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# MONETARY CRISIS AND THE WFTU

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AITUC PUBLICATION

# **MONETARY CRISIS AND THE WFTU**

(DOCUMENT on the Monetary Crisis Prepared by The WFTU's Working Group and STATEMENT on International Economic, Commercial, Financial and Monetary Problems Adopted by The 22nd Session of The WFTU General Council — Bucharest, 1st-3rd November 1972)

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*THIS BOOKLET consists of two parts : (i) Document on the Monetary Crisis, prepared by the WFTU's Working Group and (ii) Statement on International Economic, Commercial, Financial and Monetary Problems adopted by the 22nd Session of the WFTU General Council, held in Bucharest, from 1st to 3rd November 1972.*

*In view of the importance of the subject, we are releasing it afresh as an AITUC publication.*

*Delhi,  
15th December 1972*

*—AITUC*

**PART I**

**DOCUMENT**

**on**

**The Monetary Crisis**

**Prepared by**

**THE WFTU'S WORKING GROUP**

# I

THE INTERNATIONAL MONETARY SYSTEM of the capitalist countries is going through a profound crisis, resulting in serious consequences and from which there appears no positive outlet without a profound questioning of the imperialist balance of power.

Signs of this crisis have followed one another over the last few years, leading up to the most acute phase which was reached with the American decisions of 15th August 1971. After a period of difficult negotiation, **the Washington agreements have not prevented the disorder being followed by the most immediate manifestations of this crisis — the breaking of international commitments such as the floating of currencies.** But the most important problems have not been solved. The convertibility of the dollar has not been re-established. Speculation is continuing and getting worse — especially as far as gold is concerned. No capitalist currency is free from the imbalances and speculative movements which are growing in this crisis.

Many fields connected with monetary relations such as international trade exchange rules and commitments have been seriously affected by the monetary crisis and have not yet been the subject of new rulings.

## **Repercussions on Workers**

This situation is bringing in its wake serious repercussions for the social situation of the workers in the different capitalist countries.

Furthermore if the causes of the breakdown of the monetary system established by the Bretton-Woods treaty are to be found essentially in the policies of the principal capitalist powers, in the confrontation of the most powerful capital and in the very func-

tioning of capitalist economy, the system nonetheless remains one of the means by which the different imperialisms — and American imperialism in particular — shackle the development of many countries, draining them of their resources and perverting exchange conditions. These countries have not yet succeeded in exercising their rights in the monetary discussions in which the ten biggest capitalist powers are doing everything in their power to maintain their hegemony.

### **In Defence of the Working Class**

The WFTU's responsibilities in defending the workers' interests against capitalist exploitation and the domination of the monopolies and its activities in the struggle against imperialism for democracy, peace and social progress inspire it to analyse the deep-rooted causes of the monetary crisis. Indeed, everything indicates that this crisis is an element and a particularly serious manifestation of the structural, economic, social and political crisis into which contemporary capitalism is sinking.

The pressure of capitalist exploitation on the workers' situation is becoming increasingly unbearable as the demands of monopoly capital become greater with this crisis and capitalism is incapable of satisfying the new needs issuing from the economic and social growth of our times.



## II

# Domination of American Capital

IN INTERNATIONAL LAW, the functioning of the Bretton-Woods monetary system lies in the free convertibility of currencies at a long-term established rate in one or two gold-equivalent currencies, and in maintaining public exchange reserves (consisting partly of such currencies and partly of gold) as the international exchange standard and the preferential instrument of hoarding.

The legal opportunity of any currency becoming a reserve currency under such a system is purely theoretical. In fact a given currency is only able to obtain such status in terms of the importance of the economy over which it has control. At the end of the Second World War, the hegemony of American imperialism over the capitalist countries weakened by the war, was economically assured. By giving the dollar the possibility of becoming the master currency, the Bretton-Woods system merely confirmed a reality. In this way it provided American imperialism with a further means, with dangerous consequences, of consolidating its power and extending its domination. It is this overwhelming advantage, which the US has made very wide use of, which has enabled the prolonged imbalances in the functioning of the system to accumulate the elements of the present crisis. American investments overseas, neo-colonialist "aid" and military expenditure tied to the expansionism and aggressiveness of United States policies, have only been able to attain such a level thanks to an almost permanent balance of payments deficit without the constraint of a dollar devaluation as a sanction of their position as debtor. In addition, the Euro-dollar market which has grown with the accumulation of the American deficit and which is the place where claims on the US economy are negotiated, has also been the place chosen by US-owned multi-

national companies for draining local funds for their investments abroad.

### **Development of Speculatory Phenomena**

The existence of this market which duplicates and engulfs the monetary and financial markets of the different countries, has led to a considerable development of speculatory phenomena. These phenomena have played a decisive role in parity breakdowns over the last few years (such as the devaluation of the pound sterling in 1967, the speculations of 1968, 1969 and 1971 resulting in the devaluation of the Franc, the double revaluation of the Deutschmark, the dollar devaluation, the revaluation of the Japanese yen etc.). The monopolist groups with international interests have had a considerable hand in these waves of speculation.

The conversion of dollars into national currencies has a monetary result — the export of US inflation. But the accumulation of balance-dollars in the reserves of the central banks is becoming — because of the uncertainty it causes as regards the value of the debt — a political factor in the crisis.

This has been accompanied by a considerable drop in US gold stocks of \$ 24,000 million to less than \$ 10,000 million.

### **Changes in the Balance of Power**

The specific factors of the crisis in the monetary system may be explained by its very mechanism arising from the dominant position of US capitalism and the privileged position of its currency.

But this crisis precisely reflects the changes which have taken place in the balance of power between the different imperialist powers. Any capitalist monetary system takes shape and tends to stratify at least for a certain period of existing power relations at a given time. It is consequently questioned and suffers real damage whenever developments occur in the balance of power between imperialist powers as a result of the unequal development of capitalism.

In 1967 the devaluation of the pound sterling to all intents and purposes threatened its status as a reserve currency. The system was seriously shaken but not sufficiently to provoke a general breakdown of the system. A few months later, the speculation at the

rise in the price of gold was aimed more directly at the dollar and the basic foundations of the system. It resulted in the creation of a double gold-market and in the practical non-convertability of reserve funds except for the central banks which submitted convertability to the relations of political forces.

### **Devaluation of the Dollar : Not a Solution**

After several parity breakdowns in conditions which increasingly attacked the principles of fixed parities, the final acute phase was reached issuing from the US President's 15th August decisions.

Since then with the position of the dominant currency threatened, the entire monetary system has entered into a phase of open crisis.

The devaluation of the dollar and the December 1971 Washington agreements are not a solution to this crisis. They express, in the short term, the submission of the major capitalist states to the demands of US imperialism. In this way, they do not reply to the problems thrown up by its hegemony thus leaving the way open for further developments in the crisis. The floating of the pound sterling, in contradiction to the financial provisions of Great Britain's entry into the Common Market, and the contradictions arising at the "European Summit" of October 1972 in Paris, are examples.

This instability reflects the growth of the deepest contradictions of monopoly capitalism which are expressed in growing difficulties in all the big capitalist countries of another order than monetary problems.

### III

## Great Capitalist Powers and Capitalist Exploitation

THE GREAT CAPITALIST POWERS as a whole are witnessing the growth of phenomena essentially linked to capitalist exploitation and the accumulation of private capital which is today assuming new aspects of increasing gravity. The statistics which follow illustrate this situation.

Table I

#### INDUSTRIAL PRODUCTION

|               | % average<br>63/68 | 1968 | 1969 | 1970 | 1971 | % average<br>68/71 |
|---------------|--------------------|------|------|------|------|--------------------|
| Canada        | 7                  | 140  | 146  | 149  | 154  | 3.2                |
| United States | 6.7                | 138  | 145  | 139  | 140  | 0.5                |
| Japan         | 13.7               | 190  | 222  | 258  | 270  | 12.4               |
| Austria       | 4.7                | 126  | 141  | 153  | 161  | 8.5                |
| Belgium       | 3.5                | 119  | 131  | 135  | 140  | 5.5                |
| Luxembourg    | 2.8                | 112  | 127  | 127  | 126  | 4.0                |
| Finland       | 5.5                | 131  | 149  | 164  | 171  | 9.3                |
| France        | 4.7                | 126  | 142  | 150  | 159  | 8.0                |
| G.F.R.        | 4.9                | 127  | 144  | 153  | 156  | 7.1                |
| Greece        | 9.5                | 158  | 177  | 195  | 217  | 11.0               |
| Ireland       | 9.3                | 142  | 153  | 157  | 164  | 4.9                |
| Italy         | 6.3                | 136  | 141  | 150  | 146  | 5.4                |
| Holland       | 7.4                | 143  | 160  | 176  | 188  | 9.4                |
| Norway        | 5.7                | 132  | 139  | 145  | 150  | 4.3                |
| Portugal      | 8.2                | 148  | 163  | 180  | —    | —                  |
| Spain         | 10.7               | 166  | 191  | 207  | 216  | 9.1                |

|                |     |     |     |     |     |     |
|----------------|-----|-----|-----|-----|-----|-----|
| Sweden         | 5.7 | 132 | 141 | 151 | 151 | 4.6 |
| Switzerland    | 3.9 | 121 | 132 | 143 | 146 | 6.4 |
| United Kingdom | 3.5 | 119 | 123 | 125 | 126 | 2.0 |
| OECD — Total   |     | 135 | 144 | 148 |     |     |
| OECD — Europe  |     | 128 | 140 | 148 | 152 |     |
| EEC            |     | 129 | 143 | 152 | 156 |     |

### Comments on Table I

The period 1968 — 1971 shows considerable restraint in the "Anglo-Saxon" countries, a slow-down in Japan and Italy and more generally-speaking, upheaval in the trends.

In order to interpret the figures for the German Federal Republic and France, account should be taken of:

- \* the 1967 recession (1st period) which affected the two countries and especially the GFR;
- \* of the very strong rise in production in France following the success of the 1968 strikes;
- \* of the interdependence of all factors in the two countries because of the extent of their trade.

**Table II**

### UNEMPLOYMENT

(in thousands)

|                |    | 1968 | 1969 | 1970 | 1971 |
|----------------|----|------|------|------|------|
| Canada         | .. | 382  | 382  | 495  | 552  |
| United States  | .. | 2817 | 2831 | 4088 | 4993 |
| Japan          | .. | 531  | 512  | 491  | 547  |
| Austria        | .. | 72   | 68   | 59   | 53   |
| Belgium        | .. | 103  | 85   | 71   | 71   |
| Denmark        | .. | 39   | 31   | 24   | 30   |
| Finland        | .. | 61   | 53   | 38   | 44   |
| France         | .. | 254  | 223  | 262  | 337  |
| G.F.R.         | .. | 323  | 179  | 149  | 188  |
| Greece         | .. | 74   | 66   | 49   | 30   |
| Ireland        | .. | 37   | 36   | 42   | 42   |
| Italy          | .. | 694  | 663  | 616  | 613  |
| Holland        | .. | 68   | 53   | 46   | 62   |
| Norway         | .. | 16   | 16   | 12   | 12   |
| Sweden         | .. | 33   | 30   | 30   | 45   |
| United Kingdom | .. | 601  | 597  | 640  | 849  |

## Comments on Table II

The above table shows the great leap in unemployment over the last three years in all cases with the exception of Austria, Denmark and Norway.

Because of the doubtful statistical definitions of unemployment, the trend is much more significant than the absolute figures.

Even countries such as France, the GFR, Belgium and Holland, which showed a higher growth in the rate of production between 1968 and 1971 than between 1963 and 1968, underwent increases in unemployment.

Table III

### CONSUMER PRICES

|                | Average annual rate |      | 1969 | 1970 | 1971 | Average annual rate |
|----------------|---------------------|------|------|------|------|---------------------|
|                | 63-68               | 1968 |      |      |      | 68-71               |
| Canada         | 3.2                 | 117  | 122  | 126  | 130  | 3.5                 |
| United States  | 3.0                 | 114  | 120  | 127  | 132  | 5.1                 |
| Japan          | 4.9                 | 127  | 134  | 145  | 153  | 6.5                 |
| Austria        | 3.5                 | 119  | 123  | 128  | 134  | 4.0                 |
| Belgium        | 3.5                 | 119  | 124  | 129  | 134  | 4.0                 |
| Luxembourg     | 2.8                 | 115  | 118  | 124  | 129  | 4.6                 |
| Denmark        | 6.5                 | 137  | 143  | 151  | 160  | 5.4                 |
| Finland        | 6.6                 | 138  | 142  | 146  | 155  | 3.9                 |
| France         | 3.2                 | 117  | 124  | 131  | 139  | 6.0                 |
| G.F.R.         | 2.5                 | 113  | 116  | 121  | 127  | 3.9                 |
| Greece         | 2.3                 | 111  | 114  | 118  | 121  | 2.9                 |
| Iceland        | 11.0                | 169  | 206  | 233  | 249  | 13.7                |
| Ireland        | 4.6                 | 125  | 134  | 145  | 158  | 8.1                 |
| Italy          | 3.5                 | 119  | 122  | 128  | 134  | 4.0                 |
| Holland        | 4.7                 | 126  | 135  | 141  | 152  | 6.5                 |
| Norway         | 4.2                 | 123  | 127  | 140  | 149  | 6.6                 |
| Portugal       | 4.7                 | 126  | 135  | 141  | 152  | 9.0                 |
| Spain          | 7.5                 | 144  | 147  | 155  | 168  | 6.9                 |
| Sweden         | 4.2                 | 123  | 126  | 135  | 145  | 5.7                 |
| Switzerland    | 3.5                 | 119  | 122  | 126  | 135  | 4.3                 |
| Turkey         | 6.6                 | 138  | 144  | 156  | 185  | 10.2                |
| United Kingdom | 3.9                 | 121  | 127  | 135  | 148  | 6.9                 |

## **Comments on Table III**

The period 1968-1971 shows a higher increase in the average price-rise rate compared with the 1963-1968 period in almost all of the advanced capitalist countries.

### **Inflation**

**The inflation**, which the apologists of capitalism used to claim they knew how to master, is no longer purely a cyclical phenomenon. The very strong trend to inflation, which has affected all the capitalist countries beginning with the most powerful, — the US —, is assuming the features of a permanent, structural phenomenon of state monopoly capitalism. Its new characteristics are such that it affects all countries at one time, that it is able to withstand the classical deflationary policies and that it coexists with unemployment and economic decline. Rising prices, which are its most direct expression, are attaining rates of over 10% annually in the more important countries. This inflation is tied to the economic intervention by the state in the interests of monopoly capital notably in the form of massive, unproductive military expenditure and in the direct form of public spending. Inflationary public spending, in which may be included the banking credits controlled by state policies, its own means of intervention and powers of legislation, is one of the direct causes of the monetary crisis. It constantly feeds the excess of financial capital whose erratic movements in the quest for speculative profits lead to the breaking-down of monetary mechanisms. But the main effect of inflation is to raise profit-levels and increase the super-accumulation of capital to the detriment of the workers' purchasing power. It is both an element of the crisis as well as a consequence of it.

### **Unemployment**

**Unemployment** is affecting all the major countries. A high level of under-employment and unemployment is becoming a constant feature of the economy. For several years, unemployment has become more serious and more widespread. The forms of under-employment are multiplying. Worsenings of the situation leave in their wake structural inabilities to adapt, tending to make such

worsenings irreversible. The concentration of capital, the instability of capital in search of the highest possible profits and their effects on production and the workers, are the main factors of this evolution. The monetary imbalances which encourage speculation and movements of capital increase the instability of their investment in production.

During the 25th anniversary of the United Nations Economic Commission for Europe, ILO Director-General Wilfred Jenks stated, "Manifestations of increasing concern show that large-scale unemployment, something which we believe to be a thing of the past, could once again darken the economic and social horizon in many European countries."

### **A General Crisis**

**Production growth** which is falling-off, although not exempt from periodic fluctuations, is showing ever-increasing difficulties in the development of the forces of production in the long-term. Phases of marked fall-off and even recession, such as in the US in 1970, do not make inflation disappear. The joint persistence of these two phenomena, known as stagflation, is in direct contradiction with the superficial analyses of the capitalist economies which used to assert them as being in contradiction to each other. The inflationary policies of giving credit to enterprises are proving increasingly incapable of putting production back on its feet.

In more general terms, the co-existence of inflation, stagnation and unemployment brings into question the classical models of capitalist political economy. Expressing different relations from those in the past between these elements, it shows that these relations do not take account of the fundamental economic laws but only of the apparent manifestations in a given situation. This also shows that the present difficulties of capitalist economies are signs of a crisis of structure.

These three aspects are at the centre of the problem but other phenomena show that this crisis is general.

At the same time that production is encountering difficulties, the harmful consequences of an economy orientated exclusively towards private profit are assuming alarming proportions. The pro-



blems of pollution, environment, urbanisation and living environment, which are prevented from being resolved by the demands of financing of the monopoly groups, are becoming very acute and are adversely affecting the standard of living.

### **Competitive Confrontations of Trade Exchanges**

Finally, this crisis is evident in **the economic relations between capitalist countries**. The monetary crisis is one dimension of this overall problem.

The American decisions of 15th August 1971 which spot-lighted the acute phase of the crisis have also affected trade relations.

Beyond immediate measures such as the surtax on imports by the United States, the unilateral violation by the government of that country of its international commitments and the attitude it has adopted in the monetary and trade negotiations since that date, bring into question the framework within which trade exchanges have taken place over the last ten years.

The attitude of US imperialism to the other imperialist states, in particular Western Europe and Japan, has been characterised at the same time by a marked trend towards protectionism and by an aggressive desire to maintain its hegemony through enormous advantages. Even when it was shown that the growth in economic exchanges was largely favourable to the USA, the latter claimed further facilities in its favour.

### **Effects on Workers**

This increase in competitive confrontations of trade exchanges and the brake on their development in a crisis situation, contradict the analyses which claimed that the complete freeing of exchange would ensure capitalist growth, which would automatically be accompanied by social progress.

Economic policies serving the monopolies have largely sought to ensure their competitiveness in foreign markets through increased exploitation and pressure on the standard of living of wage-earners. Thus, in every country, exports have been developed to the detriment of the home market, this process inescapably leading to an eventual crisis in trade relations. This is not only the fruit of mono-

poly capital competition on world markets, but more profoundly, the stepping up of capitalist exploitation as a result of pressure from the monopolies and the crisis of outlets produced by the over-accumulation of capital.

Conversely, the monetary crisis has harmful effects on the workers. The disturbances in trade and production worsen the imbalances in the employment situation. A currency devaluation is always accompanied by price rises and by increased pressures on purchasing power. Revaluation leads to a sharpening in the intensity of working rhythms under the pretext of competition from abroad.

## IV

# Causes of the Monetary Crisis

THE MONETARY CRISIS RESULTS from the same basic causes through specific mechanisms. Monetary instability is one cause of the increasing instability in commercial exchanges.

Both are closely tied to the movement of capital across frontiers, whether these be long-term investments which modify the commercial flow and themselves constitute an element of disequilibrium in the balance of payments, or speculative short-term movements which have firstly shaken, and then broken, monetary parity and the very machinery of the international monetary system.

The crisis in the monetary system is therefore an expression of the profound difficulties which are affecting all the major capitalist countries as a whole. Even if it accentuates the difficulties, it is, however, neither the sole manifestation, nor the most profound cause.

Analysis of the situation in the main countries concerned confirms that the determinant causes of the difficulties which they are experiencing, are intrinsic causes.

### US Economy in Difficulties

Since 1969, the US economy has experienced serious difficulties. Capitalist antagonisms have increased along with many symptoms linked to the super-accumulation of capital. It is confronted by heightened foreign trade competition to which foreign investments of US capital largely contribute. The Vietnam war, which feeds the profits of the armaments industry, constitutes for the economy as a whole an enormous waste, considerably weakening it. The US economy is undermined by inflation, the main source of which is the public financing of monopoly capital, particularly for war expenses,

and the rising prices which accompany it. The rise in prices has achieved a rhythm of 6% per annum for several prolonged periods.

Inflationary credit and currency policies were not able to combat a serious recession in 1970, accompanied by bankruptcy and very grave difficulties in the major companies. The recovery in production is irregular and has not reached the expected rates. It is being accompanied by a vigorous boost in the inflationary price spiral. In the same period, unemployment has reached very high levels. Even in a period of contingent recovery, there is practically no sign of dropping. It now involves, according to official figures, 6% of the working population.

### **Deficit Balance of Payments**

Finally, in August 1971, the US experienced an unprecedented drop in its balance of payments, whose deficit is, in the short-term the most obvious immediate cause of the monetary crisis.

This deficit was wiped out neither by the measures of 15th August, nor by the Washington agreements. The dollar is still in difficulties and speculation continues in one form or another. The features of the deficit in the balance of payments are highly indicative of the situation of US imperialism in the world. For the first time since the beginning of the century, a trade deficit appeared expressing the relative weakening of the competitiveness of American products and the size of the production of US capital abroad. But the basic cause of the deficit is to be found in the outflow of public capital, particularly in military expenditure, when repatriated profits from private capital invested abroad exceed the outflow of this capital. Thus the foreign trade of US imperialism points to its weakened position despite profits made abroad and hand in hand with expenditure to ensure its political and military hegemony.

### **Difficulties of British Economy**

All the other major capitalist countries are undergoing difficulties of the same variety. Great Britain is experiencing annual price rises touching on 10%. Its production has stagnated. There are some 1 million unemployed in the country. Apart from contingent factors, these symptoms point to the structural difficulties of the

British monopolies whose power was assured for a long time due to their dominant position within the Commonwealth and the existence of the sterling area. The hold of US capital on the British economy has increased their difficulties to adapt.

The major development in the trade of manufactured products, particularly with the European capitalist countries, has meant for Britain a reduction in the relative importance of the sterling area, and an extended foreign trade deficit with the United States and Europe. The devaluation of the pound has ended the advantages it enjoyed as a reserve currency. The policy of tightening of the home market, essentially hitting the purchasing power of the workers and the mass of the people after the devaluation, was intended to wipe out the external debt and boost exports. It has resulted in stagnation, a drop in investments and higher unemployment, and has not prevented the continuation of inflation and the reappearance of the deficit.

### **Effects on Japanese Economy**

Japan, often presented as the model of capitalist development, especially due to the country's growth rate and the size of its foreign exchange, has been particularly gravely affected by the crisis in international economic relations. The high growth in production over a long period has also been hit very hard and has seen a major slackening-off.

Despite the possibilities of absorption of labour in the traditional structures which exist alongside the giant monopoly industries, visible unemployment has risen considerably. The price spiral has become a permanent fact, the surplus of foreign exchange constituting a source of inflation.

It has become apparent that the type of development founded on exports was both a factor in the crisis of international economic relations and a very fragile feature of the Japanese economy in the face of this crisis.

Protectionist measures imposed by the United States and the revaluation of the yen under pressure from the dollar, constitute handicaps for the Japanese economy. Within the context of a lasting crisis in international economic relations, the structures created

by the super-accumulation of monopoly capital make the Japanese economy particularly vulnerable.

## **COMMON MARKET COUNTRIES**

The Common Market countries are experiencing the same sort of difficulties.. Inflation and unemployment are the main features. Official statistics indicate over 2,000,000 unemployed in the six founding countries of the EEC.

### **Federal Germany**

Federal Germany, which has, like Japan, and with the aid of American imperialism, assumed, a place in the forefront among the capitalist countries, is experiencing difficulties arising directly out of the means which the country's monopolies use to extend their hegemony. After the recession of 1967, the GFR's entire policies have been directed towards seeking a monetary position of strength. In the game of antagonisms between the great powers, this policy has made its way in supporting the financial position of the dollar. But it is exactly this position which has considerably increased the speculative inflow of capital, causing an influx of dollars into the GFR which encourages inflation and rising prices. The pressure on wages and a deflationary policy resulted in 1971 in further stagnation and increased unemployment. At the beginning of 1972, price rises reached very high levels. The monetary policy of the GFR, which serves the aims of the monopolies, has resulted in two revaluations, and has been injurious to the healthy development of the economy.

### **France**

In France there has been a rapid price spiral and a serious deterioration in the employment situation. The level of unemployment has risen almost continuously since 1965, except for a period of several months when fulfillment of the demands of the 1968 strikes allowed a recovery in production. This is certainly a phenomenon inherent in monopoly capitalism which appears above all in the concentration of enterprises. Although it is a priority of the government, the trade balance has not come up to scratch. The competitive strength of the country's monopolies is practically only

achieved by a policy of under-devaluation of the currency whose specific result was the devaluation of 1969. This was accompanied by an "austerity" policy to the detriment of the workers. At the present time, inflationary price rises are the most serious element in the deterioration of purchasing power. Even if the situation of the French economy has for the moment certain less unfavourable features, it nonetheless displays the characteristics of a profound crisis.

### **Italy**

The Italian economy is facing a serious situation. Production has stagnated and in one period even regressed. There are over a million unemployed. Prices are also rising at a steady pace. The inadequacy of investments is a characteristic symptom disturbing the situation of the Italian economy. The regional imbalances inherent in capitalist development are particularly evident in this country. Its currency situation is precarious.

### **Deterioration in Economic and Social Situation**

The economic difficulties of the capitalist countries as a whole, reflect the fundamental opposition between the private accumulation of capital and the satisfaction of social needs. They are closely linked to the worsening of the workers' situation, particularly as regards purchasing power, collective consumption, employment and working conditions.

This deterioration in the economic and social circumstances does not exclude the continuation of the fluctuations in the situation and periods of respite. But the features of the situation are seen as the beginning of a prolonged period of increasing difficulties. The only foreseeable prospect in the major capitalist countries as a whole is that of continuing economic instability and the aggravation of the structural crisis.

## **SOCIALIST ECONOMY AND ITS IMPACT ON IMPERIALISM**

The deep-rooted causes of the structural crisis of the capitalist economies is to be found within these economies themselves. Nevertheless the jostling for positions of the different imperialisms is one

of the elements determining the conditions of this crisis. From this point of view, the existence and the rapid development of the socialist countries, the success they are achieving and the power they represent, particularly in the political and economic fields, together with the rise and political successes of national liberation struggles, have weakened the world position of the imperialists as a whole.

This situation is having multiple and complex consequences. On the one hand it makes it more difficult for the giant imperialists to go as far as a worldwide confrontation between themselves and on the other establishes the possibility of peaceful co-existence. But it limits the field of expansion of the monopolist groups and makes clear to the capitalist powers the demands for mutually advantageous economic relations between peoples.

This does not directly constitute a cause of the crisis in the monetary system but nevertheless it is an integral element of it.



## V

# Developing Countries and the Crisis

In international economic negotiations, in particular, countries whose development is hindered by imperialist exploitation are more and more seeking to make their legitimate demands heard and to acquire a position corresponding to their real political importance. One can no longer find a real solution to the crisis in the monetary system and international economic relations without taking into account the relations between the advanced capitalist and the developing countries.

What is particularly required is an attack on the inequality and deterioration of exchange terms directed against the under-developed countries. It is possible to estimate that this deterioration which has reached 23% between 1950 and 1962, with relative variation between the import and export prices, has continued at comparable rates. International guarantees are required for the prices of basic products exported by these countries and their outlets and tariff conditions must be fixed permitting stability and balance in exchanges.

### **Reduction in "Aid Programmes"**

The pressure of capital is not only felt in exchange terms and the repatriation of profits. It is also seen in a drop in investments in the developing countries correlatively with an increase in investment currents towards consumer industries in pursuit of the highest rates of profit and accumulation.

In addition the economic and monetary crisis that the capitalist countries have themselves engendered, leads them to reduce the amount of credits they call "aid programmes" to the developing countries.

There is therefore for these countries a serious lack of financing, all the more serious in that they are dependent on a monetary system within which the 10 major capitalist powers lay down the law.

### **Monopoly Blackmail**

The latter can issue or mutually grant credits at this level for considerable amounts. At the same time, the weighty conditions of credits obtained by the developing countries linked to the exchange conditions result in intolerable debts.

Finally, various forms of monopoly plunder which are not to be found in economic statistics and which are essentially comparable to the imbalances in exchange terms result from technological dependence created by monopolies of the major capitalist countries imposing their processes, equipment and products. These phenomena reveal the need for every country to control at national level the basic machinery of economic management.

The nationalisation of the key sectors of the economy (big business and banking in particular) in the framework of a democratic regime is, in this respect, absolutely essential. The control of trade in general and of the movement of capital in particular would be effective in such a framework. Public control of the price of primary materials and the nationalisation of foreign trade are equally necessary in this perspective.

### **Need for a Radical Change in Power Relations**

Within the monetary system, the problem is that of the power enjoyed by the country or countries which hold a key-currency. At the present stage of the development of contradictions between imperialisms one cannot see how to escape the hegemony of the dollar without a radical change in power relations and working principles.

It is far from probable that the regional monetary poles, of the type of the monetary union proposed in the EEC can seriously affect the position of the dollar. Whatever this struggle for influence may be, so long as the monetary system is limited to the capitalist world, it is in the nature of capitalism — whatever may be the theoretical rules which establish the role of gold or the other reserve instruments — that the power relations which are the features of imperia-

list competition and plunder should express themselves through currency.

From this standpoint, if the Special Drawing Rights system is to grow, it is not admissible that their issue and division be determined by the "rich" capitalist countries which have overwhelming rights at the International Monetary Fund.

### **Need for Balanced Economic Relations**

Beyond the monetary system, the real question is that of a readjustment in the balance level of the forces assuring balanced economic relations.

Confronted with this problem, the interests of the developing countries coincide with those of the socialist countries. It is more especially a question of putting on a more solid basis the new political and economic relations in agreements which would enable much broader and more rapid growth of trade between socialist and capitalist countries on the basis of mutual interest. This unprecedented development in trade is alone able to introduce into international trade negotiations a counterweight to the hegemony of the major capitalist powers. It is also in the interests of the workers of the capitalist countries who have everything to gain from stability and regular, growing trends to increased trade. At the present time, these latter factors, which are having an increasing influence on the rhythm of progress of production, are permanently submitted to the ups and downs resulting from the structural crisis of the capitalist countries.

In the socialist countries, on the contrary, the economic policies and directives which have been adopted for the growth of trade, have both foreseen and applied all the necessary means of avoiding crisis of any kind in economic and monetary relations. This means that in each country, the socialist government monopolizes foreign trade, the issue of money and the planning of the movement of capital. The effects of the capitalist monetary crisis cannot, therefore, affect the socialist countries.

## VI

# Manifestation of the Structural Crisis

The monetary crisis is a manifestation of the structural crisis in the capitalist economies and is a factor in world economic relations between imperialism, the countries seeking to establish their national independence and those which have already acquired it under socialism.

It is a reflection of the most deep-rooted contradictions undermining present-day capitalism.

The domination of profit makes the development of productive forces within the capitalist economies today more difficult, while scientific and technological progress could allow considerable development. Big business can find no other way out than to seek the necessary means for capitalist concentration and the pursuit of massive accumulation, by stepping up the exploitation of the workers and by imposing further sacrifices on the working people.

### **Retardation of Social Progress**

By using to their profit both their own resources and those of the State, the monopolies are creating enormous waste, worsening the imbalances and, all in all, they are aggravating the contradictions which are undermining the capitalist system.

What results from this is an enormous disproportion, a fundamental contradiction between the collective and individual needs created and developed by modern living, and a policy sacrificing the interests of the greatest number to those of the minority who own the basic means of production.

Working entirely in their own interest, the profit motive, the monopolies are able to answer neither the need for full national economic development nor fulfil their own requirements, and still less, those of social progress.

## **Adverse Effects on Scientific and Technological Advance**

At the present time, a very limited number of financial groups combining industrial and banking capital dominate the economic and political life of the major capitalist countries.

Whilst the growth of the opportunities offered by the current evolution in science and technology would allow progress towards the satisfaction of human needs and development, thereby multiplying new skills and creating a greater capacity for continuing the scientific and technological revolution, this movement is impeded by the demands created by the employment of capital by the giant groups. Every independent capital restricts the use of this progress to more or less further its own competitive ends. No capital can indefinitely escape its demands. But because of the profit motive, private capital cannot ensure the financing of the development of research, education and training as social activities. The latter are undertaken completely by the State. Development is subjected to monopolist requirements and impeded and strictly limited by the profit motive. Public spending on these activities is often turned over to private concerns, for activities which, by acting in accordance with the demand of a particular capital-holding, are opposed to the general economic and social requirements.

## **Resulting Imbalances**

It is within this scientific and technological context that the movement of turning capital to account, the expansion of monopoly groups in a great number of countries, the competitive struggles between different capital holdings, concentrations and the restructuring in which they result bring about a certain internationalisation of production and a certain international division of labour. The latter are therefore nothing like what could be brought about by the use of human and technical resources in the mutual interests of workers and peoples of the different countries. They result in serious deformations and very serious inequalities in geographical and sectoral development, in under-utilisation and a growing inadaptation of an enormous quantity of material and human productive forces. The imbalances brought about in this way result in all the manifestations of the crisis as already described.

## **Growth of Multinational Companies**

Multinational companies are one of the major forms of the international expansion of monopoly investments. In State monopoly capitalism the profitability of capital and the accumulation by financial groups rapidly find their limits within the national framework in relation to the general trends of lower profit rates and, despite massive State intervention, the intensification and generalisation of exploitation of the workers. Monopoly capital's pursuit of accumulation requires extension beyond national frontiers and its establishment in situations where the local conditions of labour exploitation and market conditions — linked with its productive potential — concretely guarantee it the highest rates of profits and accumulation. Thus, one can see the so-called multinational companies all have a centre linked to a particular imperialism. Brought into being by State monopoly capitalism and set up with the political, economic and financial support of State intervention in their favour in their countries of origin, the multinational companies are renewing the forms of contemporary capitalism and forging objective links with the capitalist structures of the different countries in which they intervene. These links do not exclude confrontation which continues as a part of their functioning.

## **Effects of Multinational Companies**

But the introduction of foreign capital is effected into the economic and political structures which form a unit. Industrial and banking structures work as circuits centralising and re-appropriating profits. This reality essentially consolidates the introduced capital within the whole, while at the same time having a contradictory impact on the economy generally and eventually on the policies of the country in question.

The phenomenon of the multinational companies — the principal form of the multiplication of monopoly implantations in the capitalist and developing countries — is also an important concrete factor in the aggravation of the crisis. It should be emphasised that the harmful effects of the multinational companies have been internationally-recognised. A recent UN Economic and Social Council adopted a resolution recommending that countries adopt

monetary and fiscal policies to combat the grip of the multinational companies.

### **Multinational Companies and Monetary Speculation**

Not only does the exclusive search for the highest profits create an internationalisation of capital investment and still more of production structures, and an international division of labour which increases the deformations and wastage of productive forces while worsening the workers' situation, but the pursuits and stepping up of confrontation and competition emphasise the acute manifestation of these imbalances. Contradictions are appearing between different capital-holdings in the same country, different capital-holdings in different countries, between foreign capital and State policy, and finally, between States themselves (the policies of each country result from monopoly interests within their country).

In the context of the difficulties and instability linked with the crisis, the unbridled search for profit, under whatever form, results in increasingly serious manifestations of this crisis. In this way the multinational companies and the big banks are the basic agents of the massive and brutal movements of speculative capital which brought about the breakdown of monetary mechanism. It is significant to note that more than three-quarters of the multinational companies are US-owned and that American banking largely controls the Euro-dollar market, which is the favourite place for monetary speculation.

### **Economic and Political Integration**

The new relations of the imperialisms, inseparable from internationalisation, the insertion of the capital of the different imperialisms, as well as the development of the phenomena of crisis necessarily lead the capitalist countries along a road of economic and political integration.

This integration notably takes the form of regional economic groupings, of which the European Economic Community is the most elaborate example. The recent evolution of the crisis has revealed different characteristics of this phenomenon. On the one hand, the deepening of economic integration is encountering limits which

are at the same time due to the continuation of confrontation between different imperialisms within and outside the grouping, and to the pressure of American imperialism to obtain concessions from the different countries or regional groupings which extend ties of this nature to greater associations of capitalist states. The enlargement of the EEC from six to ten countries and the present character of the measures for monetary union adopted in the EEC under the pressure of the crisis correspond to these limits of enlargement.

On the other hand, because of the domination of the monopolies in the Common Market, the present forms of integration with their class content are opposed to the interests of the workers. In spite of obvious contradictions, there is a trend to the concretisation of the forms of supranational power including political institutions and instruments of economic intervention. In the absence of adequate guarantees such power is a direct attack on the exercise of political power and the possibilities of mastering the economy on the national level, that is, the ability to exercise, after discussion with Common Market countries dominated by the monopolies, independent policies that are fundamentally orientated in the national economic interest and the satisfaction of the needs of society.

### **Economic Cooperation between the Two Systems**

In such a perspective, the EEC, linked with NATO, bending to the common demands of the bloc of capitalist powers dominated by the United States, would appear as a key part of the coalition of monopolist powers against the growth of the social and political struggles which go so far as to threaten their very existence in several countries.

The WFTU and its class-based national affiliates will take action against such a perspective. They cannot but come out in favour of the dissolution of the military blocs, for collective security and cooperation based on the reciprocal interest of capitalist and socialist countries and for the democratisation of the Common Market.

With these ideas in mind, the cooperation of regional economic groupings associating the socialist countries with regional economic groupings of countries with capitalist regimes appears as necessary. Conceived as instruments of economic relations between countries



with all their responsibilities lying with governments in this matter, they could bring the most fruitful results.

The diversification of trade with all countries, the growth of economic cooperation with the socialist countries on the basis of mutual advantages and stable commitments are elements which are capable of lessening the harmful effects of the crisis in the economic relations between capitalist countries.

It is not, however, in any position to solve the structural crisis of the capitalist economies, the fundamental cause of which resides in the increased exploitation of the workers and the super-accumulation of capital, themselves engendered by the domination of the monopolies and the intervention of governments in their service.

## VII

# Acuteness of the Crisis

The degree of acuteness of this crisis is expressed in the forms and the intensity of the exploitation, in the objective difficulties of developing production which is directly linked with it, in the crisis of State intervention which gives it its political dimension and in the growth of class struggles.

One of the features of exploitation today resides in the pressures on wages and working conditions as well as in the fact that the inadequacy of the prospects for training and promotion is such that the growth of absenteeism, the technical incidents of production, accidents at work and drops in the quality of production have effects on wages and working conditions also. We also arrive at the position where there is a lack of manpower in certain occupations whilst, at the same time, a considerable part of the labour force remains unemployed whether this be because it has been rejected, is worn out and is unable to adapt, or whether it is because the labour force is either not properly used or is downgraded.

### **Crisis in State Intervention**

State intervention led by the bourgeois monopolists and their governments, tries to increase economic, political and ideological pressure in order to try and solve the problems of capitalism by passing them on to the backs of the workers and the population as a whole.

This intervention is constantly marked by the double difficulty of, on the one hand, strengthening and perfecting the forms of exploitation and the gain of profit and, on the other hand, to get this strengthening accepted.

Recent events are characteristic of a crisis in this state intervention. The effect of the classical policies is to give rise to increas-

ingly growing contradictions. The entire system of financing and support of the monopolies under public control, especially through the channel of the state budget, is in a state of crisis. It has become in itself the source and the mechanism of inflation.

The policy-makers of state monopoly capitalism both nationally and internationally are having to face up to this reality. They are attempting to justify their difficulties in referring to scientific and technological problems, or even to social problems which are indeed real and complex, but which are in no way the cause of the growing difficulties of capitalism. These problems are, on the contrary, acute and sometimes new expressions of the crisis. Similarly, for the problems of pollution, the environment, the utilization of natural resources and the quality of production.

### **A Characteristic Example**

On this subject, the appraisal of Mr. Sicco Mansholt, current chairman of the Common Market Commission, is a characteristic example. In a letter to M. Jean Rey, a former Commission chairman at the beginning of 1971, using the pretext of such problems exaggerating their role and seriousness, he suggests solutions which are all designed at strengthening monopolist control at the European level and which all resulted in aggravating the circumstances of the workers.

It is significant however that such a document contains a confession of the greatest importance as regards the crisis in state intervention :

“It is becoming increasingly evident that national governments are no longer able to guarantee a steady rate of expansion in their economies. This is not a purely European phenomenon as this may be seen in observing all industrialised countries (such as the United States, Japan, etc.) which are prey to galloping inflation accompanied by increasingly serious unemployment. Financial balances are not being attained...”

### **Massive Propaganda encouraging Class Collaboration**

Policies subjected to the interests of big business no longer have the opportunity of choosing between inflation and unemployment, between budgetary imbalances and slow-downs in production, bet-

ween the inadequacy of budgetary spending and the aggravation of the weight of the financial burden on the working people. Such policies give rise to all these phenomena at the same time. The adjustment of these policies in terms of data on the overall situation and the social and political circumstances which are constantly subjected to the quest for the conditions necessary for realising profit, is of a technical nature. It is, moreover, confronted with the relation of the forces created by the class struggles.

Confronted with these struggles, capitalist governments, together with the employers, have to wage massive ideological propaganda linked to new forms — more advanced forms — of encouraging class collaboration (which seeks to give the impression that it is able to reply to today's demands), to question the right and freedoms of the workers and to adopt an authoritarian, intransigent attitude accompanied by attempts at provocation and repression.

### **Sharpening Class Struggles**

In spite of these attempts, which are narrowly interlaced with the very methods of the reinforcement of exploitation themselves, reflecting the inadequacy of satisfying needs and insecurity which are getting worse and becoming general, concern and discontent are ripening and are becoming permanent features.

Class struggles are sharpening and becoming more widespread. During the last few years, they have known an increase which is symptomatic of the profound crisis in the capitalist system.

Since 1968 especially, the class struggles have considerably extended in breadth and have assumed a political content which questions the policies of capitalism and even the system of capitalism itself. In other countries, notably Great Britain, the German Federal Republic, Belgium and the Scandinavian countries, the increasing numbers of militant strike actions — which are sometimes very extensive — are also a recent characteristic feature.

### **Class Struggles in Japan and Latin American Countries**

In Japan, the great class struggles are continuing with a mass character and are making considerable advances. In the United

States, the trade union movement is witnessing a growth of large militant strikes, a wave of more radical ideas and a class desire which questions capitalist exploitation, racism and the imperialist policies of the government of that country.

Also, recently, new conditions have been appearing in Latin America for the struggle against the economic and political grip of imperialism.

The class struggles of the workers led by the continent's trade unions, are playing an essential role in this development. In Chile, the United Workers' Centre is making a concrete contribution on a class basis to the struggle for the changes that are being brought about in the social, economic and political fields. The achievement of these will open the way for the country to pass along the road to socialism. The transformations currently underway in Chile, the changes taking place in Peru and in several other countries still, are creating on the American continent a new balance of power which ties up with the national and progressive positions of the peoples of Asia and Africa.

The struggle that the peoples of Indochina are waging — and particularly that of the people of Vietnam — in conditions of a war in which US aggression is attaining barbarous proportions, a sum-total of unimaginable destruction and suffering is advancing towards complete victory with the support and solidarity of progressive forces the world over.

### **GENERAL CRISIS OF CAPITALISM**

The monetary crisis, and more generally, the crisis in the economic relations between capitalist countries, are inseparable from the profound crisis of the entire system and its growing difficulties.

In the great capitalist countries, these difficulties are not only of an economic nature, but concern all aspects of the life of the nation.

In the development of the struggles for the daily defence of their specific demands, the workers are increasingly questioning the very domination of the monopolies.

In many countries, moral values and the aspirations of the masses to education and learning are trampled underfoot and social diseases are springing up.

## VIII

# Fight Against Monopolist Domination

In this climate, the aspiration to fundamental change is growing amongst the workers in many countries.

The WFTU supports the struggles that the workers are waging throughout the world. Beyond the monetary crisis, and the concrete elements conducive of reaching a solution as advanced by the WFTU, the WFTU has put forward the proposals of an anti-monopolist nature which constitute objectives in the struggle capable of advancing solutions to the great economic and social problems of our epoch. The crisis of capitalism is no longer able to find solutions by merely reshuffling the system. The only solutions possible are a complete re-thinking of the system of monopolist domination and capitalist exploitation.

### Platform of the WFTU

In the struggle to find a way out of the economic and monetary crisis through lasting solutions, the last WFTU General Council (held in Berlin) stressed that it was absolutely essential that the workers' demands be based on a policy of democratic change. In this matter, it indicated :

- the rejection of all submission to US;
- the development of economic and political co-operation between all countries on an equal footing and on the basis of respect for each others' interests;
- the attainment of an economic anti-monopolist policy assuring full employment, and improvements in the purchasing power and the living conditions of the workers;
- the reduction of military expenditure and its use for peaceful and other uses with a view to general disarmament;
- profound structural transformations of an anti-monopolist nature designed at putting an end to the harmful activities of the multinational companies;
- nationalisations and the democratic management of the principal monopolies and banks.

Obviously, the possibilities of mobilising the workers for a broader development of the struggles for the suggested democratic changes are conditioned by the ability of the trade union movement to be profoundly linked to the demands that the workers feel to be the most immediate, as they issue from their everyday circumstances — demands such as wage increases, the right to work, working hours and conditions etc....

In connection with these demands and with the fight to achieve them, the action that the unions are waging on the community institution level of the integrated areas (such as the EEC for example) are becoming increasingly important. Such action is absolutely essential if the consequences on working conditions, tightening co-ordination of employers' and governmental policies in all the fields of economic and social policies are to be successfully confronted.

### **Link T.U. Actions to Mass Movements**

When trade union action vis-a-vis governments and supranational institutions is linked to the real mass movements it assumes a remarkable importance, even to :

- unmasking the anti-working class policies and measures adopted in favour of the monopolies;
- publicising the policies and solutions in favour of the working masses as proposed by the trade unions;
- consolidating the fight of the workers and the united action of the unions;
- accentuating the contradictions and the preoccupations of the ruling political forces in their anti-working class policies which are coming up against mass opposition organised by the trade unions for alternative economic and social policies.

### **T.U.s and UN Organisms**

The same goes for the action of the international trade union organisations in the economic organisms of the UN such as UNCTAD or others such as the International Monetary Fund etc.

The WFTU as well as the WCL and the ICFTU are demanding the right for trade unions to attend these organisms so as to get their proposals known as regards the "drawing up of a new system of international economic and monetary relations". But for the WFTU, these proposals must not fail to condemn imperialist and

neo-colonialist policies, denounce and reject policies which discriminate against the socialist countries in international economic co-operation, condemn and reject monopolist economic policies and the harmful activities of the multinational companies — the bearers of economic and monetary crisis, of increases in unemployment, anti-social repression and attacks against the economic gains won by the working class. It is only working on this basis that the action of the trade unions in the world bodies already mentioned will acquire meaning and usefulness, and thus, in the quest for concrete solutions, furnish alternatives to those of the capitalist governments, that must be supported within these bodies.

Through the documents that they themselves have produced, the ICFTU and the WCL have also given their opinions as regards the monetary crisis.

### **WCL's Demands**

The WCL's documents reveal some affirmations of importance, especially in the Confederal Bureau Declaration which stresses:

- 1) The statement that **“the monetary crisis is both the sign and the expression of a deeper and more generalised crisis which fundamentally questions the capitalist economic system and notably, the process of economic decisions internationally.”**
- 2) The affirmation that **“the WCL is demanding the participation of the workers and their organisations at every level whether it be national, regional or international in the discussions and drawing-up of a new system of international economic and monetary relations”.**

We believe that these standpoints of the WCL could constitute a basis for the development of joint and concerted actions between our organisations as regards the problems of the monetary crisis and its consequences for the workers.

### **Monetary Crisis and the ICFTU**

The prospects are different at the present time as regards the ICFTU which systematically refuses any contact or co-operation whatsoever with the WFTU even if it is not able to prevent an increasing number of its affiliated organisations from cooperating with



our affiliates for the development of an anti-monopolist and class-based policy, as has occurred in Europe, India and other Asian countries in particular.

In its stubborn refusal to come face to face with the organisations of the WFTU, the ICFTU also appears to be in contradiction with some of its own policies concerning the monetary crisis.

In fact, the day after the measures taken by Nixon on 15th October 1971, the ICFTU launched an **“urgent appeal for the holding of an international conference with the complete participation of the unions in order to seek the causes of the economic and monetary difficulties and to find the means of remedying such difficulties”**.

But since then, the ICFTU has not raised the subject again and it seems that, at least for the time-being, it has given up its own proposal in spite of the fact that the WFTU and the WCL have shown their willingness to support such a venture.

### **Mobilise the Workers for Anti-Monopoly Actions**

On the other hand, a careful examination of the analyses and proposals of the ICFTU's Working Group on the monetary crisis leads us to comment that :

- a) No connection is made between the monetary crisis and the aggravation in the capitalist system. Similarly, no attempt is made to get to the structural causes which are at the basis of the present economic and monetary crisis.
- b) The ICFTU takes into account the presence of an economic and monetary crisis and its negative consequences for the workers (reduction in employment levels, price increases, wage freezes) but it takes no account of the deep-lying contradictions between different imperialist powers nor of the worsening of the existing contradictions between the “club” of the developed capitalist countries on the one hand and the developing countries on the other. Ignored is the sharpening of the class struggle between the workers and state monopoly capitalism.

All the concrete proposals advanced by the ICFTU to solve the monetary problem are placed within existing monopolist structures and “to strengthen them” instead of supporting their democratic change in calling the workers to action and struggle. This is why

the ICFTU's proposals are not a realistic basis on which this problem may be resolved.

The trade union movement is in a position to make an important contribution to seeking the solution to the monetary and structural crisis of the capitalist economies, the monetary aspect of which is just one expression of its overall crisis. But for this, as we have already said, we must above all advance proposals and take such action as to mobilise the workers to action with a view to achieving democratic reforms of the monopolist economy and social structures.

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**PART II**

**STATEMENT**

**ON**

**International Economic, Commercial,  
Financial and Monetary Problems**

**Adopted by**

**THE 22ND SESSION OF THE WFTU GENERAL COUNCIL**

**(Bucharest, 1st — 3rd November 1972)**

THE 22ND SESSION of the General Council of the World Federation of Trade Unions has made an analysis of international economic, commercial, financial and monetary questions linked with the most recent developments in the structural crisis of the capitalist system

The WFTU's action in the sphere of international economic, commercial, financial and monetary relations has always been in defence of the interests of workers and peoples and for the establishment of a system of economic cooperation between states, at both the regional and world levels, based on the principles of national sovereignty and independence, non-interference in internal affairs, mutual advantage and the sovereignty of each country in making use of its economic and human resources.

### **The International Monetary Crisis**

The international monetary crisis is at one and the same time one of the most concentrated examples of the sharpening in the crisis of capitalism and also an element in the future worsening of this crisis. With all its multiple and complex manifestations and consequences, this crisis accentuates instability and heightens the contradictions of capitalism in the economic, social and political fields.

The balances of payments of many imperialist countries are in a state of disequilibrium, the major currencies are unstable and both the dollar and the pound sterling — not so very long ago the key currencies of the capitalist system — are no longer able to play their role as secure reserve currencies.

The rapid growth in the short-term foreign debts of the United States and Great Britain has given rise to inflationist depreciation

in the means of international payments, leading to a crumbling of the structure of the system of international settlement and a weakening in international liquidity.

### **Devaluation and Revaluation**

The trend to devaluation or revaluation is proof of acceleration in the process of deterioration in most capitalist countries.

The inflation that state monopoly capitalism claims to have been able to master, is affecting all capitalist countries and is assuming the characteristics of a permanent structural phenomenon co-existing alongside increased unemployment and a fall-back in economic activity. The major responsibilities for this generalised inflation may be found in both the policy of imperialist subversion and aggression (above all in Vietnam) which involves massive military spending, as well as in the extent of the public financing of the activities of the giant capitalist monopolies.

Wide-scale unemployment and underemployment have become permanent features of capitalist economy as a consequence of the increased concentration of capital and the quest for higher profits by the monopolies.

### **International Monopolies and the Working Class**

In one way or another, the international monopolies ("multi-national" companies), have swollen their profits by speculating on the situation in which currencies are constantly "floating" and have at the same time consolidated their grip on the world economy by engaging in the race for a greater ability to compete. The internationalisation of the monopoly capital, the growth of the activities of the international monopolies which are able to freely move from country to country, result in that national economies also become influenced by the competition between the major monopolies. This has very serious repercussions for national economies, for working conditions and for the workers' security of income.

The rhythms of economic growth are frequently submitted to strong overall fluctuations which tend to prolong the periods of slow-down in production and recession whilst at the same time resulting in increases in inflation. In this way, the working and living

conditions of hundreds of millions of workers in the advanced capitalist and developing countries worsen. Higher unemployment everywhere, insecurity of employment, a worsening of working conditions in the factories due to more intense exploitation, higher cost of living because of continuing price increases, serious reductions in public spending for social investments and powerful attacks by big business and governments against the social gains and the trade union rights obtained by the workers after decades of struggle, are all consequences for the workers of the capitalist countries, brought about by the aggravation of the structural crisis of capitalism, of public financing, of capitalist accumulation and of the quest for increasingly high profits by the giant national and international monopoly groupings.

### **Developing Countries**

As far as the developing countries are concerned, the present situation — which was broadly illustrated during the 3rd UN Conference on Trade and Development — may be distinguished by a constant fall-back by these countries in international trade, a regression made even more worrying by the monetary crisis.

Restrictive trade practices resulting from the activity of the international monopolies are contributing to the deterioration in the exchange terms of the developing countries vis-a-vis the advanced capitalist countries. The international monetary crisis has deeply affected all developing countries by limiting their capacity to import and by shackling their exports, in causing even greater fluctuation in their export earnings, in aggravating the conditions of financing and investment and by exporting to these countries the inflation of the major capitalist powers.

The conditions of debt repayment have become even more disadvantageous to the developing countries and the return to the advanced countries of the super-profits of foreign private investment in the developing countries reduces the resources necessary for the achievement of independent, economic development projects of these countries.

## International Economic Relations

The evolution of the monetary crisis over the last few years — the devaluation of the pound sterling in 1967, the devaluation of the French franc in 1969, that of the US dollar in 1971, the revaluation of the Deutschmark in 1969 and that of the Swiss franc in 1971 and the “floating” of many other currencies — have all had a serious effect on international economic relations and trade.

The breakdown of the 1944 Bretton Woods Agreement, which set up an international monetary system giving pride of place to the US dollar, is the result of changes in the economic and commercial balance of power between the United States and its other partners in the imperialist camp, and especially the countries of Western Europe and Japan. The Bretton Woods system gave American imperialism a powerful means of strengthening its hold over other countries, particularly through exporting capital.

The fact that the dollar was the privileged currency made the financing of the whole of the United States policies of domination possible through a chronic deficit in their balance of payments at the expense of other countries.

### Capitalist Countries

The crisis of the monetary system and the international economic relations of the capitalist countries cannot therefore be considered in its purely monetary and financial aspect, but is, on the contrary, a consequence of the general policies of state monopoly capitalism, the contradictions between capitalist countries themselves and in particular the policy of imperialist domination of the United States.

**The present situation is one of attempts to put the international monetary system back on its feet by re-distribution of the balance of power within the international financial bodies and particularly in the International Monetary Fund (IMF) in order to adapt them to the new balance of power in the production and trade of the advanced capitalist countries.**

## Policy of the USA

The December 1971 Washington agreements, those of Basle in March 1972 and the recent meeting of the International Monetary Fund in September 1972 were not able to reverse the crisis in relations between major capitalist countries and between the different economic monopoly groupings. These meetings were merely a further demonstration of the United States' desire to establish "a system of international support for the dollar" at the expense of the other advanced capitalist countries and especially to the detriment of the developing countries. The fundamental problems, whether these be **monetary** (convertibility of the dollar, limitation in the movement of capital, the price of gold) or whether they be **economic and commercial** (the negotiations and rules governing exchange), have remained unsolved because of the wishes of the United States which is counting on future moves to renew its attempt to obtain further concessions from the other advanced countries.

The US proposals for reforming the monetary system and the role of the International Monetary Fund are in fact designed at setting up a system of international regulations in which the United States would be able to maintain its dominant position in spite of the inconvertibility of the dollar and its acute devaluation. To do this, the United States has resorted to every kind of political pressure notably by demanding that the other advanced countries participate in the financing of military expenditure for aggression and to threaten international security, that they accept trade surcharges in order to "help" the US economy, to create more advantageous conditions for US investment and to either revalue or float their currencies.

## Imperialist Powers

The contradictions between imperialist powers have not prevented the advanced capitalist countries from finding "solidarity" in order to confront the requests of the developing countries for the immediate opening of multilateral trade talks (markets and the price of raw materials), to slow down the establishment of a general preferential system (the lifting of tariff and non-tariff obstacles on manufactured and semi-manufactured goods), in order not to define the most favourable forms of development financing for the develop-



ing countries (the link-up between new issues of funds from the International Monetary Fund and development aid, but to limit the participation of the developing countries in negotiations on international monetary matters and to restrict discussion of both monetary and trade questions to those bodies where the advanced capitalist countries have real hegemony (the IMF, GATT, OECD) and which are in no way representative.

### **Socialist Countries**

Faced with this situation, we are able to make a better appraisal of the great difference in the attitude of the socialist countries which base their international economic relations on the principle of reciprocal interest and mutual advantage without creating situation for domination. The European socialist countries have adopted preferential tariff systems with a view to increasing imports — particularly of manufactured goods — coming from the developing countries.

### **WFTU Demands**

As far as the specific elements for the solution of the monetary crisis is concerned, the General Council of the World Federation of Trade Unions stresses that no purely “monetary solution” technique (such as SDR’s) is more effective than another in overcoming the complex problems of international economic, trade, scientific, financial and monetary relations, but that the main question is the establishment of a new system of economic relations based on international cooperation in which all countries, whatever their social and economic system or stage of development, may participate on an equal footing in the interest of the workers and people.

**It affirms** the demand that all negotiations on economic, trade, financial and monetary problems be carried out within the framework of a universal representation (UNCTAD or a world conference) attended by countries belonging to differing economic and social systems and that such talks should not take place in closed groupings of restricted composition where the advanced capitalist countries have hegemony and that negotiations open as soon as possible, in particular those of the greatest urgency for the developing countries, such as multilateral trade negotiations and a general preferential system;

**It is in favour** of a reform of the international monetary system which would end the domination of the international financial groupings and end the reserve system based on no matter what currency, for greater international control over such a monetary system, for the adoption of provisions designed at bestowing all countries with the necessary liquidities to overcome temporary balance of payment problems and which would exclude conditions being imposed in questions of national economic sovereignty;

**It emphasises** the urgency of putting an end to US manoeuvres, which, using the advantage of their domination of the International Monetary Fund and the World Bank, impose on these international financial bodies standards of conduct in borrowing, based on political considerations, as was the case for Chile.

### **Measures for the Solution**

At the same time as suggesting specific measures for the solution of the monetary crisis and that in international economic relations, the WFTU General Council reiterates once again that these measures can only be accepted and adopted if the workers and the great mass of the people concerned are able to impose them through struggle, the main aim of which is substantial democratic changes which would end the economic and political domination of international monopoly capitalism, which not only provokes crises but prevents their solution in the interests of the workers and the great mass of the people.

The WFTU General Council calls upon workers and unions throughout the world, irrespective of outlook, to take action and extend unity nationally, regionally and on the international level with a view to forcing — in the ways and forms demanded by the particularities of each situation — economic policies and anti-monopolist demands which would guarantee:

- full employment and improvements in the workers' purchasing power and living conditions;
- structural changes capable of ending the harmful activities of the multinational companies;
- nationalisation of the major monopolies, the key industries and the banks — and the democratic management of these — in

order to limit the power of the giant capitalist enterprises and make control over the movement of capital possible;

- measures which would attack the basic roots of inflation which are essentially caused by the monopolies' demand for accumulation and massive profits, and the public financing of these;
- a reduction in military expenditure and the use of funds saved thereby for peaceful purposes, and other measures with a view to general disarmament.

The WFTU General Council emphasises that the international trade union movement at every level has the responsibility of exerting every possible effort in order to step up the mobilisation and joint action of the workers to win the necessary democratic changes for a positive solution of the serious problems existing at the present time in international economic, trade, financial and monetary relations which are weighing so heavily on the shoulders of the workers and the broad masses of the population in the capitalist countries.

Bucharest, 3rd November 1972.