superstructure. Economic, production relations, pivoted on property relations, constitute the society's basis, while the system of ideas, ideological relations, judicial and political institutions rising above that basis and determined by it constitutes the superstructure.

Basic contradiction of capitalism, the contradiction between social production and private-capitalist appropriation of the products of labour.

Banks, monetary-financial institutions which concentrate on their accounts temporarily free monetary resources and make these available as loans and credits.

Bourgeoisie, the ruling class of the capitalist society, which owns the crucial means of production and lives by exploiting wage-labour.

Capital, self-expanding value, or value which yields surplus-value through the exploitation of wage-labour. Capital is a definite relation of production, the relation between the class of capitalists, which owns the means of production, and the proletariat, which is deprived of these and is thus obliged to live by selling its labour-power to the capitalist.

Capitalism, the last exploitative socio-economic formation, which originated in the entrails of feudalism and which is replaced by socialism. It is based on private-capitalist property in the means of production and exploitation of wage-labour.

Chronic unemployment, constant mass unemployment in the capitalist countries, which in the period of the general crisis of capitalism remains in every phase of the capitalist cycle.

Classes, social, large groups of people differing in their relation to the means of production, their role in the social organisation of production and, consequently, the share of the social wealth they command and the ways in which they receive it.

Colonialism, the policy of imperialist states aimed at direct enslavement of the peoples of economically backward countries.

Commodity, a product of labour meant for sale instead of personal consumption.

Communism, a social formation based on social property in the means of production and giving full scope for the development of the productive forces; it is the highest stage of mankind's socio-economic progress, and comes to replace capitalism. It has two phases: socialism, the lower phase, and full communism, the higher phase.

Competition, antagonistic struggle between private commodity producers for the most advantageous conditions

in the production and marketing of commodities.

Constant capital, the part of the capital used to purchase means of production. In the process of production, its magnitude does not change.

Controlling interest, the number of stocks and shares which gives its owner control of a joint-stock company.

Currency, the monetary unit of some country (like the French franc or US dollar); the mass of money used in international settlements (also known as foreign exchange).

Disintegration of the colonial system of imperialism, a process in which colonies rise to independent statehood.

Economic crisis of overproduction, a phase of the capitalist cycle marked by an overproduction of goods, mass unemployment, and a sharp worsening of the working people's condition.

Economic interests, the objective motives of human activity, which express a connection between an individual's status in the system of production and his material requirements.

Economic laws, objective laws governing the production, distribution, exchange and consumption of material values at different stages in the development of the human society.

Economy, the, a historically conditioned totality of production relations, the society's economic basis.

Excess (extra) surplus-value, additional surplus-value which is appropriated by the individual capitalist when the individual value of the commodity produced at his enterprise is lower than the social value of that commodity.

Exploitation of man by man, unremunerated appropriation by those who own the means of production of the products turned out by the surplus-labour of the immediate producers and sometimes also by a part of their necessary labour.

Export of capital, investment of capital abroad in order to increase the profits of the monopolies and the financial

oligarchy and to secure diverse economic and political benefits and advantages for the imperialist states.

Feudalism, an antagonistic-class formation based on feudal property in land and the exploitation of personally dependent serfs.

Finance capital, industrial monopoly capital in coalescence with banking monopoly capital.

Financial oligarchy, a handful of the biggest capitalists, who own industrial and banking monopolies and who in effect exercise economic and political control in the leading developed capitalist states.

Foreign trade, a country's trade with other countries, comprising the import and export of goods and services.

General crisis of capitalism, the period of capitalism's revolutionary downfall as a social system, when the world capitalist system disintegrates from within and when ever new countries fall away from that system, a period of struggle between socialism and capitalism on a global scale.

Ground-rent, a part of the surplus-product created by the immediate producers in agriculture and appropriated by the landowner.

Ideology, a system of political, legal and other views and ideas, which ultimately reflect social relations. In a class society, ideology has a class character.

Imperialism, monopoly capitalism, its highest and final stage of development, decaying and moribund capitalism, the eve of a socialist revolution.

Industrial capital, capital functioning in the sphere of material production in industry, agriculture, transport and construction.

Inflation, an excess of paper money in circulation as compared with the requirements of the trade turnover, which leads to its depreciation.

Integration under capitalism, a process in which the capitalist countries merge in economic and political terms, which takes the form of economic and other agreements,

whose primary purpose is to meet the interests of big monopoly capital.

Interest under capitalism, the part of the surplus-value which the investing capitalist (industrialist or trader) pays out to the loaning capitalist for the right to use his funds over a definite period of time.

Joint-stock company (stock company), a form of organising large enterprises whose capital derives from the sale of stocks and shares.

Labour intensity, expenditure of physical and mental effort by the working person per unit of time.

Labour-power, man's capacity for labour, all his physical and mental powers used in the production of material values.

Labour productivity, the effectiveness of human labour activity measured in terms of time expended on the production of a unit of produce.

Loan capital, money capital made available by its owner to other capitalists for a definite period of time, with the latter making definite payments in the form of interest.

Military-industrial complex, an alliance of the arms monopolies, the military and the state bureaucracy, which advocates an arms drive in order to strengthen the role of monopoly capital and to make profit.

Mode of production, a historically conditioned mode of the production of material values which people need for productive and personal consumption, for the production of means of production (producer goods) and articles of consumption (consumer goods). It is a unity of the productive forces and the relations of production.

Money, a special commodity performing the role of a universal equivalent in the exchange of commodities.

Money capital, a sum of money converted into capital, i.e., value which yields surplus-value and is used to exploit wage-labour.

Monetary (foreign-exchange) crisis, a sharp disruption of internal monetary-credit systems and international mone-

tary-financial relations of the capitalist states.

Monopoly, capitalist, a large capitalist company (or association of companies) which controls a sizable part of the production and marketing of this or that product with a view to obtaining monopoly-high profits.

Monopoly price, a form of market price established by the monopolies and yielding them monopoly profits.

National income, new value created in the country in a definite period of time (usually a year).

Necessary labour, labour expended on the production of the necessary product.

Necessary labour-time under capitalism, the part of the working day in the course of which the worker reproduces an equivalent of the value of his labour-power.

Necessary product, the part of the social product turned out by the working people in the sphere of material production which is necessary to maintain the working person and his family, to ensure his training and education.

Neocolonialism, all the economic, political, military and ideological means used by the imperialist states to retain the former colonial countries which have risen to independent statehood within the framework of the capitalist economic system.

Politics, a sphere of activity connected with relations between classes and other social groups. States and political parties engage in politics in the interests of the ruling class or the class they represent.

Price, the monetary expression of the value of a commodity.

Price of production, the price of a commodity in the capitalist economy which equals the cost of production plus average profit; a converted form of commodity value.

Primitive-communal system, the first socio-economic formation in mankind's history, when production was based on the collective property of individual communes in the means of production, which corresponded to the unde-

veloped, primitive productive forces of that era.

Productive forces, all the means of production and the people who set them in motion, with their experience and labour skills.

Production relations (relations of production), all the social relations that take shape between people in the process of the production, distribution, exchange and consumption of material values. They are based on relations of property in the means of production.

Profit, capitalist, a converted form of surplus-value, the excess of earnings over the capitalist costs of production.

Proletariat, the class of wage-workers under capitalism.

Property, relations between people concerning the appropriation of the means of production and of the material values created with their help.

Rate of surplus-value, the degree of the workers' exploitation by the capitalists; the ratio of surplus-value to variable capital, expressed in percentage points.

Rate of profit, the ratio of surplus-value to the total advanced capital, expressed in percentage points. It is a crucial indicator characterising the profitability of capitalist enterprises.

Relative overpopulation, a relative surplus of the working population under capitalism as compared with the demand for labour-power on the part of the capitalists.

Relative surplus-value, surplus-value extracted as a result of a reduction in the necessary labour-time and a corresponding increase in surplus labour-time owing to labour productivity growth.

Relative worsening of the proletariat's condition, a worsening of the proletariat's condition as compared with the ever richer bourgeoisie. It is expressed in a reduction of the proletariat's share in the national income, the aggregate social product and national wealth.

Rent, regular income obtained from capital, land or other property which is not connected with entrepreneurial activity.

Rentiers, coupon-clipping capitalists, the most parasitic stratum of capitalists, who receive income from securities and interest on capital deposited in banks.

Revolution, social, overthrow of the obsolete social system and assertion of a new and more progressive one.

Socialism, the first phase of the communist formation, a socio-economic system based on social property in the means of production and on the exploitation-free labour of equal members of the society, developing in a balanced way in the interests of the people's greater well-being and the all-round development of each member of the society on the principle: "From each according to his ability, to each according to his work."

Socio-economic formation, a historical type of society determined by the mode of production and the predominant system of production relations; it has a basis and a super-structure.

Slave-holding system, the first antagonistic-class formation in mankind's history, based on private property in the means of production and in the labourer himself (the slave), on man's exploitation of man.

State, the, an instrument of political power in the hands of the economically predominant class.

State property under capitalism ("*public ownership*"), a form of bourgeois property under which the bourgeois state, "the aggregate capitalist", is full or partial owner of the means of production.

State-monopoly capitalism, a stage in the development of monopoly capitalism at which the monopolies join forces with the bourgeois state in order to preserve the capitalist system, ensure the greatest possible profit for finance capital, suppress the revolutionary working-class and national liberation movement, and carry on a struggle against the countries of the socialist system.

Stocks and shares, securities which indicate that a definite sum of money has been contributed to the capital of a joint-stock company and which enable their owner

to take part in the company's affairs and to receive a part of its profit.

Surplus-labour, labour expended by the working people in material production to create the surplus-product.

Surplus labour-time under capitalism, the part of the working day in the course of which the worker creates surplus-value.

Surplus-product, all the material values created by the working people over and above the necessary product.

Surplus-value, value created by the unpaid labour of the wage-worker over and above the value of his labour-power and appropriated by the capitalist without remuneration.

Taxes, sums of money collected by the state from individuals, enterprises and organisations.

Trade, an exchange of labour products in the form of purchase and sale of commodities.

Trading (commercial) capital, capital which has separated out from industrial capital and whose main function is to market goods in order to obtain profit.

Trading (commercial) profit under capitalism, the part of surplus-value created by wage-labour in the process of production that is appropriated by merchant capitalists.

Unemployment, a phenomenon inherent in capitalism, under which a section of the able-bodied population cannot find jobs and form a reserve army of labour.

Value, the social labour of commodity producers embodied in a commodity.

Variable capital, the part of the capital that is used by the employer to buy labour-power. In the process of production, its magnitude changes.

Wage-labour, the labour of the working people in capitalist production, who are deprived of the means of production and are obliged to sell their labour-power to the capitalists.

Wages under capitalism, a converted form of the value of the commodity labour-power.

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