

# Can Capitalism Survive?

Gordon Henderson

**BUTSKELLIAN** prosperity (though mis-shapen after the recent credit squeeze) has inevitably affected much socialist "re-thinking" of recent years, just as the mass unemployment of the nineteen-thirties dominated the minds of a previous generation of socialists. And not Butskellism alone. The cold war, the horrors of Stalinism, the factional strife within the working-class movement—all these have contributed to the shaping of a trend in Labour thinking represented above all by Crosland's recent book, *The Future of Socialism*. This new trend is searching for the *minimum* measure of social change necessary to achieve certain broad humanitarian aims. Alarmed at the possible consequences of radical social change, gratified by the comparative stability of Welfare Britain, these re-thinkers desire to retain, as far as possible, existing social institutions. Crosland believes that:

"Private ownership is not the fundamental conditioning factor which determines the character of the society" (*Future of Socialism* p. 19 and *ibid* p. 68).

The problem of the private ownership of the means of production, he therefore concludes, is irrelevant to any socialist programme.

With the alienation of the worker from his product and his tools—a process completed by contemporary capitalism—the traditional Lockean defence of property as embodying the individual's labour loses all relevance. Private property today can be defended only on functional grounds—if it can be shown to fulfil some socially useful purpose. Thus even if ownership were, as Crosland asserts, irrelevant, that would still be no argument for preserving the private ownership of the productive resources.

Ownership, however, is not irrelevant.

Crosland argues that the managers in a capitalist enterprise do not aim at the crude maximisation of profits. They have other concerns, such as the stability and the long-run growth of the firm, the need to safeguard market shares from encroachment by competitors and to prevent the entry of new producers into the industry.

Total business strategy may well advise a course other than, even contradictory to, an immediate (and perhaps temporary) maximisation of profits. Crosland argues that this represents a crucial change in entrepreneurial psychology. He argues that this change, combined with proliferation of managerial powers and positions, has effectively separated the ownership from the control of modern industry, and has in consequence eliminated profit levels as the decisive motivation in business decisions. In fact, the change to which he refers, is the necessary result of the concentration of economic power and the consequent decline in competition: the individual producer is no longer confronted with a given market situation but with one which depends, in large part, upon his own decisions. But even though the motivation of business decisions no longer be described simply in terms of profit maximisation, it is still, in a significant and fundamental sense, the maximisation of profits.

Crosland believes that a change to a system of common ownership would leave unsolved the critical problems with

which socialists are concerned. But is there really no essential difference between the functioning of private capitalism and a system of common ownership? We may agree with Crosland that the difference does not centre on the separation of the worker from direct ownership and control of the means of production: such a separation must inevitably continue in a socialist system due to the technological necessities of large-scale, factory-organised production. Yet there remains the fundamental difference between private and common ownership that the profit motive (however qualified) is still the dominant force in capitalist production, determining the behaviour of firms, the relations between firms, the rate of accumulation, the relation between firms and their labour and the manner in which market forces work themselves out.

Crosland and some other Labour re-thinkers have devoted a great deal of effort to the negative task of disproving some of Marx's propositions which have ceased to be relevant today. In abandoning Marx's method as well as his particular analysis of nineteenth-century capitalism they have in most cases, come to have a great deal of faith in Keynesian prescriptions. They have lost the historical perspective of capitalist development and have done little to analyse the contradictions of contemporary capitalism. Even if, with Crosland, we were to define the aims of socialism as economic equality, full employment, a high rate of economic growth and technological advance, our prescriptive conclusions would still differ, depending upon whether we restrict ourselves to what is possible within the given framework of a capitalist society or whether we are prepared to go beyond it. Keynesian and academic economics assumes the existing social framework. But this implicit assumption which limits our thinking is often forgotten. And some socialists, in consequence, are caught up in the contradictions of attempting to realise anti-capitalistic aims within the framework of capitalism. For example, inequality has a function in capitalist society, the function of accumulation. We cannot have both the elimination of inequalities and a high rate of accumulation, without transforming the social basis of accumulation, without making it a social instead of a private function. Such socialists can write volumes of platitudes about the need for equality, but, realising that they cannot go very far within the existing social framework, they balk at the measures necessary to achieve something approaching an egalitarian society, (see, for example, Crosland *op. cit.* pp. 311-318 on the subject of the capital levy). Or think a little more about the usual argument that "taxation must not destroy incentive". It should surely be obvious that we cannot go very far along the road to socialism within a generally capitalist social framework.

## The Marxist Model

Marxist economists have failed to recognise many of the changes in the dynamics of capitalism. For a Marxist, a theory of political economy cannot have universal validity independently of the actual development of economic conditions. Marx himself examined the relationships of

the capitalist society of his time and the process of social change. But Marx was analysing the capitalistic system as it existed one hundred years ago and his theoretical model is based on assumptions which have ceased to be relevant to the materially changed conditions of contemporary capitalism. Economic studies since the nineteen thirties have revealed a great deal about the behaviour of oligopolies, which dominate the scene of contemporary capitalism—a behaviour which is a little more complex than the somewhat simplified picture of monopoly put forward by traditional economists and by Marxists. But the change in capitalist society is not restricted to merely the growth of oligopolies. There have been three other fundamental changes. They are (1) the emergence of managed currency and credit mechanisms (and the end of the self-adjusting laissez faire capitalism of Marx's day); (2) the growth in the size of state expenditure and the assumption of economic functions by the state; and lastly (3) the growth of the working-class movement and its success in winning higher real wages for the workers as productivity increased. Although the origins of these mutations can be traced back to the last century, it is only in recent decades that they can be said to have decisively transformed the pattern of capitalist development. And yet the Marxist theory of political economy remains a picture of the ruthlessly efficient nineteenth century capitalism. Marx believed that the introduction of more capital-intensive methods would produce and constantly swell the reserve army of labour, preventing wages rising above a very low level. Marx's case was essentially that under capitalism the capacity to produce was bound to grow at a very rapid pace while the capacity to consume, depending upon wage rates which did not rise, would fail to keep pace with it. This, as Marx saw it, was the basis of the instability of the capitalist system.

A great deal has been written in recent years to prove that as a result of the successful action of the working-class real wages have in fact risen. Rising real wages together with the greatly increased state expenditures have ensured that consumer capacity has kept pace with producer capacity. The capitalist system, it has been concluded, is therefore no longer doomed to instability. In fact with this crucial modification the Marxist model of a rapidly growing and accumulating capitalism no longer looks so unattractive. But those who rest their argument at this point overlook the fact that Marx's model has ceased to be relevant in other respects too. For twentieth century capitalism, dominated by the giant oligopolies and their restrictive practices and caught up in the contradictions of full-employment planning has ceased to be a vigorously growing system. A Marxist study of contemporary capitalism would be rewarding if it began by leaving aside for a moment the preconceptions derived from Marx's model and analysed objective conditions as they exist today.

## Strachey: capitalism v democracy

The most outstanding recent socialist contribution to this analysis is Strachey's *Contemporary Capitalism*. Strachey points to two basic and contradictory features in Western capitalist society. Against the growing trend to the diffusion of political power there is the menace inherent in the growing concentration of economic power, which is ultimately incompatible with it. Strachey argues that the concentration of economic power must subvert democracy unless democracy succeeds first in transforming

the economic system. Socialists have here to reject two distorted views: that which holds that absolute centralisation of decision-making is a necessity in a system of common ownership and that view, equally oversimplified, which believes that a high degree of democratic control over a capitalistic economy is possible. Strachey's emphasis upon the relation of property ownership to political forms is valuable. The relation is not, of course, either simple or direct. It is not private property ownership that has been the basis of western democracy, but the growth of political organisation and the strength, in particular, of the working-class movement. Democracy has been destroyed wherever these have been subverted or paralysed. Still, it remains true that fascist totalitarianism had its roots in that concentration of economic power which is the principle feature of contemporary capitalism. And it is against the consequences of this concentration that Strachey warns:

"The attempt, largely unconscious, on the part of the capitalists, highly organised and integrated in the oligopolies to manipulate and distort, and if necessary frustrate, the workings of contemporary democracy to its own disadvantage" (*Contemporary Capitalism*, p. 256).

In his first volume Strachey discusses the political contradictions of contemporary capitalism rather than its essentially economic contradictions. A great deal of work is yet to be done on this subject. The object of the present article is to focus attention on certain aspects of contemporary capitalism which are either neglected or on which a good deal of misinformation is widespread.

In this article I shall discuss the contradictions of full employment planning; the effects of the oligopolistic structure of contemporary capitalism on the progress of scientific research; and the effects of oligopolistic investment behaviour on the advance towards automation. We shall find that the basic tendency in each of these is towards the slowing down of the rate of investment and the growth of productivity. There is not space here to deal with other aspects of contemporary capitalism not necessarily of lesser importance. For example, no account of contemporary capitalism can be complete without considering the economic waste involved in the process of capitalist competition; the vast amount of resources which is devoted to forcing the consumer to buy what it is most profitable to produce; the corroding effects on our civilisation of the commercial control of the media of mass communication; the uncertain meaning of freedom of thought itself when our admiss thinking must feed on what the profit-making machinery of capitalism puts on to the market.

## The contradictions of full-employment planning

Full employment, within the framework of modern capitalism, is not possible without a substantial social cost. Not all economists are entirely unaware of this. Professor Samuelson, for example, has this to say:

"Perhaps the booms and busts of the last century were the inevitable costs of progress, the necessary price we must pay for vital growth. If such is the fact, let us face it unflinchingly and, facing it, decide whether the gains of progress are worth their economic costs, or whether there is some golden mean involving neither a maximum of progress-cum-instability nor complete security-cum-decadence" (P. A. Samuelson in *Income Stabilisation for a Developing Democracy*, ed. Millikan, p. 556).

Samuelson's dilemma is a real one only if our view of possibility is confined within the limits of contemporary capitalism. But the problem of the social costs of full

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employment in a capitalist economy has not been adequately examined by economists—even Samuelson makes the above statement only in passing.

Given the determination to pursue policies directed to prevent a return to mass-unemployment, the problem presents itself to economists as that of prolonged inflation—and it is recognised to be a formidable one. But it is not enough to say that the alternatives before capitalism today are either unemployment or inflation. That would be merely describing the symptoms. Our analysis must go deeper than that. What we must be concerned with is the rate of investment and the rate of productivity growth on which must depend, in the long run, the rate of real wages increase. Examining the working out of full employment policies we shall find that both our alternatives in the last analysis, reduce to only one: a low rate of investment and the slowing down of economic progress. This is the outcome of a complex set of relationships which can hardly be discussed adequately here. Nevertheless it should be possible to sketch the broad pattern of the process in simplified terms without much violence to scientific analysis.

In any given period of time the national output may be divided into the following four portions: (1) Consumers goods purchased out of wage incomes; (2) Consumers goods purchased by the capitalist out of profits; (3) Goods appropriated by the state; and (4) the goods available to the capitalist for investment. Thus at any given level of productivity, with full employment of resources, it is not possible to increase the amount for any of these uses without a corresponding reduction elsewhere. A rise in productivity would permit a corresponding increase in one of the uses, say increase in wages, provided the amounts used for other purposes (viz., investment, capitalist consumption

and state expenditures) are not being increased. The rate of increase of productivity, however, is itself dependent, largely, upon the rate of investment.

### **An expensive agency**

In a capitalist economy the division of the national output between consumption and investment and the portion appropriated through the machinery of the State, is not arrived at by a conscious and planned decision but is rather the outcome of a number of counteracting forces. **the** capitalist is an expensive agency to employ to bring about the arduous task of accumulation—and he himself decides how large a slice of the profits, entrusted to him for social accumulation, he will decide to consume. (And consumption out of expense accounts is no less important than consumption out of dividends.) Moreover in a society in which the working-class does not automatically benefit from rising productivity there is a constant pressure from the organised working-class for higher wages which they must win in the face of managerial resistance. Some socialists are indeed worried about this "new sources of insecurity" and refer to the futility of the efforts of "Those who are in the strongest market positions, or who are the most ruthless in exploiting their bargaining power, (who) can assert their claims and hold the community to ransom". (*Twentieth Century Socialism*, by Socialist Union, p. 72). According to these socialists, such efforts are cancelled by the effects of the "wage-price spiral".

The extent to which a rise in money wages can result in a rise in real wages depends upon the extent to which the required portion of the national output is left free to meet the increase in wages, i.e., the increase in real wages depends upon (1) the rate at which the capitalist is under-

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taking investment, plus (2) his rate of personal consumption, plus (3) the rate at which resources are being used up through the state machinery. If these other demands are being maintained at a rate which is incompatible with the higher real wages, the gains in money wages are offset by inflation. In a period of full-employment and high profits the working class is in a position to gain higher money wages because managerial resistance in such conditions is less strong. But in such conditions managerial pressure also tends to be exerted towards bringing about a replenishment of what Marx had called the "reserve army of labour", or, in the more sophisticated language of economists, towards bringing about an end to a situation of "over-full employment", in order that wage restraints can be more effectively imposed. This is brought about by checking new demands for labour originating in new investment. New investment is therefore checked by such measures as the tightening up of credit. It might be added that the operation of the credit squeeze tends to bear more heavily on the smaller businessman who is forced to reduce his commitments substantially, than on the oligopolies which are largely self-financing. It is not so painful, after all, for the oligopolists to reduce the *over-all* rate of investment, in order to effect a reduction in the level of employment.

### Investment behaviour

The behaviour of private investment demand is a key factor in the situation. The weakness of the capitalistic economy lies primarily in the preconditions of private investment demand and its erratic behaviour. In the long run, the demand for capital goods may be said to be derived from the demand for the final product, i.e., the demand for consumers goods and the goods utilised through the state machinery. No system can, indefinitely, produce equipment to enable it to produce more equipment: ultimately, the capacity to produce must be matched by the capacity to consume. A Marxian type crisis would ensue unless rising productivity is matched by higher real wages plus higher capitalist and state consumption. Economists like to play with a theoretical "ideal" situation in which the rate of investment bears a unique relationship with the rate of increase in consumption. But, in the "short period" no such unique ratio is necessary and the rate of accumulation may be higher or lower than the "long term" rate. This is because in the short run we have to account for the complicating factor that to some extent the demand for investment depends upon itself—a feature which renders the system somewhat unstable. When capitalists are investing at a high rate, the rate of profit is high and everyone is induced to invest more. When the rate of investment generally is low, the rate of profit is low and the inducement to invest is damped down.

If we consider the sources of investment demand we realise the major weakness in the functioning of contemporary capitalism. To induce a high rate of investment, the demand for final output must be high. But to the extent that the increase in the demand for final output comes from a rise in wages, that cuts profit margins directly. Now if a slump is to be avoided, demand, and hence investment, must be maintained at a certain level. Therefore, since investment in a potentially falling market is avoided by managers, and a wage rise is out of the question, managerial pressure is directed towards higher state expenditure.

But, if demand for final output is not to be allowed to fall below a certain level, it must not rise too much beyond this level either. For then, we reach the conditions of "over-full employment" where bargaining power of the working class is at its strongest. Should these conditions arise, a cut in investment will be called for in order to replenish the "reserve army of labour". But the cut must not be too great, it must not go so far as to prepare the way for a slump. Now in conditions of oligopolistic competition, it is dangerous for one firm to get out of line with the others in its investment plans, since it runs the risk of either investing too little in a rising market, and thus losing custom it might have had, or of investing too much in a falling market, and exposing itself to "large involuntary accumulation of stocks". In these conditions, a cut in investment might easily spill over the vital minimum. State expenditure is again necessary to underpin the economy and to ensure a floor to effective demand. State expenditure is, in short, a necessary element in that nice balance of "not too full employment" which the *Economist* has been calling for all these years. The influence of the profit motive tends not only to create large state expenditures, but also to determine their pattern. The scale of "welfare expenditure" is the outcome of working-class pressure against managerial resistance (because of increased taxes). On the other hand, managerial pressure is exerted for more state expenditure on the products of industry, which would directly support the level of industrial profits, and this is not met with a corresponding resistance from the working class. Thus, to quote John Strachey:

"No one with first-hand experience of the matter can doubt that it is in one way *easier* for the government of a capitalist society to spend upon armaments than for peaceful purposes. I well remember the remarkable transformation of opinion which took place in official and financial circles, in the press and in parliament, when in 1950 the British Labour Government . . . was faced with the necessity . . . to undertake a rearmament programme. Up till that moment we had been under the most intense pressure to curtail government expenditure in particular and economic activity generally. Our officials, the City of London, the financial writers in the press, the spokesmen of the opposition in parliament, all united to point out that employment was already full, if not 'overfull'; that there were no unusual resources available for any new activities . . . far from it being possible to undertake or stimulate any new activities, it was imperative, we were urged, to cut down some of the old; . . . then the question of rearmament came into the picture. Immediately the whole character of the advice tendered to us, both officially and unofficially, was transformed. Immediately an increase of Government expenditure, not of £5m or £10m, but of hundreds of millions was contemplated without demur." (*Contemporary Capitalism*, p. 241).

### Government expenditure

Because high government expenditures, particularly on armaments, represents a line of least resistance, the result of the balance of opposing forces under modern capitalism is that a substantial proportion of the national resources is directed to uses that neither add to the productive capacity of the economy nor to the immediate well-being of the workers. The outcome, however, is not a simple one, for there is ever present conflict between the managerial desire for the maximum proportion of the state expenditures to be devoted to the products of industry and their resistance to higher taxation.

Looking at contemporary capitalism as a whole, we find, on the one hand working-class pressure for higher

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wages and more welfare expenditure by the state; on the other, the pressure from the managerial class (acting in the interests of the private owners) for military expenditure by the state and for the curbing of working-class bargaining power by a reduction in the level of employment. When there is successful working-class action for higher wages, and private consumption and state expenditures are high, there is an expanded rate of investment demand but insufficient real resources are available to meet that demand, and inflation results. On the other hand, reduced government expenditure, and effective wage restraints, though leaving more resources free for investment, might well kill investment demand. Moreover, an offensive for wage restraints would involve an initial reduction in new investment in order to reduce the existing level of economic activity. Thus contemporary capitalism must inevitably be impaled on one or the other horn of its dilemma; in either case producing the same result: a low rate of investment. It must, in the long run, fail to provide a basis for vigorous growth.

### Oligopolies and technological advance

In the thirties, a great deal of attention was given to the growth of oligopolies and the concentration of economic power; there was considerable nostalgia for the competitive capitalism for the nineteenth century and a good deal of pressure for "trust busting". Recently, it has been increasingly realised that a break-up of the oligopolies and a return to the nineteenth century type of industrial organisation cannot provide a practicable solution. The main reasons for this are the technological conditions of modern production and of industrial research. Professor Galbraith has provided the economic philosophy of the age of oligopolies in his famous theory of countervailing power and his writings have had a considerable influence on right-wing thinking amongst social democrats (See *Twentieth Century Socialism*). Crosland also believes in the beneficence of oligopolies. He says that in the

"Technically advanced industries, on which our industrial future primarily depends, such progress often demands both a scale of capital investment, and an expenditure on technical and scientific research, which are beyond the resources, human as well as financial, of any except large concerns." (*Future of Socialism*, p. 434.)

But here again, those who argue that the modern giant corporations are in some respects a necessary advance over the small producer of the 19th century, fail to realise that the conditions of oligopoly are in turn a fetter on further progress. The answer to monopoly capitalism is not a return to the 19th century but an advance to socialism.

Misconceptions about the rate of scientific and technological advance under conditions of oligopoly are common. The growth of oligopolies is believed to have created exceptionally favourable conditions for scientific advance. In fact progress under oligopolies has been very lopsided. On the one hand much potential development is choked off. On the other hand there are sudden spurts of developments stimulated by military demands. To begin with every scientific idea and new process must undergo a period of development before it can be fruitful of profits. The profit driven machinery of capitalism provides the most inhospitable climate for this crucial period of initial development.

New inventions are difficult to push forward not only because of the problem of initial development but also because the oligopolist is not interested in new products that would disturb his existing markets or new processes which might entail capital losses. But if he is not in-

terested in undertaking these new developments himself, he is equally not interested in their being undertaken by a rival. Thus, very often his defensive strategy may induce him to buy up patents which he does not wish to be used. Work in the field of military research however is unhampered by these limitations. It is in the field of, what is euphemistically called, defence requirements that there has been the greatest technological advance in recent years. The developments in the civilian sphere are largely an overspill from technological advances made in the sphere of military production. The results are well illustrated by the rather ingenious device by which Prof. Lilley measures the "relative invention rate" for various periods of history. (*Men, Machines and History*, p. 191-4.)

The progress of research is not proportionate to the amount of resources devoted to it. The profit motive demands that research must be conducted in absolute secrecy. The resulting knowledge is private property and rivals must not have access to it. The scientist is isolated from his fellow workers in other firms, in the universities and in other countries. Moreover, to quote Bernal:

"The rapid growth of industrial research means that more and more knowledge, some of it fundamental, nearly all capable of leading to fundamental discoveries, is being locked away from the free market of scientific ideas." (*Science for Peace and Socialism*, p. 40.)

There is thus a wasteful duplication, or rather a multiple overlapping, of valuable effort. Bernal tells of the results of a sample analysis which showed that while 70 per cent of all qualified scientific workers are employed by industry, they contribute only 2 per cent of the papers published in scientific journals. Dr. Lilley quotes the fact that only 12 out of 75 of the most important inventions between 1889 and 1929 were produced by research of the monopolies. (*Men, Machines and History*, p. 203.)

### Challenge of automation

The emergence of the possibility of automation presents a most formidable challenge to contemporary capitalism. The technological developments which largely eliminate human labour and detailed human control, and which together have been labelled "Automation", are chiefly the by-product of the military demands of the last war, and the post-war rearmament drive.

"Owing to special circumstances—the defence efforts of the last fifteen years—technological developments which might have taken generations to mature were concentrated in a short space of time," writes S. Moos in the *Economic Journal* (March 1957, p. 26.)

The term automation covers a variety of developments. There are a number of processes which will greatly assist small and medium sized firms in reducing their labour requirements without necessitating a large flow of output or impairing flexibility in production. The main problem will, however, centre around major producers in some important fields, e.g. chemicals, engineering, etc., where automation demands large investment outlays. Moos's argument supports the view that even if there are some fields in which there will be room for small and medium sized firms there will be a sector in which only large scale enterprises will flourish and smaller concerns will "die out" (*ibid.* p. 29).

To contemporary capitalism, automation brings, not a promise, but a threat—it threatens not only the small producer but also the oligopolist, not only the employer but also labour. There is bitter irony in the fact that a kind of development which men have so long dreamed about should be regarded, all round, with apprehension and anxiety.

## Can capitalism survive ?

The problem presented by automation to the oligopolies is that on the one hand they would have to scrap valuable existing equipment to introduce automated plant. On the other hand, they must face the problem of having to market a vastly (and rapidly) expanded output, perhaps at considerably lowered prices. The very heavy overhead costs would mean that in the event of a recession they would find it difficult to reduce their commitments by reducing output. And; yet they cannot afford to ignore automation. If they do not automate, some rival might do so, in this country or some other. Then they would be faced with the threat of extinction. Not all firms, not even oligopolies, may have the resources to finance automation; a large and sudden change-over which may entail the scrapping of valuable existing equipment. So the small and the weak must go under. For the oligopolists as a class it would be best if the introduction of automation could be withheld. Individually, for survival, each must be prepared to introduce automation before a rival does so. No oligopolist would like to see automation come about. But if it is to come each would like to be the first to bring it about. It is inevitable that under such conditions progress will be unbalanced and spasmodic.

Some resistance from organised labour is not difficult to understand, when progress under capitalism must bring in train redundancy and short-time working. In some cases the alternative jobs available to dismissed skilled workers are inferior, and a good deal of wastage of skill is added to the hardship of the "redundant" workers. The British working class does not oppose automation: they only demand prior consultation to ensure orderly planning which might minimise hardship for the workers concerned. Prior consultation can only be fruitful at the time when the management is formulating its own plans. Consultation when the plans are already far advanced presents the workers with the alternatives of meekly accepting the changes, with perhaps some minor concessions, or fighting automation and being charged as "industrial Luddites". But management plans in a situation of oligopolistic competition, cannot bear publicity until they are actually given effect. For the oligopolist, secrecy is essential if he is to improve or even to retain his relative position against his rivals.

The social climate for introduction of automation has recently been the most favourable for the oligopolist. Redundancy caused by automation would not be unwelcome to the employers—weakening the bargaining power of the workers in a full employment economy—but in a period of rapidly rising profits the employers can easily retain the extra hands, where union opposition to redundancy is too strong. In a period of expansion and labour shortage some employers may be content to have a temporary surplus of labour over immediate requirements, but in any recession the "natural" level of unemployment would be accentuated by the dismissal of these redundant men. Moreover, until automation is wide-

spread it seems unlikely that it will bring shorter working hours and better living standards because standards will be determined by the much larger non-automated sector of the economy. The transition period offer only dismissals and larger profits for the automated oligopolists. A sharp fall in employment levels can only be avoided if investment in the non-automated sector is sufficiently buoyant to absorb at an equal rate the men released from the newly-automated factories. But given the unevenness in the inducement to invest it is unlikely that contemporary capitalism can achieve either a smooth or a rapid transition to automation. Paul Einzig assures us that:

"On the whole it seems probable that at any time, or during a relatively brief period, the progress of automation will affect only a relatively small proportion of the national production." (*Economic Consequences of Automation*, p. 29.)

But, as we are reminded by Moos:

"Whatever the attitudes of government and of industrial and labour leaders . . . (automation) will be imposed upon this or any other country by developments in other countries which are forcing the pace of automation." (*Economic Journal*, March 1957, p. 39.)

Here, then, is another dilemma facing contemporary capitalism.

### Nature of the capitalist crisis

I have touched on some of the factors which are leading the capitalist countries towards stagnation. The special nature of the contemporary capitalist crisis—a slow decay rather than the sort of dramatic crisis which might produce radical political action—presents its special difficulties to the British Labour Movement. A lingering decay leaves more room for doubts, offers greater temptations to passivity. The British working class, trying only to maintain its hard-won gains, is made to appear the obstacle to technological and productive advance. Equality and economic advance are made to appear as contradictory aims. Socialist thinkers engaged in the hopeless search for equality within a generally capitalist social structure cannot solve the contradiction between greater equality and the maintenance of that high rate of accumulation necessary for the maximisation of welfare. There results a loss of direction and doubts about fundamental socialist aims. Hence the attractiveness of the idea that "ownership is irrelevant"; that we must not destroy the incentives to capitalist investment.

Socialism appears imperative not only to bring about social justice and to safeguard democracy from the growing concentration of economic power. It is essential too as the only form of social organisation which can today provide the basis for further material progress. It is through an understanding of the contradictions of contemporary British capitalism that the labour movement can come to understand more fully the need for fundamental social change.

## U What is happening to Capitalism I

Professor G. D. H. Cole will open a Club discussion on this subject on Thursday, 27th June, Royal Hotel Woburn Place WC1 7.30 p.m.

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