

**Dear Michael MacGregor...**

**On the Revolutionary Communist Group's support for  
Scottish independence**

**Alec Abbott**

## Abbreviations

<b>Lenin CW</b>	<b>Collected Works of V.I. Lenin, Lawrence &amp; Wishart 1963-68</b>
<b>M&amp;E CW</b>	<b>Collected Works of Karl Marx and Frederick Engels, Lawrence &amp; Wishart 1975-98</b>
<b>M&amp;E SC</b>	<b>Selected Correspondence of Karl Marx and Frederick Engels, Lawrence &amp; Wishart 1953</b>
<b>Capital I</b>	<b><i>Capital</i> Volume I, by Karl Marx, Lawrence &amp; Wishart 1961</b>
<b>Capital II</b>	<b><i>Capital</i> Volume II, by Karl Marx, Lawrence &amp; Wishart 1961</b>
<b>Capital III</b>	<b><i>Capital</i> Volume III, by Karl Marx, Lawrence &amp; Wishart 1962</b>
<b>TSV I</b>	<b><i>Theories of Surplus-Value</i> Part I, by Karl Marx, Lawrence &amp; Wishart 1968</b>
<b>TSV II</b>	<b><i>Theories of Surplus-Value</i> Part II, by Karl Marx, Lawrence &amp; Wishart 1969</b>
<b>TSV III</b>	<b><i>Theories of Surplus-Value</i> Part III, by Karl Marx, Lawrence &amp; Wishart 1972</b>

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## Introduction

Thank you, Michael, for responding to my letter to *Fight Racism! Fight Imperialism!*<sup>1</sup> In it I raised a number of questions concerning the RCG's support for Scottish independence. Regrettably, you either ignored my questions or dismissed them glibly. I shall return to these questions in due course, though note here that you did bring some clarity to the RCG's current position on Scotland.

In your reply, you unambiguously stated, first, that Scotland is **not** an oppressed nation, and second, that the struggles of the Scottish and Irish people against British imperialism are **not** comparable to each other. And in the same issue of *FRFI*, but in a different article, you made a third and equally valid point, this time in relation to the question of the nature of the British state. Referring to the ongoing campaign for Scottish independence, you spoke of 'the constitutional crisis facing the **unitary** British state'.<sup>2</sup>

These are true and wise words and I fully endorse them. However, although we proceed from a shared perspective (as far as the above three points are concerned), our conclusions could hardly be more different.

You view Scottish nationalism as a force which socialists should harness for the purpose of a) weakening British imperialism, b) undermining the influence of the Labour Party, and c) advancing the workers' anti-austerity struggles. In a word, you view Scottish independence as a necessary stage in the struggle for socialism. By contrast I view Scottish nationalism as a reactionary ideology whose goading influence is the Scottish National Party, the most outspoken of the pro-European factions of British finance capital. As I pointed out in my letter to *FRFI*, unless socialists situate the Scottish independence debate in the context of the split in the British ruling class over the City's future, they will become the unwitting tools of one faction of imperialists against another.

### Part 1

I have divided my open letter into five distinct but closely related parts. In Part 1, I demonstrate that your standpoint is not only at variance with the RCG's original perspective on Britain, but also runs counter to your own characterization of Britain as a unitary state. Your analysis, as I show, rests on the flawed assumption that the British state is a **hybrid state**, the product of a centuries-old agreement between the Scottish and English ruling classes to form a political union.

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<sup>1</sup> *FRFI* 243, February/March 2015, p15.

<sup>2</sup> 'Scotland: Home rule or independence?', *ibid*, p5; emphasis added.

## Parts 2, 3 and 4

In Parts 2, 3 and 4, I deal respectively with the crisis of British usury imperialism, the emergence of the EU as an all-European imperialist power, and the growing rivalry between the EU and US over the division of the global spoils. Although each part has its own distinctive focus, there is considerable overlap between them. Taken together, they provide a comprehensive framework for understanding what lies behind 'the constitutional crisis facing the unitary British state'.

Given the sheer scale and intractability of the crisis of British usury imperialism, on the one hand, and the intensification of the rivalry between the EU and US on the other, the British imperialists are not surprisingly split over the question of where their 'true' destiny lies. In their own hazy manner, leading British politicians are aware of the crisis brewing in their midst. According to John Redwood, an outspoken Tory Eurosceptic: 'No good will come of the growing disagreements between the EU and the USA. The UK will be more and more exposed, the more her two main allies and trading partners fall out.'<sup>3</sup> He did not explain why the EU, in 'distancing itself more and more from the USA', will be 'keen to establish its own military presence as a counter-weight more than as a buttress to the western alliance [i.e., to NATO].'<sup>4</sup> Nor did he provide any insights into why the British finance capitalists feel so vulnerable in the cold, harsh atmosphere of inter-imperialist rivalry. As someone who strongly favours the formation of a UK-US bloc, he cannot but ascribe to the EU's imperialist ambitions some perversity of the European mind. And as a lover of the City, he has little choice but to eschew any analysis which might cast Britain's prized jewel in an unfavourable light.

For an account of the nature of the split in the British ruling class, we must turn to the RCG's analysis of the crisis of British usury imperialism. David Yaffe in particular has commented extensively on this subject. He wrote, with his usual insight and critical acumen: 'How long the British economy can sustain itself outside Europe, with Britain becoming more and more dependent on the parasitic dealings of the City of London, remains to be seen. The British ruling class knows that sooner or later it will have to make a choice between Europe and the United States. Whatever choice is forced on the ruling class, it is certain that any independent role of the City of London will be severely curtailed.'<sup>5</sup> And as he succinctly reiterated several years on: 'The day of decision is coming ever closer. With Europe or with the United States?'<sup>6</sup>

It would be ridiculous for Marxists to imagine that the British ruling class will arrive at its decision in a neat and tidy fashion, with one side giving way decorously to the other in some one-off referendum. Over the coming years there will be a number of referendums, both on the question of Britain's relationship with Europe and on the question of Scotland's relationship with Britain. The 2014 Scottish referendum was but

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<sup>3</sup> 'The European Union's anti-Americanism and the EU's latest grab for power', by John Redwood, 3 March 2002. <http://www.brugesgroup.com/mediacentre/speeches.live?article=19>

<sup>4</sup> *Ibid.*

<sup>5</sup> 'Britain: Parasitic and decaying capitalism', *FRFI* 194, December 2006/January 2007.

<sup>6</sup> 'European Union and Britain: Tories self-destructing over Europe', *FRFI* 233, June/July 2013.

the first of what will be a series of referendums. One of the main theoretical tasks facing British Marxists is to bring these referendums together as parts of a single enquiry and show how they arise from the nature of the crisis in which the City is mired.<sup>7</sup>

If in the forthcoming European referendum the British people vote to leave the EU, the pro-European faction of the British ruling class will demand another Scottish referendum, in order to maintain a presence, albeit on a diminished scale, in the EU. On the other hand, a victory for the 'Remain' side will not soften the Eurosceptics' hostility towards Europe. When the triumphalist mood in the 'Remain' camp has died down, the Eurosceptics will renew their call for a European referendum. Moreover, should the Scottish vote prove to be decisive in preventing a British exit, the Eurosceptics will press ahead with their plans to establish English Home Rule (the so-called West Lothian or English question), the better to lay the ground for the creation of an England-US bloc. To protect what they consider to be the City's true interests, our great British patriots will unhesitatingly seek to cut England loose from the UK.

Britain cannot remain intact for much longer. Sooner or later it will be torn apart by the 'gravitational pull' of the EU and US as they come increasingly into collision with each other. To the British imperialists, the City is everything, the very breath of their nostrils. And now that the City is a house divided, wavering between the forces of the EU and US, the break-up of Britain is inevitable. Britain's spate of referendums will continue to play itself out until one chunk of British capital has merged into European capital and another has formed a bloc with American capital. Just as British power flows from the City, so a broken City represents a broken Britain.

Remarkably, you deny that there is a connection between the Scottish independence issue and the split in the British ruling class over Europe. After repeatedly asserting that none of Britain's bourgeois parties supports Scottish independence, you arrive at the conclusion that the RCG's account of the British ruling class's fractured nature has only limited applicability to the Scottish question. Even the SNP, as you see it, is a Home Rule **British** party which is opposed to Scottish independence.

Actually, the SNP is a Home Rule **imperialist** party. As I show in Part 2, the SNP has presented itself alternately as a Home Rule **European** party and a Home Rule **British** party. Before the financial crash it came out strongly in support of the euro; at the time of the Scottish referendum it favoured the pound; and if Britain votes to leave the EU it will spring to the defence of the euro again. By denying that the Scottish faction of the British ruling class has secessionist tendencies, you are able to skirt around the issue of whether the SNP wishes to shift its allegiance away from **imperialist Britain** towards **imperialist Europe**.

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<sup>7</sup> Many believe that the government's decision to call a European referendum was a mistake, the result of Cameron's mismanagement of his divided party. The coming referendum, Jeremy Corbyn maintains, is about 'a dispute among Tories' which is 'now being played out across a whole continent.' (BBC News interview, 20 February 2016) Others hold a similar view. According to *The Guardian*, Britain has to suffer a needless and wasteful referendum because of Cameron's 'mishandling' of the split in his party over Europe. (*The Guardian*, 4 February 2016.) In Part 2, I explain what the issues surrounding this referendum are and why the ruling class has no choice but to hold it.

The fact that a faction of Britain's imperialist ruling class wishes to throw in its lot with the imperialist ruling classes of another region presents British Marxists with a highly unusual and challenging situation. All the more necessary, therefore, is it for them to identify and repudiate the different forms of nationalism which this situation engenders. As the wheels of British disintegration grind on, opposition to imperialism must remain the guiding principle of British socialists. On no account must they take sides in any inter-imperialist dispute.

The conclusion that follows from Parts 2, 3 and 4 is that the British proletariat had no interest in participating in the 2014 Scottish referendum, any more than it has an interest in participating in the forthcoming European referendum, or in any other referendum which the rivalrous factions of the British ruling class might hold. This does not mean that British socialists should sit by idly as the British ruling class takes steps to sort out its mess. Far from it! During each successive referendum campaign, they should intervene by conducting a nation-wide anti-imperialist propaganda drive, one which will help the British workers to grasp a) the indissoluble connection that exists between their own domestic struggles and those of oppressed and exploited peoples everywhere, and b) the inherently imperialist character of the 'constitutional crisis' in which the British ruling class is currently enmeshed.

## **Part 5**

In the fifth and final part of my letter, I consider the evasive manner in which you have dealt with the national question. As a member of the RCG, you know that revolutionary Marxists do not support the right of nations to self-determination. Rather they support the right of **oppressed** nations to self-determination, while steadfastly opposing the rights which **oppressor** nations claim for themselves. If you have any doubts on this score, you should consider what the RCG has written on the betrayal of August 1914, when socialist deputies voted in favour of the financial appropriations of war budgets.<sup>8</sup>

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<sup>8</sup> Here it is well to remind you that the germ of the split in the Second International was present in socialist parties before the outbreak of WWI. To give but one example: in 1911 a major dispute erupted in the Social Democratic Federation of Britain over the question of whether British Marxists should support Britain's military budget. The right-wing of the party, led by Henry Hyndman, adopted an openly chauvinistic position, stridently holding forth about the 'German menace'. The left faction, ably represented by Zelda Kahan, argued that socialists who supported any of Britain's military expenditures 'placed themselves outside the international movement'. In an attempt to wriggle between the two positions, Harry Quelch, normally an outstanding Marxist, sunk to the level of an opportunist. 'We are opposed to imperialism', he boldly declared, then whimpered: 'If we believe in national autonomy, we must have national defence and that defence must be adequate, or it is useless.' Lenin intervened swiftly and decisively. Dismissing Hyndman as an outright social-chauvinist, he attacked Quelch for having had recourse to 'miserable sophistry'. For a country like Britain, 'adequate defence' meant 'adequate' oppression of India and other benighted nations. (See Lenin CW Volume 17, pp174-5.) Three years later the Second International split over the question of whether oppressor nations had the right to 'defend' their 'national autonomy'.

Yet despite everything your organisation has written on this topic, you go no further than state that Scotland is a 'non-oppressed' nation. Is there a reason for this, Michael? Can it be that you wish to relieve yourself of the burden of having to explain why an organisation like the RCG supports the right of an **oppressor** nation to self-determination? Or do you believe that Scotland, though an integral part of Britain, is both a non-oppressed and non-oppressor nation? Whatever your views on this subject are, you seem remarkably reluctant to divulge them to your readership.

When you came out in support of Scottish independence, I expected you to present a carefully reasoned argument as to why Marxists should treat Scotland differently from other oppressor nations. Yet the only explanation you gave was that the break-up of Britain would weaken British imperialism. Does this mean that you support the right of England to self-determination? And if not, why not? And what about the rights of Bavaria and Texas and all the other 'non-oppressed' enclaves of the world's oppressor nations? After all, the secession of Texas from the US would most definitely weaken US imperialism. Moreover, given your support for the break-up of Britain, should you not take the next logical step and support the break-up of the EU as well? Indeed, are there any limits to the scope of your 'break-up nationalism'?

Again remarkably, you deny that the struggle for Scottish independence has anything to do with nationalism. You rightly state that support for the 'Yes' campaign came mainly from Scottish workers who associate independence with the anti-austerity movement. However, on the basis of your assessment of the motives of the Scottish workers, you go on to draw the conclusion that the struggle for Scottish independence is a purely class struggle, unsullied by nationalist admixtures. When we add to this your denial that the SNP harbours any secessionist tendencies, an extraordinary picture of Scotland emerges. It is one in which those who support Scottish secession are not really nationalists and those who don the mantle of Scottish nationalism are not really secessionists. Had you recognised that Scotland is both an oppressor nation and an integral part of a financial empire which is in the throes of disintegration, you would have had little difficulty in exposing the SNP for what it is – a reactionary party which vacillates between British **imperialist** nationalism and European **imperialist** nationalism.

Given your reluctance to characterise Scotland as an oppressor nation, I am not surprised that you have said nothing of substance about any of Lenin's distinctive contributions to the theory of imperialism. In one of your pro-Scottish independence articles you wrote: 'Lenin, in advancing the right of nations to self-determination, described imperialism as the negation of democracy.'<sup>9</sup> Actually, it was Rudolf Hilferding who described imperialism in this way, and for this Lenin praised him highly. Again and again, Lenin commended Hilferding for having given a detailed and comprehensive account of how finance capital strives for the complete elimination of democracy in all spheres of economic and political life. But this is by the by. What concerns us here is not Hilferding's pioneering analysis of imperialism but Lenin's, which you seem keen to avoid. In not one of your pro-Scottish independence articles have you mentioned

<sup>9</sup> *FRFI* 237, February/March 2014.

Lenin's view that 'the **essence** of imperialism' is 'the division of nations into oppressor and oppressed'.<sup>10</sup>

Instead of repeatedly stating that the RCG has never looked upon Scotland as an oppressed nation, you should have asked yourself whether Scotland has the attributes of an **oppressor** nation. Even a cursory study of Scotland would show that it has many of the hallmarks of a usurious nation. Indeed, if Scotland were an independent country, it would be what Lenin termed a 'banker country'. According to *The Banker*, UK banks had a total of \$9.9 trillion in assets in 2014, roughly four times UK GDP. However, if Scotland were to secede from Britain, it would have banking assets of **12 times** Scottish GDP.<sup>11</sup>

The fact that Scotland has the attributes of an oppressor nation does not mean that Lenin's writings on the national question have little or no bearing on the Scottish independence issue. On the contrary, the impending break-up of Britain requires British Marxists to consider the full breadth of Lenin's work on this question, not only to reaffirm the right of oppressed nations to self-determination, but also to confront the reactionary nationalism that masquerades as radicalism. Lenin's analysis of the Polish question, as I show in Part 5, contains an important criticism of the 'break-up nationalism' to which sections of Poland's petty-bourgeois left had succumbed. Similarly, his analyses of both the Irish and Norwegian questions help to expose the hypocrisy of British labour leaders who, while recognising the right of the Scottish people to hold an independence referendum, have steadfastly refused to campaign for Ireland's freedom. Never have Britain's labour leaders supported the call for an **all-Irish** independence referendum.<sup>12</sup>

As a supporter of Ireland's national liberation struggles, you will, I trust, advocate a boycott of the forthcoming European referendum. Quite apart from the question of whether socialists should take sides in inter-imperialist disputes, the more immediate question has to be asked whether British socialists can justifiably shut their eyes to Britain's oppression of Ireland. The wording on the ballot will read: 'Should the United

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<sup>10</sup> Lenin CW Volume 21, p409. After explaining that the basic division under imperialism is that between oppressed and oppressor nations, Lenin went on to state: 'the Social-Democrats of the oppressor nations must demand that the oppressed nations should have the right of secession, for otherwise recognition of equal rights for nations and of international working-class solidarity would in fact be merely empty phrasemongering.' (*ibid*) Lenin's message was clear: To support the rights of **oppressed** nations is to repudiate the rights of **oppressor** nations.

<sup>11</sup> *The Banker*, June 2015. I return to this point in Part 2, where I show that Scotland is an exaggerated microcosm of Britain.

<sup>12</sup> One of the few Marxists to apply Lenin's analysis of the national question to both the Scottish and Irish situations is Philip Ferguson. After stating that Scotland is very much an 'integral part of British imperialism', and that it no more has a 'subordinate and oppressed relation to England' than does Yorkshire, he went on to argue: 'In Ireland, in order to unite the working class it is necessary to oppose Unionism, partition and British rule because those are the things which prevent working class unity. In Britain (i.e., Scotland, Wales and England), the working class is already united, and yet some people want to break it up. I do not see the sense in that.' (<http://lists.csbs.utah.edu/pipermail/marxism/2004-June/109912.html>) In Part 5, I show that the unity of workers within and between nations, together with the unity of workers and oppressed peoples, is the principle idea running through all of Lenin's writings on the national question.

Kingdom remain a member of the European Union or leave the European Union?' No self-respecting socialist would give legitimacy to so rotten a geo-political entity as the **United Kingdom**. Socialists who support the 'right' of the British to vote on behalf of the Irish are social-chauvinists of the worst kind. So far, however, British left groups seem not to have noticed (or if they have noticed, seem not to care) that the forthcoming European referendum will have a decidedly **colonial** character. I earnestly trust that the RCG will break the mould of British chauvinism and signal a return to socialist sanity.

As for your insistence that the Scottish and Irish independence struggles are not analogous, I show (again in Part 5) that you have repeatedly drawn the closest of parallels between them. Despite your claims to the contrary, Scotland takes on the guise of an oppressed nation in your writings.

Criticising your perspective is not a straightforward task. Notwithstanding your professed commitment to the Marxist method of analysis, you ignore a whole range of issues which are critical to an understanding of the Scottish question. My letter, therefore, is unavoidably wide-ranging and lengthy. To set the record straight, and to remind you of how your own organisation has defended Marxism over the years, I have had to make frequent detours into the realm of 'high theory'. Although you may regard these detours as irrelevant, they will anchor our disagreement in a recognisable RCG context.

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## Part 1

### The RCG's incompatible perspectives

#### 1. The RCG forges its political line

##### A great step forward for the British left

The best starting point for a discussion of the RCG's political perspective is *The revolutionary road to communism in Britain: Manifesto of the Revolutionary Communist Group*.<sup>13</sup> While I accept that manifestos are not chiselled in stone this document is an outstanding testimony to the RCG's ongoing commitment to revolutionary Marxism. It rightly treats the British state as a unitary state and the United Kingdom as an artificial construct which has been forcibly imposed on the Irish people. By the 'break-up of the Union' the Manifesto means **Irish independence**, neither more nor less.

The Manifesto unreservedly supports the right of oppressed nations to self-determination, yet not once does it raise the question of Scottish independence. In fact, it regards Scotland as an integral part of Britain, in much the same way as it regards, say, Bavaria in relation to Germany, Texas in relation to the USA, or Cornwall in relation to Britain.

One of the Manifesto's outstanding features is the light it throws on the question of the distinction between Britain and the United Kingdom. The latter's character as a geopolitical entity is defined by Britain's subjugation of Ireland: without that subjugation, the United Kingdom would lose its central purpose, its reason to exist. This basic truth determines how the Manifesto approaches the Irish question. Over and over it urges the British workers to give their unqualified support to the Irish people in their struggle 'to drive British imperialism out of Ireland.' Only when the British workers have forged an alliance with 'the revolutionary national movement in Ireland' will they be in a position to confront the British state in a consistently revolutionary manner.<sup>14</sup>

Turning its attention to the struggle for state power in Britain, the Manifesto emphasises that the British workers cannot simply lay hold of the ready-made state machine and use it for their own purposes. When a revolutionary situation arises and the conditions for change are present, the British workers must smash that machine and on its ruins transform their organs of revolutionary struggle into the organs of the new state power.<sup>15</sup> The struggle of the Irish masses to **break-up** the United Kingdom is thus indissolubly linked to the struggle of the British workers to **overthrow** the British state.

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<sup>13</sup> Larkin Publications, 1984. This work will henceforth be referred to as *Manifesto of RCG*.

<sup>14</sup> *Manifesto of RCG*, p79, pp83-4.

<sup>15</sup> *Ibid*, p143.

The Manifesto went on to explain that the British working class will not automatically rise up and seize power when the right moment comes. Revolutionary socialists must prepare for that moment, and to this end must form a genuinely independent workers' political party, one which is rooted in the masses, is thoroughly anti-imperialist in its outlook and practice, and is relentless in its drive to uproot opportunism from the labour movement. Should the British workers fail to confront the opportunists in their midst, the British state will gain immeasurably in strength, both at home and abroad. In the words of the Manifesto:

'With the advent of imperialism and the growth of opportunism as an international trend, it became clear that a revolutionary socialist movement would only be built if socialists abandon their preoccupation with the privileged minority of workers and, in Lenin's words, "go down lower and deeper, to the real masses" - the real majority not infected with bourgeois prejudices. This standpoint dictates our strategy for building a communist party in Britain today. A communist party can only be built first and foremost among those sections of the working class whose conditions of existence force them into conflict with the British imperialist state. ... Communists have to work alongside these forces and other oppressed sections of the working class to build with them an anti-imperialist anti-racist movement which will draw in wider sections of the working class. Only from the most politically conscious, vanguard elements of this movement, schooled in the anti-imperialist struggle, can a new communist party be born in Britain.' <sup>16</sup>

Unlike most other British groups, the RCG has never flinched from acknowledging the existence of a labour aristocracy. The British working class is deeply scarred by the division between privileged and downtrodden workers, between those who have an interest in collaborating with imperialism and those who do not. But this division, as the Manifesto makes clear, has **nothing** to do with Britain's internal territorial arrangements. In going down 'lower and deeper, to the real masses', British communists seek to unite **all** workers – Scottish, Welsh and English – in a **single** communist organisation.

Moreover, while the Manifesto adopts a consistently Marxist approach towards the question of oppressed minorities in Britain, it says nothing about the status of Scottish workers toiling in England. (One of the hallmarks of Ireland's oppressed condition, Marx and Engels noted, was the way in which Irish workers were treated in Britain itself.) To this day the RCG refrains from portraying Scottish workers in England as an oppressed stratum of the British working class.

The existence of oppressed minorities in Britain does not in any way detract from the RCG's commitment to the building of an all-British communist party. On the contrary, it is from the ranks of these minorities that the most revolutionary elements of the British working class have emerged. Without exception, they have enriched and strengthened the struggle for socialism in this country. The following, written by the editorial board of *Revolutionary Communist* as early as 1979, leave us in no doubt as to the path the RCG chose concerning the question of the British workers' tasks in relation to the state.

<sup>16</sup> *Manifesto of RCG*, p152.

'Black and immigrant workers in this country suffer a dual oppression, both from racism and class exploitation. They have been forced into direct confrontation with the British state. No other section of British workers is involved to anything like the same degree in such a determined struggle against the British state. This puts black and immigrant workers in the vanguard of the struggle for ***the overthrow of the British state and against imperialism.***

'Back people are not alone in their struggle against the British state. The Provisional Republican Movement in Ireland is waging a war for national liberation against the British state. Irish people in Britain, who support this struggle, are systematically confronted and harassed by the British state.'<sup>17</sup>

The RCG has consistently presented the British state as the enemy of both the British workers and the Irish people. At the same time, it has made clear that the struggle for socialism in Britain is not the same as the struggle for national liberation in Ireland. The two struggles share many features in common and are mutually reinforcing, but are distinct nonetheless. Whereas the task of the British workers is to destroy the British state and replace it with a proletarian one, the task of the Irish national liberation movement is to drive British imperialism out of Ireland.<sup>18</sup>

The Manifesto made its appearance in 1984, Michael, and in the decades that followed you continued to uphold the RCG's traditional attitude towards Britain and the United Kingdom. Many opportunities arose for you to speak out in favour of Scottish independence, but you refrained from doing so. Even when the Scottish question took the centre stage of British politics, you continued to keep your pro-independence views to yourself.

## **2. The Scottish independence issue comes to the fore**

### **A resounding victory**

The question of Scottish independence entered the mainstream of British political debate in May 2011, when the Scottish National Party achieved a clear victory over the other parties in the devolved Scottish elections. The following table highlights the SNP's dramatic change of fortunes.

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<sup>17</sup> 'Imperialism, National Oppression and the New Petit Bourgeoisie', Editorial written by David Yaffe, in *Revolutionary Communist* No 9, June 1979, p1; emphasis added.

<sup>18</sup> The question of the relationship between Irish republicanism and Irish socialism lies beyond the scope of this paper. I touch on it in Part 5, where I consider the standpoint of James Connolly, one of the greatest revolutionary Marxists ever. The 'anguished' excuse which British opportunists give for distancing themselves from Ireland's independence struggle is that the Irish republican movement is inherently anti-socialist. For brilliant criticisms of this position see 'Ireland: Imperialism in Crisis 1968-78', by Terry Marlowe and Stephen Palmer, in *Revolutionary Communist* No 8, July 1978, and *Ireland: the key to the British revolution*, by David Reed, Larkin Publications, 1984.

### Seats by Party in the devolved Scottish Assembly<sup>19</sup>

	Total Assembly Members Elected			
	1999	2003	2007	2011
Scottish National Party	35	27	47	69
Labour Party	56	50	46	37
Conservative & Unionist Party	18	18	17	15
Liberal Democratic Party	17	17	16	5
Green Party	1	7	2	2
Socialist Party	1	6	0	0
Other	1	4	1	1
Total seats	129	129	129	129

The trend is even clearer when viewed in percentage terms. In 1999 the SNP held 27.1 percent of the Scottish Assembly seats and in 2011 this figure almost doubled to 53.5 percent. Over the same period, the Labour Party's share fell from 43.4 percent to 28.7 percent. With such a large increase in its seat share, the SNP was able to gain outright control of the devolved assembly.

Soon after the SNP's victory, the Scottish and British governments entered into negotiations on the terms of an independence referendum. The contentious issues centred on the timing of the referendum and the wording on the ballot. Since opinion polls indicated that some 70 percent of the Scottish people preferred greater devolution to independence, the SNP needed as much time as possible to win the Scottish people over to its standpoint. Accordingly, it called for the referendum to be held later rather than sooner, certainly not before the autumn of 2014. Moreover, in an attempt to ensure that it gained some advantage from a failed referendum, the SNP insisted on the inclusion of two questions on the ballot. The first would ask the Scottish people if they wanted Scotland to be an independent country, and the second whether they wanted the Scottish parliament to have greater control over Scottish affairs. The British government was intransigent. Buoyed by the opinion polls, it pressed for an early referendum, as well as rejected the idea of a second, Home Rule question on the ballot.

The dispute raged for several months, each side noisily accusing the other of acting in bad faith. Finally, in October 2012, after much posturing and sabre rattling, the two sides reached agreement. It was decided that the referendum would take place on 18 September 2014, and that the Scottish people would be asked a straightforward Yes/No question: 'Should Scotland be an independent country?' By now all left groups had indicated how they would vote. The sole exception was the RCG, which stood aloof from the debate.

<sup>19</sup> [http://www.scottish.parliament.uk/Electionresults/2011%20election/1\\_Summary\\_of\\_Seats.pdf](http://www.scottish.parliament.uk/Electionresults/2011%20election/1_Summary_of_Seats.pdf)

## British socialists enter the debate

Some left groups called for a 'Yes' vote, others a 'No' vote, and still others for a boycott of the referendum. Two organisations which regularly crossed swords with each other were the Communist Party of Great Britain (CPGB) and the Socialist Workers Party (SWP). The CPGB maintained that Scottish independence would be unduly divisive because it would prevent British communists from carrying out their chief political task, which is to 'take on the UK state'. Instead of supporting Scottish independence, British communists should unite the UK masses behind the united forces of the UK's united labour movement.<sup>20</sup> Oh, the joys of Socialist Unitarianism!

The CPGB fell under the 'better together' spell long before Scottish independence became an issue. In 2000 Peter Manson wrote: '...if we are to not merely weaken, but overthrow, the United Kingdom state, we will need to organise politically in all its constituent parts through a united Communist Party.'<sup>21</sup> The following year, Jack Conrad advanced a similar argument. The goal of UK communists, he stated, 'is not to weaken the UK state by hiving off eight percent of its population in Scotland. The working class movement must set its sights higher, on the destruction of the UK state.'<sup>22</sup> All of which prompted an enterprising correspondent to suggest that comrades who advocated 'the overthrow of the UK state' should take the next step and 'openly declare for the CPUK'.<sup>23</sup>

Despite its fiery talk about 'taking on the UK state', the CPGB did not transform itself into the CPUK. It was under the modest signboard of the CPGB that our Unitarian Socialists sallied forth in their drive to preserve the political integrity of the 'United Kingdom state'.

The SWP went to the opposite and equally reactionary extreme. In its call for a 'Yes' vote, it stressed the advantages of the break-up of the British state. In a booklet spearheading its pro-independence campaign, the SWP declared:

'The break-up of the British state could significantly weaken British imperialism, its reactionary unionist ideology and its ability to intervene militarily in countries such as Iraq, Afghanistan or Syria. This should be welcomed and supported by socialists and workers across Britain.'<sup>24</sup>

Can it be that the SWP has finally overcome its squeamishness about acknowledging the existence of British imperialism? Its pro-independence booklet certainly brims with anti-imperialist phrases, but these are just words, hollow markers used for effect. As an organisation which has persistently repudiated nationalism in all

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<sup>20</sup> 'Platform points', by Sarah McDonald, *Weekly Worker* No 999, 27 February 2014, p2.

<sup>21</sup> *Weekly Worker* No 361, 23 December 2000. Manson's analgesic expression 'constituent parts' conveniently glossed over the fact that the UK is made up of oppressed and oppressor parts.

<sup>22</sup> *Weekly Worker* No 374, 8 March 2001.

<sup>23</sup> *Weekly Worker* No 1000, 6 March 2014, p2.

<sup>24</sup> *Scotland: Yes to Independence, No to Nationalism*, a Socialist Worker pamphlet by Keir McKechnie, October 2012, p3.

its forms, including even its **revolutionary** forms, the SWP has little choice but to use the language of anti-imperialism to justify its support for **reactionary** nationalism. Characteristically, the SWP contends that the struggle for Scottish independence is a purely 'class struggle' which is unrelated to the 'national question'. In support of its contention, it argues, first, that the SNP is a Home Rule British party which is opposed to genuine independence, and second, that the Scottish workers who favour independence are overwhelmingly hostile to Westminster's austerity measures. From this the SWP concludes that Scotland's independence movement is quintessentially an anti-capitalist movement.<sup>25</sup> As ever, economism is alive and well in the SWP.

I examine the positions of the CPGB and SWP in detail later, as well as consider the views of those who advocated a boycott of the referendum. Here it is sufficient to note that neither the CPGB nor the SWP attempted to use the Scottish independence debate as an opportunity to raise awareness about Ireland's oppressed condition. The build-up to the Scottish referendum was an ideal time for British workers to consider why the British ruling class has always been implacably opposed to an all-Irish independence referendum. Yet on this crucial point the CPGB and SWP remained wilfully and shamefully silent. Of all the British groups, the RCG alone was well placed to turn the Scottish question into an Irish question.

RCG members, however, seemed oblivious of the debate that was taking place around them over the Scottish independence issue. There was not a single word in the RCG's publications on either the right of the Scottish people to self-determination or the forthcoming Scottish referendum. Not a syllable on what the RCG's attitude towards the question of Scottish secession might be. The RCG's silence in this regard ran parallel with its unwavering support for Irish independence.

The RCG has never held back from stating where it stands on the question of Irish independence. Throughout its existence, the organisation has championed the rights of the Irish people, regardless of the phases through which the Irish independence movement has passed. Socialists do not wait for crises to break-out or for anti-austerity struggles to take root before revealing what their attitude towards the secession of a nation is.

I must point out here that my account of the RCG's tardiness is not entirely accurate. The February/March 2012 issue of *FRFI* included a letter supporting Scottish independence. But it was a brief, solitary letter, unconnected to anything RCG members had written on the subject. And besides, the editorial board refrained from commenting on it, which must have struck readers as a strange omission for an organisation which takes pride in its analytical rigour. Full of revolutionary bombast and meaningless generalities, the letter called on the Scottish people to 'go it alone' as the 'first step forward' towards the creation of **workers' soviets**. How an imperialist-hosted referendum would yield such a rich harvest of proletarian institutions the author did not

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<sup>25</sup> *Scotland: Yes to Independence, No to Nationalism*, a Socialist Worker pamphlet by Keir McKechnie, October 2012, p3, p21, p29.

attempt to explain. But, as noted, the *FRFI* editorial board chose not to respond to the letter.

Debate among left groups continued throughout 2013, growing in intensity as referendum day drew near, but still the RCG remained silent. Then, early in February 2014, a mere seven months before the referendum was due to be held, *FRFI* carried your article 'Scotland: Yes to independence, No to British imperialism'.<sup>26</sup> The appearance of your article marked the RCG's entrance into the debate on the Scottish independence issue.

### 3. The RCG changes course

#### Britain and the United Kingdom

The title of your article, together with your concluding sentence, left readers in no doubt as to where your allegiance lay. You ended with these ringing words:

'Today we say that the working class and people of Scotland should use this opportunity to vote "Yes" for an independent socialist Scotland and in doing so repudiate and challenge the foul imperialist alliance [**alliance!!!???**] which is the United Kingdom.'<sup>27</sup>

One of the problems with this formulation is that it obscures the distinction between Britain and the United Kingdom. Though devastatingly real in its consequences, the United Kingdom is not a state, unitary or otherwise. It is an imperialist deception, a pseudo-geopolitical entity designed to give 'constitutional form' to Britain's oppression of Ireland. The 'Disunited Kingdom' would be a more appropriate epithet.

In calling for Scottish independence you were in fact calling for the break-up of **Britain**, which, in your recent *FRFI* article, you acknowledge to be a **unitary** state. To those who have been following the development of the RCG's political line over the years, your declaration of support for the break-up of Britain must have come as a startling revelation.

You need to bear in mind, Michael, that it was only with the publication of your 'Yes to independence' article that the public was first made aware of the RCG's attitude towards the question of Scottish independence. By advocating the break-up of Britain, you were effectively carrying out a fundamental and far-reaching revision of the RCG's political programme, as set forth in the organisation's Manifesto and associated writings. Under these circumstances, one would have expected the *FRFI* editorial board, in its preamble to your article, to explain **why** the RCG has struck out on a new course. **Yet no such explanation was forthcoming.** It is as though the RCG has always viewed the break-up of Britain as one of its strategic goals, which is patently not the case. Again

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<sup>26</sup> *FRFI* 237, February/March 2014.

<sup>27</sup> *Ibid.*

and again the Manifesto makes the point that there is only one way in which the British workers can 'repudiate and challenge the foul United Kingdom', and that is by linking their struggle to overthrow **the British state** with the Irish people's struggle to drive British imperialism **out of Ireland**

Now that you have openly expressed your support for Scottish independence, surely the time has come for you to clarify how you view the British workers' tasks in relation to the British state. Should the British workers overthrow this state, or should they break it up into a number of smaller states? Obviously, the two tasks are mutually exclusive. Only muddle-headed socialists would set their sights on the break-up of a country whose state they seek to overthrow. The call for a stages approach (first the break-up of Britain and then the overthrow of the British state) would be equally nonsensical. Once Scotland secedes from Britain, the British state will cease to exist, as will the British bourgeoisie and its antipode, the British working class. In a word, there will no longer be a British state for anyone to overthrow, only a collection of states you have yet to identify.

And what will become of the RCG if Scotland secedes from Britain? Will it reconstitute itself as a 'multi-nation' RCG? Or will it set up a multiplicity of RCGs in accordance with the number of break-away regions involved? If you feel that the raising of these questions is unduly speculative, unsuited to the RCG's current ideological tasks, you will still need to square your support for the break-up of Britain with the RCG's call, so strongly expressed in the Manifesto, for the creation of an **all-British** communist party.

It seems to me, Michael, that your acceptance of the idea that Britain is a unitary state is a stratagem aimed at avoiding the question of why the RCG continues to function as an **all-British group**. RCG members who campaign for Scotland's secession should, at the very least, advocate the restructuring of their organisation along federalist lines, with RCG (Scotland) figuring as one group and RCG (England-Wales) another.

You clearly have difficult choices to make. But whatever you decide, you should avoid using the term 'dialectic' as if it were some magic wand for reconciling the irreconcilable. Before taking the eclectic path of combining incompatible perspectives, you would do well to consider what Marx and Engels had to say about the misuse of the dialectical method. 'Nothing is easier', they wrote, 'than to excogitate any Hegelian unity you please from ... two opposites and to give it any vague name you choose.'<sup>28</sup> I earnestly hope you will not argue that the struggle to **break-up** Britain is 'dialectically' related to the struggle to **overthrow** the British state.

There is nothing intrinsically wrong with a socialist organisation modifying its tasks. The Bolsheviks revised their programme several times and on each occasion went to considerable lengths to involve the membership in the decision making process. Congress was the highest decision making body of the Bolshevik organisations, even

<sup>28</sup> *The German Ideology*, M&E CW Volume 5, pp458-9.

during the darkest days of Tsarist rule, when secrecy and underground work were of paramount importance. In preparation for congress, branches were encouraged to debate the party's programme and submit resolutions and articles for congress's consideration. These were then widely distributed among the membership, so that by the time congress convened, delegates had a clear idea of what the issues were and what the rank-and-file felt about them. Majority voting always determined the outcome of congress debates. Once congress had drawn to a close, the leadership would give the membership a clear idea of what revisions had been made and why they had been made. The Bolsheviks took their ideological work seriously.

Unsurprisingly, you said nothing in your article about the RCG's political reorientation. Your failure to mention the RCG's change of mind was not a fortuitous oversight on your part, the result of an overly-hasty attempt to produce a 'Scottish' article in time for the Scottish referendum. Rather it was symptomatic of a deeper malaise, your inability to grasp the realities of British state power.

The RCG has always taken the unitary character of the British state as a given starting point in the formulation of its political tasks. Nowhere in its writings will you find even a shadow of a suggestion that the British state represents anything other than British imperialist interests. The idea that the British state is made up of an 'alliance' of territorially based ruling classes is **completely** absent from the RCG's analysis of British imperialism and the British state.

### **Breaking ranks**

Yet rather than incorporate the RCG's analysis into your perspective, you did what no other RCG member has ever done: you harked back to an **early** stage of capitalist development for the purpose of formulating **present-day** tasks. You thus began your article, not by situating the Scottish independence issue in the context of the crisis of British imperialism, but by giving prominence to the 1707 Act of Union, what you term 'the formal constitutional alliance of England and Scotland as primary and secondary partners in British colonialism and imperialism'.<sup>29</sup>

The partnership agreement to which you refer was unquestionably a major episode in British history, but it was an episode which was soon superseded by subsequent developments. And it is to these developments that RCG theoreticians turn when giving their accounts of the nature and origins of Britain's capitalist state.

One of the major influences on the formation of the British state was the rapid accumulation of industrial capital that took place in the 18<sup>th</sup> and 19<sup>th</sup> centuries. To be sure, the English Revolution of the 1640s, followed by the partnership agreement between the English and Scottish ruling classes some 60 years later, laid the groundwork for much of this accumulation. Various forms of primitive accumulation –

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<sup>29</sup> *FRFI* 237, February/March 2014. I am not sure what you mean by 'British colonialism and imperialism'. The accumulation of industrial capital, let alone the merging of industrial capital and bank capital, had barely begun at the turn of the 18<sup>th</sup> century.

the violent enclosure of common fields, the monopolisation of international trade, the colonisation of other people's lands, the trafficking in human souls, and so on – all these played key roles, too, in the setting of the stage for Britain's industrialisation. However, once industrial capital held sway over all other forms of capital, it acted as a powerful solvent, stripping away the local barriers to the further development of British capitalism. This in turn had a huge impact on both the nature of the British state and the class character of British society. In the same measure as British capitalism took root, the British capitalists became aware of themselves as a class and acted as a class.

By the time of the dawning of the imperialist epoch, the English, Scottish and Welsh capitalists had emerged as an essentially deterritorialised and integrated class, with its own national consciousness and organisations. Members of this class were continually at one another's throats, but this had more to do with the size and forms of their capital than their geographic location. Big English financiers had more in common with their Scottish counterparts than they had with small English sweat-shop owners. 'Foul' the British state was, but an 'alliance' it had long ceased to be.

At the same time as the British state fostered the conditions for the integration of England, Scotland and Wales into a common economy, it paved the way for the underdevelopment of Ireland. Within a few decades of the English bourgeoisie's triumph over absolutism in the 1640s, the whole of the Irish population, save for a small number of turncoats, was transformed into an oppressed people. Marx and Engels brilliantly exposed the dual character of British capitalism, the way in which it played historically **progressive** and historically **regressive** roles simultaneously. Ever since these leaders of the international proletariat came out in support of Ireland's secession from Britain, revolutionary Marxists have drawn a distinction between the brutal rigours of capitalist development and the suffocating dead-weight of capitalist underdevelopment.

So references to the past are important, Michael, but only in so far as they illuminate the present. Given the extent to which Scotland has been integrated into Britain, the Act of Union of 1707 casts little light on the question of how socialists should formulate their tasks in relation to the present-day British state. By contrast, as the RCG has gone to great lengths to explain, the so-called 'union' of Britain and Ireland is most certainly relevant to today's struggles.

Earlier I said that the Scottish and English capitalists, in the course of Britain's economic development, became conscious of themselves as a class and acted as a class. This is but another way of saying that they acquired a sense of 'brotherliness' as industrial capitalism gained ground. But what is the nature of this 'brotherliness'? Is it a purely subjective phenomenon, or does it have a material basis? And if the latter, how are we to understand and explain it? Capitalists, we know, have a deep bond because of their mutual interests in suppressing and exploiting the working class. But is this the only reason why capitalists think and act as a class, or are there other factors at work as well? To answer these questions, we must turn our attention to Marx's theory of the average rate of profit, a theory to which the RCG has devoted much of its time and energy defending.

## 4. The material basis of bourgeois 'brotherliness'

### The disintegration of classical political economy

In Part II of Volume III of *Capital* ('Conversion of Profit into Average Profit'), Marx dealt with a problem which confounded the best of the classical political economists. Even giants like David Ricardo failed to grasp how the law of value operates to produce an equal rate of profit across different industries. His failure stood in marked contrast to his achievements in other areas of economic thought. More than any of his classicist colleagues, he held firmly to the view that labour is the sole source of value, and that the value of commodities is determined by the amount of labour time involved in their production. For this reason, Marx had the highest regard for him.<sup>30</sup>

On the basis of his theory of labour value, Ricardo was able to build a powerful case against landlordism. His attack on the Corn Laws, which protected the landlords' rents at the expense of the industrialists' profits, naturally endeared him to wide sections of the bourgeoisie. 'The interest of the landlords', he wrote, 'is always opposed to the interest of every other class in the community.'<sup>31</sup> This aspect of Ricardo's intervention Marx greatly admired, also.<sup>32</sup>

Yet for all his insights, Ricardo remained baffled by the fact that capitalists tend to earn a uniform rate of profit on equal amounts of investments, **regardless of the number of workers they employ**. Since labour is the sole source of value, should not labour-intensive investments of a given size yield a higher rate of profit than capital-intensive investments of the same size? Rather than solve this conundrum, Ricardo shied away from it, afraid of delving too deeply into the nature of capital, whose historically transient character he denied.<sup>33</sup>

The bourgeois critics of classical political economy took advantage of Ricardo's weaknesses to argue that the theory of value has no basis in logic or fact. Aware of the growing popularity of socialism, these critics – or vulgar economists, as Marx called them – were alarmed at the way in which Ricardo's more radical followers were drawing on classical political economy to advance the workers' cause. It was bad enough that Ricardo had used his theory of labour value as a vehicle for undermining landlordism; now his followers were using that same theory to prove that the capitalists were

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<sup>30</sup> What set Ricardo apart from the rest of the classicists, Marx wrote, was his unwavering conviction that 'the starting-point for the physiology of the bourgeois system – for the understanding of its internal organic coherence and life process – is the determination of **value by labour-time**.' (TSV II, p166.)

<sup>31</sup> 'Essay on Profits', by David Ricardo, *The Works and Correspondence of David Ricardo* Volume IV, Cambridge University Press 1951, p21.

<sup>32</sup> See 'The Indian Question', by Karl Marx, M&L CW Volume 12, p160-1.

<sup>33</sup> 'Being a bourgeois economist, [Ricardo] did not analyse this contradiction, for his class instinct made him shun this dangerous ground.' (*The Making of the Marxist Philosophy*, by T.I. Oizerman, Progress Publishers 1977, p220.)

superfluous to society. From that moment on, the bourgeoisie lost all interest in a scientific analysis of capitalism: the era of vulgar economics had dawned.<sup>34</sup>

With the triumph of free trade over protectionism, classical political economy stood at the cross-roads of bourgeois radicalism and bourgeois apologetics. Although Ricardo's intervention had helped the industrial capitalists to assume a position of dominance in society, his theory of labour value ultimately proved to be a poisoned chalice for them. As Marx took delight in pointing out, Ricardo's attack on landlordism could be used 'word for word against the capitalists from the workers' standpoint.'<sup>35</sup> Inevitably, therefore, classical political economy underwent a process of disintegration.

By failing to solve the problem of an average rate of profit, Ricardo left the theory of value in an incomplete state, and this played into the hands of the vulgar economists, who were intent on purging economic theory of anything that smacked of radicalism. Their smug rejection of classical political economy belied an intense anxiety about the theory of value. They knew of the threat that this theory posed and recognised the necessity of combatting it, the more so since the industrial proletariat was growing in size and militancy with each passing year. While in the centres of European radicalism 'the working classes were still dragging at the tail of the industrial bourgeoisie', in Britain they had appeared 'as an independent force and were already realising that the industrial bourgeoisie were their principal enemy'.<sup>36</sup> To preserve the scientific content of the theory of value, while at the same time perfecting it as a weapon of anti-capitalist struggle, Marx subjected classical political economy to a rigorous critique.

In the course of his critique, Marx readily acknowledged, first, that capitalism could not survive without an average rate of profit, and second, that the existence of an average rate of profit appeared to **negate** the theory of value. There is no doubt, Marx noted in Volume III of *Capital*, that, aside from temporary and incidental fluctuations in market prices,

'differences in the average rate of profit in the various branches of industry ... could not exist **without abolishing the entire system of capitalist production**. It would seem, therefore, that here the theory of value is incompatible with the actual process, incompatible with the real phenomena of production, and that for this reason any attempt to understand these phenomena should be given up.'<sup>37</sup>

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<sup>34</sup> For those who do not wish to wade too deeply into muck, the following may be taken as a fair specimen of vulgar economic thought: Commodities have value, not because of the labour embodied in them, but because of their utility and scarcity. The consumers' subjective preferences have as much influence on value determination as the availability of commodities. From this it may be concluded that profits have their origin in a variety of factors and not just in the labour performed by the wage labourers. The capitalist's entrepreneurial skill – his ability to judge investment risks, utilise resources effectively and identify favourable marketing opportunities – is as important a factor in wealth creation as labour. So argued the vulgar economists, the watchdogs of capitalism in its fully developed form.

<sup>35</sup> TSV III, p59 and p429.

<sup>36</sup> *A People's History of England*, by A.L. Morton, Lawrence & Wishart 1976, p434.

<sup>37</sup> *Capital* III, p151; emphasis added. Each of the three volumes of *Capital* will henceforth be referred to as Volume I, Volume II and Volume III respectively.

No sooner had Volume III been published than the vulgarians endeavoured to exploit what they saw as Marx's vulnerability, his 'admission' that the law of value operates in a modified form in advanced capitalist society. Earlier, they had attempted to dismiss Volume I as a wearisome irrelevancy; but they failed dismally, for increasing numbers of militant workers were absorbing its truths, even in backward capitalist countries like Germany, where industrial capitalism was barely in its infancy.<sup>38</sup> So when Volume III made its appearance, the vulgar economists were beside themselves with glee. Here was an opportunity, as they saw it, to cast doubt on the seditious idea that profits originate in the exploitation of the working class by the bourgeoisie. After all, if no less a figure than Marx could concede that the formation of an average rate of profit posed a problem for value theory, then something must be amiss.

Marx was not the one to abandon the working class to the ideological clutches of the vulgar economists. When he said that differences in the rate of profit could not exist without abolishing the entire system of capitalist production, he was careful to note that '*it would seem*' that the workings of the capitalist system invalidated the theory of value. However, rather than ignore this issue or treat it lightly, as the classicists had done, Marx set out to resolve it. In the process he brought to light an immensely important feature of capitalism, one which has a direct bearing on the way in which we characterise the bourgeoisie.

## **The Marxist theory of the average rate of profit**

### ***(i) The setting***

In 1862, well before the publication of Volume I, Marx wrote excitedly to his friend Engels: 'I will tell you in a few words what is really a lengthy and complicated story, in order that you may give me your opinion.'<sup>39</sup> The story to which Marx referred was the story – or rather the beginnings of the story – of the average rate of profit. It was a story which had never been told before by anyone, but which now formed an integral part of the scientific concept of capital.<sup>40</sup> Engels hung onto every word of Marx's narrative. As a steadfast communist, he immediately understood the significance of it for socialist thought and the workers' class struggle.

Although Marx attached great importance to the theory of the average rate of profit, he purposefully refrained from considering it in Volume I. His immediate task was to disclose the inherently antagonistic nature of the relation between labour and capital, and for this reason he focussed exclusively on the capitalist production process. He thus made it clear, at various points in Volume I, that the rate of profit, though

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<sup>38</sup> In the afterword to the second German edition of Volume I, Marx wrote: 'The appreciation which "Das Kapital" rapidly gained in wide circles of the German working-class is the best reward of my labours.' Capital I, p13.

<sup>39</sup> Marx to Engels, 2 August 1862, M&E SC, p157.

<sup>40</sup> Capital III, p166.

‘economically of very great importance’, was a subject to which he would turn in Volume III.<sup>41</sup>

The fact that Marx carefully delineated between different levels of economic analysis does not mean that he erected artificial barriers between them. Volume I abounds in concepts which he carried over into Volumes II and III. Of particular importance were the concepts of surplus-value (the unpaid labour which the capitalists appropriate in the immediate production process) and the organic composition of capital, the ratio of the means of production (or constant capital) to living labour-power (or variable capital). With the aid of these concepts Marx was able to demonstrate a) that exploitation is the **essence** of capitalism, the axis around which the entire capitalist economy revolves, and b), that capital is a historically determined **social relation**, one in which the products of the workers’ labour confront them as an alien and hostile force. A rise in the productive power of labour implies a rise in the organic composition of capital, that is, a more rapid growth of constant capital as compared with variable capital. The more surplus-value the workers produce, therefore, the more they extend the power and domination of capital over themselves. Despite their puffed-up sense of self-importance and entitlement, the capitalists are nothing but the **personification** of this relation. When the workers seize power and expropriate the capitalists, the means of production will cease to take the form of capital. All this and more Marx demonstrated in Volume I.

True to his word, Marx began Volume III with an analysis of the rate of profit. His prime emphasis was no longer the direct process of capitalist production (the relation of labour to capital) but ‘the action of different capitals upon one another.’<sup>42</sup> One of the enthralling aspects of this volume is the way in which Marx draws the contrast between ‘the ordinary consciousness’ of the capitalists and the ‘inner organic life’ of the capitalist system. The rate of exploitation (the ratio of surplus-value to variable capital) is not just invisible to the capitalist but of no interest to him whatsoever. The only thing that concerns him is the rate of profit, that is, the ratio of **profits to total capital outlay** (constant capital plus variable capital). It matters not one jot to the capitalist what the organic composition of his capital is, so long as he earns a satisfactory rate of return on his investment. In Marx’s words:

‘Seeing that the capitalist can exploit labour only by advancing constant capital and he can turn his constant capital to good account only by advancing variable capital, he lumps them all together in his imagination, and much more so since the actual rate of his gain is not determined by its proportion to the variable, but to the total capital, not by the rate of surplus-value, but by the rate of profit.’<sup>43</sup>

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<sup>41</sup> Capital I, p215; see also p325. Marx did not keep strictly to his plan. In the course of his analysis of the production of surplus-value, he introduced readers – albeit briefly – to the theory of the tendency of the rate of profit to fall. Elsewhere I explain why Marx was correct to bring this theory into his Volume I analysis.

<sup>42</sup> Capital III, p25.

<sup>43</sup> Capital III, p42.

The very phenomenon which the capitalists ignored - variations in the organic composition of capital – Marx considered to be of major importance for the understanding of the system of capitalist production. In some industries the capitalists have to invest the larger portion of their capital in constant capital, which itself does not generate profit although it is indispensable for the production of surplus-value. In other less technologically advanced industries, the larger portion of capital is used to secure living labour-power, which is the sole source of surplus-value. From this an important question arises: Since all profits come from variable capital alone, why should capitalists invest in technologically advanced industries, where relatively few workers are employed per unit of investment?

The time had come for Marx to tell his story of the average rate of profit to the general public.

### ***(ii) The problem defined***

To help the reader to grasp the essential points at issue, Marx held everything constant **except** variations in the organic composition of capital. This seemed a far cry from reality. In actually existing capitalist economies, a vast number of profit-seeking enterprises of various types and sizes co-exist. Industrial, mining, agricultural, commercial and financial enterprises all compete for the fruits of capitalist exploitation. Some have a lengthy turnover period, lasting for many months, and others a turnover period which is extremely short by comparison. Some enterprises are huge and others miniscule and in between there is a wide range of medium-sized enterprises. The labour force, too, is highly diverse, displaying a wide degree of variation in skills and earnings, with racial, ethnic and gender oppression often playing significant roles in this differentiation. Rather than deal with the whole of economic reality at once, Marx approached the problem of a general rate of profit by reducing it to its bare essentials. He assumed that all capitals are of the same size, have the same turnover period and are directly engaged in the production of surplus-value. In addition, he assumed that all workers are equally unskilled and equally exploited, each providing the capitalists with the same amount of surplus-value. Finally, he assumed that labour and capital are able to move freely from one branch of industry to another.

Having made these simplifying assumptions, Marx then classified 'the many capitals' into three broad categories: 1) capitals which contain a larger percentage of constant capital and a smaller percentage of variable capital than the average social capital; 2) capitals which contain a smaller percentage of constant capital and a larger percentage of variable capital than the average social capital; and 3) capitals whose composition coincides with the average social composition. Marx referred to these capitals as capitals of high, low and average composition respectively.<sup>44</sup>

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<sup>44</sup> Capital III, p161. In Marx's analysis, capitals of average composition play the two-fold role of a) delineating between capitals of high and low compositions, and b) encapsulating the essential features of the total social capital.

Marx then posed an important question: what would happen if commodities were sold at their values, that is, at prices which reflect the socially necessary labour-time embodied in them. The answer is immediately apparent from the transformation tables he provides. Capitals with a high composition (i.e., a preponderance of constant capital over variable capital in excess of the social average) would yield a rate of profit **below** the average, while capitals with a low composition would yield a rate of profit **above** the average.

But if low composition capitals always yielded above average rates of profit, capitalism would never have emerged as the dominant mode of production. Rather it would have existed in a perpetually stunted form, fusing with, but never superseding, earlier exploitative societies. In the world of commodities and money, big merchants and usurers would have ruled the roost, locked in an embrace – now friendly, now hostile – with slave owners and feudal lords. Modern steel mills would never have supplanted primitive iron foundries. Just as slavery had acted as a brake on technological progress, so would capitalism have encouraged manufacturers to run their enterprises on a labour intensive basis. There would have been no industrial proletariat to usher in the classless society; no Communist Manifesto in which the following appears:

‘The bourgeoisie cannot exist without constantly revolutionising the instruments of production, and thereby the relations of production, and with them the whole relations of society. ... The bourgeoisie, during its rule of scarce one hundred years, has created more massive and more colossal productive forces than have all preceding generations together.’<sup>45</sup>

Capitalism, we know, did not wither in the womb of feudalism. It emerged as a mode of production in its own right, massively developing the productive power of labour. As the theoretical representatives of capitalism in its early ascendant phase, the classical political economists endeavoured both to sanctify capitalism (the vulgar element in their writings) and to combat parasitism (the radical element). All those who acted as a drain on the accumulation process earned the classicists’ hatred. To safeguard their new, bustling mode of production against the remnants of the old order, they forged a theory of labour value, according to which the landed nobility, together with its retinue of idle wastrels, lived off other people’s labour.<sup>46</sup> Although this theory served the capitalists well for a number of decades, it ultimately rebounded on them. Rallying to the side of the proletariat, radical thinkers, taking their stand on the theoretical ground prepared by Ricardo himself, declared in so many words:

‘Labour is the sole source of exchange-value and the only active creator of use-value. This what you say. On the other hand, you say that **capital** is everything, and the worker is nothing more than a mere production cost of capital. You have refuted yourselves. Capital is **nothing** but defrauding of the worker. **Labour** is **everything**.’<sup>47</sup>

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<sup>45</sup> M&E CW Volume 6, p487 and p489.

<sup>46</sup> See TSV I, p291-2.

<sup>47</sup> TSV III, p260.

As sincere and perceptive as the Ricardian friends of the proletariat were, they proved unequal to the task of defending the theory of value in a systematic and thoroughgoing manner. Even during capitalism's early ascendant phase, when the bourgeoisie was imbued with a radical outlook, none of the classicists had the insight (or the courage) to pose the key question: How does it come about that equal capitals invested in different branches of industry yield more or less the same profit, **regardless of differences in the organic composition of capital?** Without the posing of this question, any attempt to defend the theory of value against its vulgar detractors would have failed.

### ***(iii) The problem solved***

Armed with the concepts of surplus-value and the organic composition of capital, Marx easily solved the riddle of the average rate of profit. The driving force of capitalism is the profit motive. In a competitive economy, capitalists will transfer their capital from the high composition industries (where profits are relatively low) to the low composition industries (where profits are relatively high). As a result of this transfer, the output of the low composition industries will increase and that of the high composition industries will decrease. This change in the conditions of supply will have a two-fold effect on prices. On the one hand, it will compel the capitalists in the low composition industries to lower the prices of their commodities. On the other, it will enable the capitalists in the high composition industries to raise the prices of their commodities to a level which will make the rate of profit in all industries approximately equal. This restless flow of capital in and out of industries will continue until the price changes result in a levelling of profits on equal sums of capital across all industries. Marx referred to prices which are equal to the total capital expended plus the average rate of profit as prices of production. The prices of production of commodities, therefore, may be **higher** or **lower** than their values, depending on the composition of the respective capitals. However – and this point is critical - since the sum of the values of commodities coincides with the sum of the prices of production, the law of value continues to operate, though in a modified form.

Far from glossing over the problem of a general rate of profit, Marx tackled it head-on and solved it. In a clear and simple manner, he demonstrated that the levelling of profits occurs, not **despite** the operation of the law of value, **but because of it**.

## Superseding classical political economy

In the light of Marx's analysis of the average rate of profit, Ricardo's limitations are easily understood. He began his investigation of value by assuming a general rate of profit, but without ever explaining **how** this rate comes about. He took it as a given that capitalism cannot function without an average rate of profit and was content to let the matter rest there. His only concern was to understand the conditions of capitalist production and to assert them as the absolute forms of production. He was aware that capitals of equal size are by no means of equal composition, and that capitals which set unequal amounts of immediate labour in motion earn the same rate of profit, yet still he would not say that this posed a problem for value analysis.<sup>48</sup>

Determined to strike a blow against landlordism, yet reluctant to bring the capitalist system into question, Ricardo defended a **truncated** version of the theory of value. Instead of analysing the conversion of **profits** into an **average profit**, he omitted this **intermediary step** and erroneously identified **surplus-value** with **average profit**. He thus bequeathed to future generations a theory of labour value which was not so much wrong as lacking in depth and form.

Like his classicist colleagues, Ricardo never fully grasped the nature of the accumulation process. In his mind the self-expanding power of capital appeared to him as the property of the material elements of production, as the property of **things**. He thus failed to develop a number of key concepts (including those of constant capital, variable capital and the organic composition of capital) which are essential for an understanding of the conversion of profit into average profit. Instead of revealing all the hidden connections of the accumulation process, he jumped in a single analytical leap from the concept of the **magnitude of value** to that of the **average profit**.<sup>49</sup>

Marx's methodology was altogether different. First, he distinguished between the **substance of value** (abstract social labour) and its **magnitude** (socially necessary labour-time) and then showed a) that the value of commodities manifests itself as **exchange-value** and b) that **price** is the expression (or form of appearance) of exchange-value within the process of circulation. (All this Marx accomplished in the opening chapters of Volume I.) When therefore Marx came to Volume III, he was able to demonstrate, first, how one set of **prices** are converted into another set of **prices**, and second, how one form of **profit** is converted into another form of **profit**. At no time did Marx attempt to convert values into prices of production or surplus-value into average

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<sup>48</sup> TSV III, p70.

<sup>49</sup> Ricardo's failure to penetrate the veil of appearance of exchange-value lay at the heart of all his theoretical errors. As Marx wrote: 'Ricardo starts out from the determination of the relative values (or exchangeable values) of commodities by "the **quantity of labour**". ... The character of this "labour" is not further examined. If two commodities are equivalents ... then it is obvious that regarded as exchange-values, their **substance** must be the same. Their substance is labour. That is why they are "values". ... But **Ricardo does not examine** the form – the peculiar characteristic of labour that creates exchange-value or manifests itself in exchange-values – the nature of this labour. Hence he does not grasp the connection of **this labour** with **money** or that it must assume the form of money. ... Right from the start he is only concerned with the **magnitude of value** ...' (TSV II, p164)

profit. (The heading of Part II of Volume III is 'Conversion of Profit into Average Profit', and not 'Conversion of Surplus-Value into Average Profit'.<sup>50</sup>)

Marx did at times speak of the conversion of values into prices of production, but he was obviously using a shorthand expression to convey a more complex idea: the conversion of *prices* which reflect the magnitude of the values of commodities into *prices* which reflect the cost price of commodities plus the average profit on the capital applied in their production. Once we know this, the abbreviated expression does no harm.

Without fail, Marx regarded price as the necessary *expression* of value. He left no room for doubt on this score. Thus, when referring to the five different capitals in his transformation tables, he stated categorically:

'We have here, in the categories I, II, III, IV and V (five different spheres of production), commodities whose respective *values* are £1,000, £1,200, £1,300, £1,150 and £1,250. These are the money prices at which these commodities would exchange if they were exchanged according to their *values*.'<sup>51</sup>

Marx both built on Ricardo's work and superseded it.

## The revolutionary significance of the theory of the general rate of profit

### (i) Capital as a social relation

One of the great merits of Marx's analysis of the average rate of profit is that it enables us to grasp why the capitalists are so adept at deluding themselves that capital is a thing. As a result of the formation of an average rate of profit, Marx wrote, profit

'does not merely *seem* to be different, but *is* now in fact different from surplus-value not only with regard to the individual capital but also with regard to the total capital in a particular sphere of production. ... The relation of profit to the organic composition of capital is completely obliterated and no longer recognisable ... Indeed, the basis itself – the determination of the value of commodities by the labour-time embodied in them – appears to be invalidated ... In this quite alienated form of profit ... capital more and more acquires a material form, is transformed more and more from a relationship into a thing ... And it is the form in which it exists in the consciousness and is reflected in the imagination of its representatives, the capitalists.'<sup>52</sup>

It is clear from the above that the formation of a general rate of profit occurs independently of the consciousness of the capitalists. The individual capitalist does not hand over anything to, or receive anything from, his fellow capitalists, whether directly,

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<sup>50</sup> Capital III, p140. Marx frequently used the phrase 'the conversion of profit into *average profit*' when explaining how surplus-value is redistributed among competing capitalists. (See TSV III, p482.)

<sup>51</sup> TSV II, p67; see also Capital II, p397.

<sup>52</sup> TSV III, p483.

through his commercial contacts, or indirectly through the agency of the state. He has not the faintest idea of what the levelling of profits actually entails. Apart from the fact that he believes that his profits spring from his own entrepreneurial loins, he is utterly ignorant of the inner workings of the capitalist system. The conversion of profit into average profit, Marx explained, 'is a process which occurs behind his back, one he does not see, nor understand, and which indeed does not interest him.'<sup>53</sup> He is thus oblivious to the fact that his profit

'is due to the aggregate exploitation of labour on the part of the total social capital, i.e., **by all his capitalist colleagues ...**'<sup>54</sup>

### **(ii) Capitalist communism**

As the above clearly indicates, Marx did not confine himself to an analysis of the exploitation of workers by 'their own' capitalists. In his letter to Engels, where first he disclosed his theory of the average profit, he stressed that socialists must take into account both the capital of the individual capitalist and 'the **total capital** of the **class**'. He added:

'... capitalists are brothers. Competition (transfer of capital or withdrawal of capital from one trade to another) brings it about that equal sums of capital in different trades, despite their different organic compositions, yield the same average rate of profit.'<sup>55</sup>

As greedy, individualistic and self-seeking as the capitalists are, they are at bottom members of a **looting fraternity**. Elaborating on this theme, Marx wrote:

'It is a matter of indifference to the capitalist whether his commodity contains more or less unpaid labour than other commodities, if into its price enters as much of the general stock of unpaid labour ... as every other equal quantity of capital will draw from that common stock. In this respect, the capitalists are "communists".'<sup>56</sup>

The capitalist system, Marx caustically noted on a number of occasions, strives to produce 'capitalist communism', a situation where each individual capitalist snatches 'an aliquot part of the **total surplus value** proportionate to the part of the **total social capital** which it forms.'<sup>57</sup> Few understood this truth better than Mehring. Invoking the image of a collective storehouse of loot, he wrote:

'Quite unconsciously, and without any agreement amongst themselves, the capitalists exchange their commodities in such a fashion that each capitalist contributes the surplus-value which he has extracted from his workers to a general

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<sup>53</sup> Capital III, p165-6.

<sup>54</sup> Capital III, p167; emphasis added.

<sup>55</sup> Marx to Engels, 2 Aug 1862, M&E SC, p159.

<sup>56</sup> TSV III, p83.

<sup>57</sup> Marx to Engels, 30 April 1868, M&E SC, pp248-9; emphases added.

pool, and the total result of their combined exploitation is then divided fraternally amongst the capitalists, each of whom receives a share in accordance with the size of his capital. The individual capitalist therefore does not enjoy the profit which he directly extracts from his workers, but only his share of that total profit **which he and his capitalist colleagues together have extracted from the workers.**<sup>58</sup>

Capitalism thus contains an in-built sharing mechanism which is absolutely indispensable to the functioning of capitalism, but of which the capitalists and their state functionaries are blissfully unaware. Other than upholding the general interest of capital, the state plays no direct role in the conversion of profit into average profit. Indeed, it is not the state that creates capitalism's in-built sharing mechanism, but on the contrary, it is capitalism's in-built sharing mechanism that enables the state to regulate relations among capitalists in accordance with bourgeois norms. This gives the bourgeois state a degree of durability and resilience which pre-capitalist states lacked. It was hardly fortuitous that the wealthiest and most powerful figures in ancient Rome should have run the state as their own personal fiefdom; any more than it was accidental that civil wars should have repeatedly broken-out among them over the division of the spoils. In slave-owning and feudal societies, the distinction between individual wealth and state power was far more blurred than it is under the rule of capital. So frequent were civil wars in the ancient world that a somewhat fretful Plato observed: 'Change in any society starts with civil strife among the ruling class; as long as the ruling class remains united, even if it is quite small, no change is possible.'<sup>59</sup> The fact that Britain's propertied classes have not taken up arms against one another since the 1640s tells us as much about the workings of British politics and statecraft as it does about the nature of capital. The formation of a general rate of profit ensures that the fruits of capitalist exploitation are 'equitably' distributed among capitalists according to the size of their capital. This 'capitalist communism' distinguishes the bourgeoisie from all other exploitative classes in history, and the bourgeois state from all other states founded on antagonistic relations. If the capitalists were aware of the sharing-out process that underpins the capitalist system, they would inscribe on their banner the following counter-revolutionary watchword:

'From each capitalist according to the number of workers he exploits, to each capitalist according to the size of his capital.'

When Marx said that capitalists are 'communists', he did not mean that they always speak with one voice or act in unison in their dealings with one another. As the theory of the average rate of profit demonstrates, 'brother capitalists' are hostile to one another as sellers of their commodities (especially in periods of slumps) but members of a collective body as extractors of surplus-value. Since the whole of the bourgeoisie earns an average rate of profit, all capitalists have an interest in the raising of the rate of exploitation of the working class as a whole. At the same time, each capitalist, in his insatiable drive to maximise his profits, will strive to acquire a rate of profit above the average. This will impel him to gain a competitive edge over his 'brother capitalists',

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<sup>58</sup> *Karl Marx: The story of his life*, by Franz Mehring, George Allen & Unwin 1966, p379; emphasis added.

<sup>59</sup> *The Republic*, by Plato, Penguin 1983, p359.

often by adopting business practices of a most unbrotherly kind. As Marx brilliantly noted, when rounding off his theory of the average rate of profit:

‘Here, then, we have a mathematically precise proof why 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.’<sup>60</sup>

### **(iii) Capital as a social power**

By revealing the intrinsic connection between the average rate of profit and the organic composition of capital, Marx was able to demonstrate that the bourgeoisie is more than just a motley collection of individuals who share a common antipathy towards the proletariat. As a result of the transformation of profit into average profit, Marx stated,

‘capital becomes conscious of itself as a **social power** in which every capitalist participates proportionally to his share in the total social capital.’<sup>61</sup>

Marx’s solution to the problem of an average rate of profit thus provides the working class with a clear and concise explanation of why the capitalists are bound together in a common purpose. Referring to this aspect of Marx’s writings, Mehring wrote:

‘What penetrating insight into the real and material basis of capitalist class-solidarity are we offered by this apparently dry-as-dust law of the “average rate of profit”! We observe that although the capitalists are hostile brothers in their daily activities, nevertheless, as far as the working class is concerned they represent a sort of Freemasonry interested intensely and personally in the total result of all the exploitation conducted by all its members. Although the capitalists have naturally not the least idea of these objective economic laws, their unfailing instinct as members of a ruling class shows itself in an appreciation of their own class interests and of their antagonism to the proletariat, and unfortunately it has persisted far more firmly through the storms of history than has the class-consciousness of the workers, whose scientific basis is revealed in the works of Marx and Engels.’<sup>62</sup>

As a result of the formation of a general rate of profit, part of the surplus-value produced by the workers in the low composition industries flows into the industries with a high composition. This means that the workers are exploited, not only by the capitalists who employ them, but also by the capitalist class **as a whole**. The theory of the average rate of profit is thus of great significance for understanding the basic tasks of the workers in their struggles against capital.

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<sup>60</sup> Capital III, p194.

<sup>61</sup> Capital III, p191.

<sup>62</sup> *Karl Marx: The story of his life*, by Franz Mehring, George Allen & Unwin 1966, pp379-380. Rosa made a similar point, but with a different emphasis. ‘The economic notion of “capitalist” no longer signifies an isolated individual. The industrial capitalist of today is a collective person, composed of hundreds and even of thousands of individuals. The category “capitalist” has itself become a social category. It has become “socialised” – within the framework of capitalist society.’ (‘Reform or Revolution’ by Rosa Luxemburg, in *Rosa Luxemburg Speaks*, Ed. Mary-Alice Waters, Pathfinder Press 1970, p65.)

Once organised in an independent workers' political party, the workers will provide a strong counter to the social power of capital, provided they do not pursue a reformist course. By confining themselves to the struggle against individual capitalists for the improvement of labour conditions in a given enterprise, or a particular branch of industry, the workers will leave the foundations of the capitalist system intact. Only by expropriating **the whole** of the bourgeoisie will the workers succeed in abolishing exploitation.

The formation of a general rate of profit, Marx stressed, 'completely conceals the true nature and origin of profit, not only from the capitalist, who has a special interest in deceiving himself on this score, **but also from the labourer.**'<sup>63</sup> This is one of the reasons why socialists attach so much importance to Marx's analysis of the general rate of profit. By revealing the material basis of capitalist class solidarity, it completely demystifies the notion of capital as a **personal power**.

The individual capitalist is instinctively individualistic in his outlook, even when organising in trusts and combines. He has absolutely no interest in an analysis which brings to light the 'collectivist' character of his exploitative activities. Fear of the united actions of the proletariat leads him to delude himself that capital is not a social power but a thing – an assortment of machines, tools, raw materials, and so on – and that he alone, owing to his exceptional qualities as an exceptional individual, can stir these inanimate objects to profit-yielding life. So self-delusional is the capitalist that he views his capital as the personification of himself, and not himself as the personification of his capital. He is happy to acknowledge that all capitalists possess an entrepreneurial flair, and he is more than willing to unite with his fellow capitalists in suppressing the workers. Yet for all his 'social awareness', he regards the notion of capital as a social power with a mixture of bewilderment and abhorrence. Everyday experience teaches him how dangerous this notion can become in the hands of a militant proletariat. It is little wonder that the ideological representatives of the bourgeoisie – vulgar economists and vulgar socialists alike – should direct so much of their hostility against Marx's theory of the average rate of profit.

The attack on *Capital* has come from a variety of sources and assumed a variety of forms. Some critics reject *Capital* in its entirety, especially the opening chapters, which lay the foundation of the theory of value. Others defend Volume I, to a certain degree, but reject Volume III, which they regard as the product of an untutored mathematical mind. Marx's theory of the average rate of profit, they insist, has no necessary **logical connection** to his Volume I analysis. To put matters to rights, they have produced, on a truly industrial scale, a vast number of 'corrective' books and articles, all of which point to the conclusion that Marx's transformation procedures are fundamentally flawed. Nobody's fools, they know that if they can prove that capital is not a social power, the floodgates to reformism will spring open.

<sup>63</sup> Vol III, p165-6; emphasis added.

## Let slip the dogs of reformism

Ever since the publication of Volume III, reformists have singled out Marx's analysis of the general rate of profit for special treatment, in an attempt to prove that his theory of value rests on flimsy foundations. According to Maurice Dobb of the old CPGB, Marx never 'satisfactorily demonstrated' how prices of production are related to or derived from values. 'Indeed, the arithmetical examples that he uses to show the connection are unsatisfactory, since the transformation into Prices of Production is only applied to outputs, and not to inputs...'. Regrettably, Marx had little understanding of algebra, otherwise he would have completed his analysis with ease. As mathematically minded economists like Ladislaus von Bortkiewicz and others convincingly demonstrated, a 'set of simultaneous equations' was all that Marx required to convert the values of the inputs into prices of production. However, had Marx followed the correct mathematical procedures, he would have discovered, doubtless to his dismay, that there is 'no logical ground' for declaring 'that total prices will equal total values and that total profit will equal total surplus value'.<sup>64</sup>

A few years earlier, a less than truthful Dobb advanced a somewhat different argument. In his introduction to Marx's *A Contribution to the Critique of Political Economy*, he stated what would become his standard refrain, namely that Marx left his analysis of the general rate of profit in an 'incomplete' state. On this occasion, however, he assured his readers that a new generation of economists, trained in mathematics, went on to 'complete' Marx's analysis in a way which Marx himself would have found satisfactory. By making use of 'a system of simultaneous equations', these economists established a precise algebraic relation between 'values' and 'prices of production', and hence definitively proved that 'prices of production can be derived from values'.<sup>65</sup> Why Dobb later chose to become a firm adherent of the von Bortkiewicz line, rather than remain a weak-kneed proponent of it, is not clear. Reformists rarely comment on the twists and turns of their reformist path.

Like Dobb, Alex Callinicos of the SWP was impressed by the mathematical agility of Marx's critics, though he was eager to play down the significance of Marx's 'error'. (It would not do for the noisily revolutionary SWP to admit that it had joined forces with the overtly revisionist CPGB on this issue.) Callinicos thus observed, almost in passing, that there are some 'valid criticisms' of Marx's analysis of the average rate of profit, but stressed that these criticisms are of a purely 'technical' nature, centring as they do on Marx's failure to transform the values of inputs into prices of production. He then concluded by urging socialists not to despair, for although Marx's 'arithmetic solution' is unquestionably 'wrong', great thinkers such as von Bortkiewicz and Piero Sraffa have applied 'the correct mathematical solutions' to the problem.<sup>66</sup>

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<sup>64</sup> *Theories of Value and Distribution Since Adam Smith: Ideology and Economic Theory*, by Maurice Dobb, Cambridge University Press 1975, pp158-60.

<sup>65</sup> *A Contribution to the Critique of Political Economy*, by Karl Marx, Lawrence & Wishart 1971, pp11-12.

<sup>66</sup> *The Revolutionary Ideas of Karl Marx*, by Alex Callinicos, Bookmarks Publications 2004 (first published 1983), pp125-6.

As a member of the SWP, Callinicos needs to present himself as a resolute and outspoken radical. He has to demonstrate his affinity with Marxism while at the same time denying the validity of Marxism. In one breath he commends Marx for proving that 'the surplus value pumped out of workers, wherever they may be employed, flows into a single pool from which capitalists draw profits in proportion to the sums they have invested.'<sup>67</sup> And in the next he contends that von Bortkiewicz's treatment of the formation of an average rate of profit is far more satisfactory than Marx's.

But if von Bortkiewicz was correct, on what basis can it be said that the workers are exploited 'communally', that is, by both the capitalists who employ them and the capitalist class as a whole? **To argue that there is no necessary logical connection between average profits and the total social surplus-value is to deny that there is 'a single pool of surplus-value' from which the capitalists draw their profits.** Yet that is precisely what von Bortkiewicz argued. Had Callinicos a modicum of intellectual integrity he would not only have spelt out the full implications of von Bortkiewicz's solution, but would also have attempted to develop a credible alternative to Marx's concept of capital as a social power. Instead, he heaped praise on von Bortkiewicz while at the same time paying lip service to the idea of 'a single pool of surplus value' from which capitalists collectively draw their profits in accordance with the size of their capitals.

Regardless of what the reformists call themselves – whether social democrats or revolutionary internationalists – they all adopt the same line of attack against Marx's theory of the general rate of profit. First, they surreptitiously cast his transformation tables in a new mould, replacing the pre-transformation prices with 'values' of the most ill-defined kind. Having thus doctored the transformation data to fit their requirements, they go on to portray Marx's solution as 'incomplete', insisting that the 'values' of both the inputs and outputs must be transformed into prices of production. To add an air of grandness to their work, they characterise this 'incompleteness' as 'the transformation problem', turning Marx's solution into a paradox which has still to be solved. Finally, they set out to 'complete' the so-called 'transformation problem', not by basing themselves on Marx's transformation procedures, but by having recourse to the most fearsome of ideological weapons, complex mathematical formulae which are beyond the comprehension of ordinary mortals. In this way they signal to the socialist movement at large that the task of resolving 'the transformation problem' is the preserve of a mathematical elite.<sup>68</sup>

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<sup>67</sup> *The Revolutionary Ideas of Karl Marx*, by Alex Callinicos, Bookmarks Publications 2004, pp123.

<sup>68</sup> When slotting Marx's transformation figures into his set of simultaneous equations, von Bortkiewicz classified the component parts of the total product (c, v and s) as 'value quantities'. ('On the Correction of Marx's Fundamental Theoretical Construction in the Third Volume of Capital', by Ladislaus von Bortkiewicz, in *Karl Marx and The Close of his System*, by Eugen von Böhm-Bawerk, Augustus M. Kelley 1949, p201.) The fact that he was content to use this meaningless expression shows that he had rejected Marx's concept of value even **before** carrying out his mathematical calculations. Following in his footsteps, Steve Bolchover, a leading SWP theoretician, completely evaded the question of what Marx's pre-transformation figures indicate. In an article in which he 'corrected' Marx along von Bortkiewicz's lines, he stated, in all seriousness, that the components c, v and s in Marx's transformation tables stand

And what do the reformists attempt to prove with the aid of their elegant mathematical formulae? Simply this: that Marx failed to anchor his 'incomplete' theory of the average rate of profit in his theory of value.<sup>69</sup>

Our socialist reformists have taken a massive step backward as compared with Ricardo, who, it must be remembered, was a *bourgeois* economist. As noted, Ricardo ignored a number of crucial stages in his analysis of value. Instead of explaining the conversion of surplus-value into profit and profit into average profit, he simply identified surplus-value with average profit. On the one hand he was determined to uphold his theory of labour value, and for this Marx admired and praised him. On the other, he refused to embrace a theory which revealed the historically transient nature of capitalism. As a result, he had only the flimsiest idea of what the organic composition of capital is. Yet without a clear understanding of the concept of the organic composition of capital, he could not possibly have traced the successive layers of reality through which surplus-value must pass before appearing as an average profit.

However, whereas Ricardo formulated a theory of labour value which bypassed the notion of capital as a social power, our socialist reformists seek to 'bypass' the theory of value itself. Even in its truncated form, the theory of value is a threat to them. Their prime object is to disprove Marx's notion of 'capitalist communism', his contention that the individual capitalist's profit is due to 'the *aggregate* exploitation of labour on the part of the *total social capital*.' For this reason, the reformists have little choice but to falsify Marx's account of the conversion of profit into average profit.

Marx's analysis of the average rate of profit reveals the material basis of capitalist class solidarity. To this solidarity, the proletariat counterposes its own solidarity, which is based, among other things, on the recognition that the profits of the capitalists represent their share in the total mass of surplus-value created by the working class *as a whole*. Few British organisations have grasped this truth more thoroughly than the RCG.

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for 'price unit values'. ('Marx and Mattick', by Steve Bolchover, in *International Socialism* No 52, July/September 1972, p41.) As to what this term means, our ingenious phrase-maker did not say.<sup>69</sup> The vulgarians' entire case rests on the assertion that Marx left his theory of the average rate of profit in an incomplete state. In a forthcoming article, I demonstrate that Marx most certainly did complete his transformation procedures, though in a way which is beyond the comprehension of the vulgarians. Marxist mathematicians who wish to 'complete' the so-called 'transformation problem' must ensure 1) that all figures indicate *money prices*, 2) that the sum of the *pre-transformation prices* equals the sum of the *prices of production*, 3) that the sum of the *pre-transformation profits* equals the sum of the *average profits*, and most importantly, 4) that the sum of profits flowing *out of* the low composition industries equals the sum of profits flowing *into* the high composition industries. In brief, they must ensure that capital appears as a *social power* in which *every* capitalist participates proportionally to his share in the *total social capital*. Personally, I am not sure why Marxist mathematicians would want to carry out this exercise, other than to provide a purely mathematical riposte to the vulgar socialists. The assumption that Marx's solution is 'incomplete' must be challenged at the outset.

## The RCG shines

The RCG initially made its mark on the socialist movement through its bold and steadfast defence of Marx's *Capital*. From the start, it provided a clear explanation of the relationship between Volumes I and III, dispelling the idea that the two are in any way incompatible. In Volume I, Marx revealed the origin of the capitalist's profit: it is the surplus-value produced by the workers in the immediate production process. In Volume III Marx showed how this profit is shared out in definite proportions between the various capitalists and how, as a result of this sharing out, an average rate of profit is formed. In Volume I, he correctly held this analysis in abeyance. His first and chief concern was to lay bare the essential, often concealed relationship between the bourgeoisie and proletariat. Only after the publication of Volume I was Marx willing to present his account of the capitalist production process as a whole. Had he proceeded in any other way, his analysis of the laws of motion of capitalist society would have lost its coherence. Yaffe put this point exceedingly well. He wrote:

'If we are to comprehend the basic presupposition of the capital relation – the relation of capital and labour and the role of surplus-value as the driving force of capitalist production – then we must begin our analysis with 'capital in general' undisturbed by a consideration of 'many capitals' or the actions of capitals on one another. ... It follows, therefore, that the analysis of 'capital in general' is still the starting point of any analysis of contemporary capitalism.'<sup>70</sup>

But only the starting point, for if we are to grasp the nature of the capitalist production process as a whole, we need to consider both capital in general (the relation of capital and labour) and the actions of different capitals upon one another (the relation of capital and capital). Far from ignoring this issue, Yaffe went on to deal with it in his article 'Value and Price in Marx's *Capital*'. In this powerful defence of Marx's concept of the average rate of profit, he gave a clear indication of what lies behind bourgeois 'brotherliness' in modern society.

'The **individual capitals** participate in the total profit by obtaining a share of profit in proportion to their share of capital invested as a part of the total **social capital**. This is brought about by the movement of capitals and competition between capitals. It involves a redistribution of surplus value already produced.'<sup>71</sup>

I have no doubt that you are impressed by Yaffe's 'Value and Price' article, Michael, though I suspect you may be wondering how it is relevant to the issue under consideration. In his article, Yaffe says nothing about the proletariat's political tasks. He does not even mention the role of the state in capitalist society. Yet despite these 'omissions', his article forms one of the key elements linking the RCG's theoretical work

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<sup>70</sup> 'The Marxian Theory of Crisis, Capital and the State', by David Yaffe, in *Bulletin of the Conference of Socialist Economists*, Winter 1972.

[www.marxists.org/subject/economy/authors/yaffed/1972/mtccs/mtccs2.htm](http://www.marxists.org/subject/economy/authors/yaffed/1972/mtccs/mtccs2.htm)

<sup>71</sup> 'Value and Price in Marx's *Capital*', by David Yaffe, in *Revolutionary Communist* No 1, Second Edition, 1976. [www.rcgfrfi.easynet.co.uk/marxism/articles/vpmc.htm](http://www.rcgfrfi.easynet.co.uk/marxism/articles/vpmc.htm)

to its political practice. A simple transposition of Yaffe's statement into a British context should help you to grasp this linkage:

'Individual capitals in England, Scotland and Wales participate in the total profit by obtaining a share of profit in proportion to their share of capital invested as a part of the total social **British capital**. This is brought about by the movement of capitals and competition between capitals. It involves a redistribution of surplus value already produced by the **British working class**.'

So although Yaffe's early economic writings may strike you as being somewhat abstract (of interest chiefly to 'economic theorists'), they bear significantly on our understanding of the RCG's overall political orientation, its commitment to the building of an **all-British** communist party.

What is so puzzling about your position on the Scottish question is that you yourself acknowledge (in your better moments) that the British state is a **unitary** state. Surely you must realise that the British state is able to function as a unitary state only because of the 'collectivist' character of the capital it represents. Behind the British state stands the British bourgeoisie, the personification of British national capital. This is the capital which confronts the British working class – the **whole** of the British working class – as a **social power**. To speak in one breath of the British state as a unitary state and an alliance-based state is to speak in tongues.<sup>72</sup>

Without doubt, capitalism has undergone considerable change since Marx's day. The competitive struggle of many capitals has given way to imperialism, the unalloyed rule of finance capital. Where previously bank capital was subordinate to industrial capital, now industrial capital is subordinate to bank capital. This reversal of roles is clearly evident in the case of Britain. Once the industrial workshop of the world, Britain evolved into a major financial power, with the City's external assets vastly overshadowing the country's industrial base. The capitalist state too has acquired new characteristics. The more imperialism descended into crises, the more necessary it became for giant monopolies to buttress their strength with the powerful support of the state. State-monopoly 'anti-crisis measures' now form an integral part of the activity of the state machinery of capitalism. Not accidentally, it was during WWI that monopoly capitalism developed into state-monopoly capitalism. Ever since, an exceptionally high degree of closeness has existed between the world's giant monopolies and the states which represent them. This closeness is one of the characteristic features of the British state in its imperialist phase. Yet none of this detracts from the fact that Marx's *Capital*, as Yaffe correctly noted, 'is still the starting point of any analysis of contemporary capitalism.'<sup>73</sup>

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<sup>72</sup> Having long ago discarded the notion of capital as a social power, the SWP has no qualms about advocating the break-up, rather than the expropriation, of British capital. For the SWP, the **total social capital** is nothing but the disembodied aggregation of 'many capitals'.

<sup>73</sup> In his analysis of finance capital, Hilferding anticipated the development of monopoly capitalism into state monopoly capitalism, the inevitability of inter-imperialist wars, and the epoch of proletarian revolutions. He wrote: 'Economic power also means political power. Domination of the economy gives control of the instruments of state power. The greater the degree of concentration in the economic

From its inception, the RCG has gone to great lengths to defend Marx's *Capital* against its vulgar detractors. Yet the way in which you characterise the British state indicates that you are either unfamiliar with the RCG's economic writings or consider them to be of little worth. The surprise is not that you regard the British state as an alliance-based state, but that you do so as an RCG member.

### **From bad to worse**

As if sensing that you had taken a wrong turn, you immediately followed up your reference to the Act of Union of 1707 by stating that the Scottish and English ruling classes 'were integrated at a very deep level over a whole historical period.' However, instead of considering what this 'deep level integration' entailed, you went on to suggest that the present-day British state is a direct legacy of Britain's pre-industrial era. You thus stated that it is from the 'historical union' of the English and Scottish ruling classes

'that British imperialism draws [**note your use of the present tense**] its formidable organisation, strength and character.' <sup>74</sup>

One of the defining features of contemporary British imperialism, as you see it, is the centuries-old partnership agreement between the Scottish and English ruling classes to share in the spoils of Britain's nascent capitalist development. You return to this viewpoint again and again, whenever dealing with the Scottish independence issue. In your reply to my letter to *FRFI*, you insisted that the RCG has always 'described the alliance between the ruling classes of England and Scotland as the source of British imperialism's formidable strength.' <sup>75</sup>

**The RCG has done no such thing**. Nowhere in its pre-2014 writings will you find any reference to the 1707 Act of Union. Nor will you encounter anything remotely suggestive of the idea that the British state derives its strength from an alliance between two territorially based ruling classes.

The RCG has never had to arouse interest in an antiquated alliance to reveal the true nature of British imperialism. Its analysis of British imperialism not only provides us with valuable insights into the source – the **real** source – of British imperialism's

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sphere, the more unbounded is the control of the state. ... Finance capital, in its maturity, is the highest stage of the concentration of economic and political power in the hands of the capitalist oligarchy. It is the climax of the dictatorship of the magnates of capital. At the same time it makes the dictatorship of the capitalist lords of one country increasingly incompatible with the capitalist interests of other countries, and the internal domination of capital increasingly irreconcilable with the interests of the mass of the people, exploited by finance capital but also summoned into battle against it. In the violent clash of these hostile interests the dictatorship of the magnates of capital will finally be transformed into the dictatorship of the proletariat.' (*Finance Capital: A study of the latest phase of capitalist development*, by Rudolf Hilferding, Routledge and Kegan Paul 1981, p370.) Little wonder that Hilferding's work was received enthusiastically, though not entirely uncritically, by Lenin and other revolutionary Marxists.

<sup>74</sup> *FRFI* 237, February/March 2014; emphasis added.

<sup>75</sup> *FRFI* 243, February/March 2015.

strengths and weaknesses, but also lays the foundation for a Marxist study of the Scottish independence issue. By taking a close look at the main elements of the RCG's writings on British imperialism, we shall go a long way towards understanding what lies behind the constitutional crisis now facing Britain's ruling class.

However, before we turn our attention to the next part of my letter, I would urge you to reflect carefully on the two basic questions which flow from this part.

**First question:** Is the RCG still committed to the building of an **all-British** communist party?

**Second question:** Does the RCG still advocate the **break-up** of the UK and the **overthrow** the British state?

Alec Abbott, 4 April 2016

*[Part 2 will be available shortly]*