

# Reviews

## THE ALTERNATIVE ECONOMIC STRATEGY

**CSE London Working Group**

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## THERE IS AN ALTERNATIVE

Labour Co-ordinating Committee 1980 40p

## THE BRITISH ECONOMIC DISASTER

**A Glyn and J Harrison**

Pluto Press 1980 £2.95

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Many variants of what has come to be known as the 'Alternative Economic Strategy' (AES) now exist in the labour movement and among academic economists. They range from the more limited proposals for reflation under general import controls by the Cambridge Economic Policy Group through to the far more radical programmes of the Left of the Labour Party and of the Communist Party. *The Alternative Economic Strategy* written by the London Working Group of the Conference of Socialist Economists is, as far as I know, the first detailed treatment of the left variant of the AES, and has appeared at about the same time as a pamphlet, *There is an Alternative* by the Labour Co-ordinating Committee

*The British Economic Disaster* by Glyn and Harrison is an indication of the extent to which the AES is in some ways a break from traditional thinking by Marxists. The main focus of Glyn and Harrison is on the secular decline of British capitalism and the failure, in the 1970s, of the Tory and Labour governments to reverse this process. Their accounts of the Heath government and the succeeding Wilson/Callaghan administrations are excellent and are by far the best part of the book. Less convincing is the final section 'Into the eighties' in which they analyse and criticise both Thatcherism and the AES, proposing instead a 'socialist plan' as the only programme that can protect workers' immediate and long-term interests.

The London Working Group and Glyn and Harrison concur in seeing the crisis deliberately engendered by deflationary policies as having, in a sense, a positive role to play in restoring favourable conditions for capital accumulation. The London Working Group stress the restructuring of the capital-labour relationship. Glyn and Harrison have a broader view of the disciplinary nature of the crisis — it disciplines capital as well as



labour! Low market demand intensifies competition between capitalists and enables market forces to reduce capital to an efficient core around which accumulation can proceed.

In stressing the *rationality* of monetarism, however, Glyn and Harrison ignore the *ideological* aspects of Thatcherism and the possibility that policies which flow from its strongly pro-market ideology do not meet the objective needs of capital. Deflationary policies are being pursued by nearly every advanced capitalist country. What distinguishes the Tories is the extent of the deflation and of their retreat from interventionism in the area of industrial policy. They really believe (mistakenly) that market forces alone can perform the task of restructuring even in, for instance, high-risk and strategically vital areas like micro-processors.

The Glyn and Harrison critique of the AES is presented as the logical consequence of their analysis of the crisis. The crisis creates healthy conditions for the production of potential profitability by weakening working class organisation and reducing capital to an efficient internationally competitive core. The various components of the AES will have the opposite effect on potential profitability and will therefore fail to restore growth to a still predominantly capitalist economy.

Thus a central plank of the AES, raising demand (reflation), may ease problems of realisation and even increase profitability in the short run. But as unemployment is lowered, workers' bargaining power will increase and with it labour's share of national income. The prospects for profits on new investment will deteriorate and capitalists will go on an 'investment strike'. Growth in output will abruptly fall as the boom runs up

against capacity constraints. The resulting low-growth economy will be unable to meet the demands of a strengthened working class and a wage-price spiral will break out threatening hyperinflation, as in Chile.

All this is accepted by both the London Working Group and the Labour Co-ordinating Committee. Their answer is a left government must intervene to prevent a lowering of investment using planning agreements together with an extended public sector. Since all proponents of an AES accept the political limitations of a 'socialist plan' involving the nationalisation of the top 200 companies, the stress is on planning agreements and selective nationalisation.

Planning agreements (tripartite agreements between government, unions and each of the large privately-owned firms) are intended to compel firms to invest when they would otherwise have not done so. The bargaining power of a left government would lie in its ability to withhold financial assistance, permission to raise prices, funds from a newly-created National Investment Bank, planning permission, public purchasing and so on. The ultimate sanction against a recalcitrant firm would be the threat of nationalisation.

The Glyn and Harrison retort is that large companies would be prepared to incur large short term losses when threatened with the loss of control over production, investment, pricing and trade decisions. Irrespective of the immediate costs they would cease investment, cut back on production and refuse to release stocks in order to destabilise a left government. The need to apply the ultimate sanction would arise very quickly and it is necessary to forewarn the labour movement that limited solutions cannot work and to campaign for nationalisation now.

How do the London Working Group and the Labour Coordinating Committee deal with this scenario of an AES rendered unstable by capitalist sabotage? The London Working Group acknowledges the seriousness of the problem and adds one other capitalist bargaining weapon — the refusal to buy government debt. They correctly stress the political context in which a successful AES will operate and write, 'whether this opposition could be overcome is a matter of judgement. We believe that it could, provided the rationale for planning was broadly understood and supported and

provided the workforce of the companies involved were committed to its implementation.'

The point is that private firms will not resist planning agreements incurring short term losses unless they see a reasonable possibility of preventing the implementation of an AES. They have a strategy too! The deciding factor will be the degree of support from the country at large, from the workers in the firms involved, from working class movements abroad and from other governments (there will presumably be other left governments in Western Europe before a left British government). In a sense the Glyn and Harrison critique is economic in that they abstract capitalist strategy from its political context. At most their scenario applies to a left government lacking widespread support from the working people and where trade unions lack the power and will to enforce planning agreements.

The London Working Group gives a very comprehensive treatment of reflation, industrial strategy, workers' control, the international dimension and inflation, discussing in a frank manner the problems and controversies. In particular they give convincing answers to objections to import controls and they honestly face up to the problem of income determination under a left government. All in all they make an excellent case for the coherence and technical feasibility of the AES as a strategy for reversing Britain's economic decline and growing unemployment.

A weakness of their *The Alternative Economic Strategy*, however, lies in its discussion of political strategy in the final chapter. The authors begin with the premise, correct in my view, that political consciousness is best developed through collective struggle over *realisable* gains. At the same time they state that the radical package, which they stress will stand or fall as a whole, 'marks a political break with the logic of the capitalist dynamic of the economy and in this sense is transitional.'

Now unless the London Working Group have a highly optimistic view of the degree of understanding let alone support for the AES outside conference halls, I cannot see how these propositions can be reconciled. The AES presented by the London Working Group is certainly not a realisable goal at the moment and may well not be so for some time. The London Working Group suggests that although the AES will **not** introduce a socialist economy, the fight for it will help to develop 'socialist consciousness'. But what we need now are realisable goals the struggle for which will develop an 'AES consciousness'.

It might help if we started to present the AES as the more general strategy of using the strength of the working class to influence the economic policies of any government, not only a left government. The potential for achieving this is based on the ability to block ruling class strategies which place the burden of the solution onto the working class.

The mistake of Glyn and Harrison is to assume that given such a class stalemate there aren't alternative policies which will be in the immediate interests of workers, be tolerated by capital and so improve conditions for accumulation. The exact nature of the alternative will correspond to the political balance of forces. This at the present moment dictates a more limited programme than that presented by the London Working Group and the Labour Coordinating Committee.

The strategy of the AES is in a state of flux. These three publications are very welcome as a contribution to the debate which will undoubtedly continue. But as well as developing the AES we need to popularise it among the body of labour movement activists. The detailed account of the AES by the London Working Group and the outline by the Labour Coordinating Committee will prove to be invaluable in this respect.

**Paul Levine**